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CALL TO ORDER

[Time: 00:00:07]

Mayor Ortega: Okay. I call the March 5, 2024 City Council Regular Meeting and Work Study Session to order. City Clerk, Ben Lane, please conduct the roll call.

ROLL CALL

[Time: 00:00:15]

Ben Lane: Thank you, Mayor. Mayor David Ortega.

Mayor Ortega: Present.

Ben Lane: Vice Mayor Solange Whitehead.

Vice Mayor Whitehead: Here.

Ben Lane: Councilmembers Tammy Caputi.

Councilwoman Caputi: Here.

Ben Lane: Tom Durham.

Councilmember Durham: Here.

Ben Lane: Barry Graham.

Councilmember Graham: Here.

Ben Lane: Betty Janik.

Councilwoman Janik: Here.

Ben Lane: And Kathy Littlefield.

Councilwoman Littlefield: Here.

Ben Lane: City Manager Jim Thompson.

Jim Thompson: Here.

Ben Lane: City Attorney City Attorney Sherry Scott.

Sherry Scott: Here.

Ben Lane: City Treasurer Sonia Andrews.

Sonia Andrews: Here.

Ben Lane: Acting City Auditor Lai Cluff.

Lai Cluff: Here.

Ben Lane: And the Clerk is present. Thank you, Mayor.

Mayor Ortega: Excellent. Just double checking, we are on the air and recording? Good. Thumbs up. We have Scottsdale Police Sergeant Sean Ryan, as well as Sergeant Burris Ingram and Firefighter Dustin Brown should anyone need assistance. We will begin with the Pledge of Allegiance. I will call on Councilwoman Betty Janik.

PLEDGE OF ALLEGIANCE

[Time: 00:01:10]

Councilwoman Janik: I pledge allegiance to the flag of the United States of America, and to the

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Republic for which it stands: One nation under God, indivisible, with liberty and justice for all.

MAYOR'S REPORT

[Time: 00:01:38]

Mayor Ortega: At this time, I want to draw our attention to the ongoing war in Ukraine. It's into their third year as they fight for their freedom and democracy. I ask you to join with me in silent reflection for Ukraine. Thank you.

Next, we will have a Proclamation, and the proclamation presented today is for a very essential department in our city. After I read the Proclamation, our illustrious crew will come forward.

This Proclamation is pertaining to whereas the public procurement professional plays a significant role in the efficiency and effectiveness at every level; and whereas, in addition to the purchase of goods and services, procurement professionals perform vital functions as to executing contracts and cultivating work relationships with suppliers and other departments within city organizations; and whereas, the public procurement professionals in the City of Scottsdale are committed to providing high caliber strategic logistical and operational support of all departments in the city; and whereas, the public procurement professionals in the city of Scottsdale recognize, support, and practice the public procurement values and guiding principles of accountability, ethics, impartiality, service and transparency, established by the national institute for public procurement, as fundamental Tenets of the public procurement professional; and whereas, the city of Scottsdale highly values the individuals who are procurement specialists in our organization. Therefore, I, the Mayor of Scottsdale do declare Wednesday, March 13 as Procurement Professionals Day in Scottsdale. Let's hear it for them!

Well, next, I will call on the City Manager and he will provide his Manager's Report.

CITY MANAGER'S REPORT

[Time: 00:05:30]

City Manager Jim Thompson: Thank you, Mr. Mayor, members of Council. We have a short video this evening.

Stephanie Hirata: Hi, I'm Public Affairs Specialist, Stephanie Hirata with Five Fast Things. Number five, save the date. Scottsdale has events coming up you won't want to miss. Just to name a few, family art at SkySong happening March 22nd and 23rd and celebrate spring with a western flare at bonanza at Scottsdale Civic Center. And looking ahead, Scottsdale Earth Week returns April 20th through the 27th with a variety of activities. We hope to see you there at Earthfest from 9 to 11 a.m. at Cactus Park. Get all the details at Scottsdaleaz.gov and search event calendar.

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Coming in at number four we are building a new park. Ashler Hills is our new 17-acre park under construction. The new site will bring recreation amenities to far north Scottsdale including open turf areas, a shaded playground, fitness stations, sports courts and walking and hiking trails. Construction will continue through early 2025. For more project information, visit Scottsdaleaz.gov and search Ashler Hills Park.

Next up at number three, did you know more than 1.5 million residents and visitors use the city's Indian Bend Wash crosscut canal and Arizona canal paths each year. To keep those paths ready for use, Scottsdale's transportation and streets department is always on the job. Street operation crews inspect trails, coordinate the trimming of overgrown vegetation and removal of storm debris. They use a custom mini sweeper to maintain 120 miles of paved paths this year they have installed more than 200 new wayfinding sounds between the city's southern boundary and the Indian Bend Road. It will help to direct users to points of interest such as Old Town and the Civic Center Library. Plans are currently underway to extend a signed package to all the multiuse paths. To find out about the current project, visit Scottsdaleaz.gov and search wayfinding.

At number two, Scottsdale wants to hear from you about two important public projects. Be part of shaping the future of Scottsdale's parks and recreation programs. Share your thoughts to help the city ensure future priorities are citizen-driven and meeting the evolving demands the community and the community assistance office is interested to hear your thoughts regarding federal funds to assist low to moderate income individuals and families in our community. The ideas our residents share today are just as important as they were in every era of Scottsdale's past, only now having an impact is just a few clicks away. Visit Scottsdaleaz.gov and search get involved.

Wrapping things up at number one, spring training is underway at Scottsdale Stadium. Catch the San Francisco Giants and Cactus League action before beginning their regular season. Need a lift from Old Town to Scottsdale stadium? Take the Scottsdale Trolley, the free service starts 90 minutes before the first pitch and ends 30 minutes after the last inning. The trolleys offer 20-minute ride frequency located near parking garages in Old Town. And if you ever wondered what goes into planning for spring training check out our latest Podsdale episode. Search Podsdale on your favorite podcast app and don't forget to subscribe. And that's Scottsdale's fast five for March. Thanks for watching.

Mayor Ortega: We will move to a presentation by Experience Scottsdale. We have Rachel Sacco, President and Chief Executive Officer of Experience Scottsdale. Great to see you, Rachel.

PRESENTATION/INFORMATION UPDATE

[Time: 00:09:12]

Rachel Sacco: Thank you, Mayor and members of the Council, I'm Rachel Sacco, President and CEO of Experience Scottsdale and I really appreciate the opportunity to update you on our latest

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efforts to support Scottsdale's tourism industry but also our community and our residents. Next slide, please. Since I last presented here, a few months ago, the city has received its annual visitation data from Longwoods International and Applied Economics and that shows that the visitors accounted for about 21% of all the city's total privilege tax collections which is amazing. We have often shared the benefits of these tax dollars that they bring to our citizens and community at large.

And with the bed tax dollars in particular, funding those capital projects and those special events are so important to our community and even our residents. Last year \$4.4 million in bed tax collections helped to fund about 40 different events in Scottsdale. From community events like our beloved Parada Del Sol, even up to mega events like the Super Bowl. And this year, it looks like there's going to be about \$16 million additional of bed tax revenue, budgeted to be spent on capital projects that benefit our community. So, from our residents' stand point if almost a quarter generated by visitors that go into our tax collections it means your tax burden is lower but yet you can reap the benefit of so much of wonderful things that tourism brings to make this an exciting place to live and visit. Next slide.

So having said that, Experience Scottsdale's efforts are really important to ensure that these visitors and their important tax dollars land in our community, not in our competitive set. So, January is a kickoff for us. It's also the season of so many of our experience marketing campaigns including the annual campaign that targets Canada. Thanks to the bed tax being a lot more robust this year we have been able to actually have a year-round campaign in the entire country of Canada. But when it becomes in season, we really ratchet it up.

So, in addition to the TV commercials that are year-round and the email and the digital messaging that goes on, we also do something like this, which you see here. This is a takeover of a transit station in Toronto, Canada. And it surrounds 1.2 million commuters that are there every single week with beautiful Scottsdale imagery. Our in-house creative team developed this as they do all of our creative, but they did something different this year. If you can see those stairs that are going up, as you go up or down, we added an audio component this year. So, you can actually not only see the desert and what blooms here, but you can hear the sounds of the desert. Imagine going up or down those stairs and you hear cicadas or an owl or even a coyote or even more. Next slide.

[Time: 00:12:12]

So, in late January and early February, there are commuters that are in New York City and Chicago, that also had a chance to see a little bit of Scottsdale sun. This is the Scottsdale sun globe that was developed by our in-house creative team. It is a snow globe-shaped heating station that features a beautiful desert mural that was painted by a local artist, and you actually walk inside it because it's heated. When you walk inside, there's an incredible cactus flower cent that you are immersed in, that was also created a local company called Scottsdale Light and Park. You are also handed a prickly pear hot tea that was also from a local company called Tea

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Time Scottsdale right here in the Old Town. Next slide.

We actually were able to connect one on one with thousands of people in New York and Chicago answering questions about Scottsdale, making them feel like they were really, really welcomed to come here. And of all of the immersive products that we brought to various markets, I have to say, this is the most hands on, the most personal, and the most memorable of all. And now we are connected because we have the contacts for those many thousands of people that we met. I think a Swiss tour operator said it best when he stopped by our sun globe experience. He said, I have traveled the world for my job and for my own personal, and I have never seen another city do anything nearly as nice anywhere else in the world as you in Scottsdale. Next slide.

If you want to see the inspiration behind that original mural, here it is right on the civic center here. And you can take a photograph or an Instagram as a resident or certainly as a visitor. Next slide. Last year, we were all about super season with our Super Bowl here, but when you think about it, every single year in Scottsdale is a super season, when you look at all of the events that we have. So, when January comes around, we launch the Scottsdale signature event season campaign and that and the many promotions that surround that are actually going from January through April, and they target 24 of our top drive and fly markets, even including the United Kingdom. Again, because we have more bed tax dollars this year that have been generated, we re-invest those by going into those new markets so, again, rather than just having our top five or six primary markets, we have 24 new destinations that are hearing about Scottsdale and I'm sure wanting to visit. Next slide.

Advertising and marketing are the cornerstone for us to bring our visitors here and leave their tax dollars behind but also what is important is the earned media that our communication development company and our communication department actually is responsible for. And I'm really pleased to tell you that throughout the first half of this fiscal year, so from July through December, our communications team has generated an astounding 6,000 media hits about this destination in just six months. And that is our highest ever on record. These press trips and the journalists that we bring in are so critical because they are able to see what's new and right about it, and meaningful and authentic and very frequent coverage. And we love inviting them to Scottsdale, just over the past several months, we have had press and journalists from Germany, from the U.K., from Canada, even the U.S. golf areas throughout the country. Next slide.

[Time: 00:16:00]

On the meeting side, this is really important. There's not a hotel or a resort here that doesn't depend on filling their base with group meetings business. So, our sales team is working really hard to generate leads for the Scottsdale resorts, and hotels and venues. So, in the first half of this fiscal year alone, 22% of all of our leads were from new clients. What that means is that this is a client or a meeting planner that has never, ever, been in our database before at Experience

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Scottsdale or they have never actually been to Scottsdale or both. So as a result, we have seen bookings increase 24% year-over-year and the room nights from those bookings have increased 34% year-over-year. So, Scottsdale is hopping with a lot of new meetings. The photo that you see there was from in December we hosted the Scottsdale meeting showcase. It was 24 meeting planners that came here, toured the area, and they had a chance as they were meeting here at the field house, at the Scottsdale stadium to actually interact with 32 of our experienced Scottsdale local business members, and show them what they could do to get involved with their meetings. Next slide.

Not to be out done, our tourism team has been educating luxury travel advisors and tour operators throughout North America and in Europe, on how to sell Scottsdale. In the first half of this fiscal year, once again, we have connected one-on-one with over 2,000 travel professionals through trade shows, missions, events, and trainings. We continue to always focus on that high-end luxury traveler, and we do that through this partnership that we have with that Virtuoso. You heard we talk about that because you cannot join a Virtuoso partnership, you have to be invited to be a part of it. And that allows us through the Virtuoso travel advisors to reach the high-net-worth client not just throughout the United States, Canada, and Mexico, but actually abroad as well. We have been able to talk to those high-net-worth clients to get them to think about having a vacation or a trip to Scottsdale. And this month we are traveling to the U.K. and Ireland to actually meet more of them abroad. Last slide, please.

The thing I'm most excited to tell you about is that we have so many new endeavors, but we are this month going to be filming a brand-new television commercial. I'm excited because what better month to film a commercial in the desert than in March. So, the film crew is coming out. What we have done is months of research and prep to make sure we have the total messaging, the research that says what people want to hear, and what will emotionally connect with them to have them watch a 30 second commercial and then be inspired to go to our website or to book Scottsdale.

I can't wait to show you what's new in that and to also show you some of the most authentic things that you can do only in Scottsdale. So, I want you to see how we're branding this around the country and the world and hopefully the next time I come to talk with you, I can show you that. I want to close by thanking you so sincerely for all of the confidence that you give us, the trust that you have in us and your support and that goes for all the city staff as well. We couldn't do what we do without your support and your partnership. So, on behalf of my entire team and our industry thank you so very much. I'm happy to answer any questions you might have.

Mayor Ortega: Councilwoman Janik.

[Time: 00:19:39]

Councilwoman Janik: Thank you. Just one comment. You continue to surpass our expectations. It is amazing. Thank you for what you do. You keep our taxes low, and all of this tourism keeps our

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standard of living high and the standards of all of our open spaces, our businesses high. So, thank you.

Rachel Sacco: Thank you.

Mayor Ortega: I would add one other thing. You know, repeatedly, repeatedly, visitors, whether they are foreign or domestic, tell me that Scottsdale is very beautiful, clean, safe, and of course, they are here for wellness purposes. And when we actually look at it, we re-invest those sales tax dollars that are paid by visitors into our, that environment, that self-sustains our environment here as residents. Thank you, Rachel.

Rachel Sacco: Thank you, Mayor.

Mayor Ortega: Okay. With that, we will move on. Next, it is possible during this meeting that the Council may make a motion to recess into executive session to obtain legal advice on any applicable item on the agenda. If authorized by the Council, the Executive Session will be held immediately and will not be open to the public. The public meeting would then resume following the Executive Session.

Also, regarding our City Hall rules, per our Council Rules of Procedure, citizens attending City Council meetings shall observe the same rules of order and decorum applicable to members of the Council and staff ourselves. Unauthorized remarks or demonstrations from the audience, such as applause, yells, and/or other demonstrations are not permitted. Violation of these rules could result in removal of the meeting by security staff and, of course, our meeting will flow very well with, as we are cordial with one another. Next, we have Public Comment.

PUBLIC COMMENT

[Time: 00:21:48]

Public Comment is the, is reserved for Scottsdale citizens, Scottsdale business owners and/or Scottsdale property owners to comment on non-agendized items that are within the Council's jurisdiction. Advocacy for or against a candidate or a ballot measure during a Council meeting is not allowed pursuant to state law and is therefore not deemed to be within the Council's jurisdiction. No official Council action can be taken on these non-agendized items. And speakers are limited to three minutes to address the Council. If you wish to speak, some of you have already checked with the Clerk, and, of course, I will call you forward, and you will have three minutes. First, we have three speakers. And I would call forward Lizbeth Congiusti, and then Lee Kauftheil.

Lizbeth Congiusti: Good evening, Mayor Ortega, City Councilmembers, thank you for allowing me this opportunity. This is the second time I've been here. And I am here as a homeowner in Pleasant Run. I live at 7405 East Pleasant Run. I'm Chair of the Architectural Review Committee,

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and HOA Vice President. I have witnessed firsthand the unnecessary financial burden that our community has been subjected to due to the lack of communication and unnecessary delays by Scottsdale's Planning Department. Our association has had to bear legal expenses that could have been avoided with proper communication and timely responses.

The City of Scottsdale's Planning Department actions have not only caused an unnecessary financial burden on our 2023 budget, but also has ultimately resulted in mental and emotional strife among homeowners and HOA board members. This is not just about the money. It's about respect for our community, our time, and our peace of mind. We are asking for \$11,675 reimbursement, dollars spent for our attorney, or compensation from either the city of Scottsdale or the Planning Department for this unwarranted expenses. We believe it is a fair request considering that we are a self-funded organization working towards maintaining a pleasant living environment for all of our residents. You may remember, I've been a volunteer for the city of Scottsdale since 2006. Had you paid me all the hours that I put in, it would be far more than the \$11,675 our community is asking for. Our plea is simple. The City should take responsibility for its part in this debacle.

It should ensure better communications moving forward so no other community has to go through what our community at Pleasant Run did. When we finally met with the Planning Department, they immediately gave approval for the patio request of our homeowner and they made no changes to our current process or procedures, yet it took from May to October to get that approval, and to find out that our zoning was within compliance and the processes that we used to have our homeowners submit for patio requests need not be changed. I thank you for your time and I thank you for your consideration.

Mayor Ortega: Thank you and we received your petition. Secondly, next, I will call Lee Kauftheil and then Brent Bieser.

[Time: 00:26:15]

Lee Kauftheil: All right. Lee Kauftheil, I live at Thomas and Miller, and I have a video I wanted to show. So, this is the view just right outside my house. I live on the side of Thomas that has had a road diet done to it or a restriping and this was taken about ten till five at, near the top of how busy the street is. And you can see that the traffic is busy. The congestion is happening, but everybody who gets stopped at that stoplight is able to make it through in the next cycle. There's been a lot of talk about restriping, road diets, whatever you want to call them, but for me, living on this street that has these, that has been configured this way, makes it safer, makes it easier. I do not see the claims that there are about the horrendous amount of traffic and congestion that it has caused.

This road here is two lanes going in each direction. There's a center lane a little farther to the east where cars and drivers are able to make turns and do u turns and all that. And I know that on the west side of Scottsdale Road, it is two lanes heading west and three lanes heading east. I

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know that there was a lot of concern about taking away one of those travel lanes in order to make that west side of Thomas Road easier to move on for people that are not in vehicles. And as you can see here, you know, there's a cyclist who is using that bike lane. There, all the traffic is able to move there.

The same traffic that has three lanes to the east, heading east, on the west side of Thomas is still able to get through. And so, I just wanted to just show this video to you to kind of bring home what it looks like when Scottsdale and the Transportation Department has looked at these volumes and has made the decisions to restripe these and reconfigure these roads to the appropriate, to the appropriate level of service. And as you see, we went through two cycles of that stoplight, and all, there were no cars that missed that green light who were waiting previously. And there's 13 more seconds of this but I assume the point is made. So, thank you.

Mayor Ortega: Thank you very much, Lee. Next, we have Brent Bieser.

[Time: 00:29:38]

Brent Bieser: Good evening, Mayor, City Council. My name is Brent Bieser, 7317 East Vista Drive. I think this is my fifth time back here. I have three minutes but I'm probably not going to use anywhere near it. I have submitted a petition to the City Council regarding a request to amend the zoning ordinance for the SR zoning. It used to be several years ago anything that was located within SR zoning that was going through a construction or remodel, needed to go before the Development Review Board. And, you know, when you consider the sensitivity of what SR zoning is supposed to be for, as far as protecting, you know, single family residential neighborhoods, that made perfect sense. And some years ago, and I don't know quite when and I don't know definitely why, but the request for the requirement to go before the Development Review Board was removed. And it was allowed to basically go through at just the staff level. And what it is handed is at the end of our neighborhood, two SR parcels have been having some problems.

And the city was gracious enough, Christie Hill with the citizen liaison department, was able to put together a meeting and we had the Zoning Administrator Perrault, Brent Stockwell, the Assistant City Manager, some traffic engineers, and such were able to attend. And the purpose was to basically try to figure out some way to clean up the mess that has resulted from these parcels at the end of our street not the going through the proper scrutiny that a Development Review Board would have been able to, you know, replace and to review these things. Basically, what happened was these messes sort of slipped under the radar of the city staff and got approved without actually getting the proper due care that they should have. So, what requesting in my petition is could we please put that requirement back, that SR-zoned parcels, whether it's a remodel or a construction or something like that, actually go back and have a development review, a full Development Review Board approval with the city, with the public input, and public notifications that used to be in place.

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I'm sure that maybe the previous Council thought they were not a lot of SR parcels, it's not that important and we'll just let the staff handle it. Let me tell you, it's important. We've got two major messes at the end of our street on SR parcels that the zoning ordinance had been applied, none of this would have happened, but as staff, I'm sure just because of working load, and lack of resources, mishandled. And so, I respectfully ask that we put that provision back in to go to the Development Review Board on SR parcels. So, thank you very much. If there's any questions, I did leave my name and phone number on the petition, and I'm welcome to take any calls or information.

Mayor Ortega: Thank you, sir. We will not discuss it, but we do accept it as a petition and thank you very much.

Brent Bieser: Excellent, thank you. Do you discuss or vote at the end?

Mayor Ortega: Right now, we can't vote on anything but thank you for presenting it and I take it as a petition. Next, we have, that concludes public comment. Therefore, I will close public comment. Next, we have consideration of the minutes.

MINUTES

[Time: 00:33:09]

I request a motion to approve the Special Meeting Minutes of February 6, 2024, Executive Session Minutes of February 6, 2024, Regular Meeting and Work Study Session Minutes of February 6, 2024.

Vice Mayor Whitehead: So moved.

Councilwoman Janik: Second.

Councilmember Durham: Second.

Mayor Ortega: Thank you. We have a motion and a second. Please record your vote.

Councilmember Graham: Aye.

Mayor Ortega: So, we are unanimous, thank you, and moving on.

CONSENT AGENDA

[Time: 00:33:49]

Mayor Ortega: Next, Consent Agenda Items 1 through 15. Just to be clear, these items have a full file on them and are available and have been reviewed. They have met the standard as

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Consent Agenda items. We have the opportunity to call upon the public should they have any comments on the Consent Agenda items. The Clerk tells me there are no requests to speak from the public. Therefore, I will close public comment on the Consent Agenda Items 1 through 15. The next opportunity is that any member of Council can make a comment or ask for clarification on any Consent Agenda items. And I will call first on Vice Mayor Whitehead and Councilwoman Janik.

Vice Mayor Whitehead: Mayor, I motion to approve Consent Agenda Items 1 through 15.

Councilwoman Janik: Second.

Mayor Ortega: A motion and a second to approve Consent Agenda Items 1 through 15. Any discussion? Seeing none, please record your vote.

Councilmember Graham: Yes.

Mayor Ortega: Thank you. They are approved unanimously.

REGULAR AGENDA

ITEM 16 - THE CITY'S PROPOSED FISCAL YEAR (FY) 2024/25 RATES AND FEES

[Time: 00:35:16]

Mayor Ortega: Next, we will move to Regular Agenda Items 16 and 17, 16 is agendaized it's the City's Proposed Fiscal Year 2024-25 Rates and Fees. Our presenters are Ana Lia Johnson, Acting Budget Director; Brian Biesemeyer, Water Resource Executive Director; Dave Bennett, Solid Waste Department Director; Michael Clack, Chief Development Officer; Judy Doyle, Community Services Assistant Executive Director; Jeff Walther, Chief of Police; Luis Santaella Deputy City Attorney; and Mary Ann Bayardi, Presiding City Judge. We will lead it off with you. Thank you so much.

Ana Lia Johnson: Thank you, Mayor and members of Council, my name is Ana Lia Johnson, I'm the Acting Budget Director. Tonight, we are here to present the proposed rate and fee changes for fiscal year 2024/25 rates and fees. I will mention tonight, there's no action needed from you tonight. This is just for presentation purposes and an opportunity for Council to provide feedback. We will be back on May 14 to adopt the rate and fee changes. Next slide, please. Each division will present to you in detail their proposed rate and fee changes. These changes will then be posted to the City's website so the public will have an opportunity to review at least 60 days in advance of the public hearing and adoption on May 14. Next slide, please.

Just as a quick overview before we get into the details. We categorize our rates and fees by enterprise and non-enterprise. For the enterprise category, per our Enterprise Financial Policy,

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enterprise rates and fees are reviewed annually, and should recover all direct and indirect cost of service, debt service, and provide adequate funding for future capital needs. Under this category, water resources and public works will be sharing with you shortly their proposed rates and fee changes. For non-enterprise category per our Revenue Management Policy non-enterprise rates and fees should be reviewed periodically and should be set based on an acceptable recovery for indirect and direct costs and services. Tonight, under this category, planning and development services, community services, police, city attorney and city court will be sharing with you their proposed changes. Next slide, please.

Thanks. Overall, the proposed rate and fee changes for '24/25 total an additional \$29.9 million to the City. In the non-enterprise category, the General Fund rate and fee changes total \$1.6 million in additional revenue. The special programs fund, \$0.8 million, and the capital stormwater fund \$1.1 million. The total forecasted additional revenue in the enterprise category totals \$14.4 million. With that, I will turn it over to Brian Biesemeyer, our Water Resources Executive Director to present his rate and fee changes.

[Time: 00:38:47]

Brian Biesemeyer: Good evening, Mayor and Council, Brian Biesemeyer, Executive Director for Scottsdale Water, and I have a short presentation on our rates and fees. There we go. As was just mentioned, your water and wastewater fees are enterprise-based, meaning we are basically run as a business, and our revenues are only our rates and fees that we collect. Not funds from the General Fund. We do this based we base our rates and fees on multiyear financial plans. We're in a position that's really a new reality for water utilities in Arizona, and the southwest. I've been presenting to Council here for 11 years and this is the first one that I've really felt this kind of talk about the new reality we exist in. And that reality is brought on by a 23-year drought that the Colorado River basin has seen, as well as a change in Colorado River allocations that are pending that will come in 2027.

All the allocations on the Colorado River and for the basin states are set by a number of different agreements between the federal government and the basin states. All those agreements expire at the end of 2026. So currently the basin states and the federal government are in negotiations on what those new allocations will look like. But as you will recall from Gretchen Baumgartner's reports to you on the drought and where we are within the drought, that the last 30 years, our runoff on the Colorado River is between 16 and 20% less than the runoff which was originally set in 1920. So, the original projections and allocations in the Colorado River were based on 1920 study on the Colorado River and how much water that would be there.

We're now running 20% less than that, and so we can expect when they do allocations, a potential of a 20% reduction in our Colorado River allocations. So, what does this mean? This means we need to find new resources. And so, you will see that we have embedded some costs to find new resources in our budget. We also have cost of infrastructure to use our existing

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water resources and maximize them. We have inflationary costs that have really created a new normal. And you might say, and that new normal is not my wording.

If I could get the Elmo going. If you could zoom in a little closer to the highlighted section. This is from a first rating out in January. And you can see although the headwinds related to general inflationary pressures have eased, they have led to a new normal operating environment whereby utilities sector-wide have had to account for higher costs. And then in their outlook which is a little down here farther you can see utilities are managing to a new higher cost environment, capital spending to continue rising. We also have aging utility infrastructure, as you will recall, two years ago we celebrated our 50th anniversary. Scottsdale Water's 50 years of service. Underground piping and mains are projected to last between 50 and 100 years.

So, we're entering in that time frame where we're going to be replacing underground assets. Our pumps and motors and other above ground assets will last between 5 and 20 years. And so, they continually need replacing. And we have a competitive job market. There's a lot of folks out there with hair color the same as mine that are starting to retire, and we're having to bring on that next generation, and it's a very competitive market to bring on those folks. And I will discuss that later. A little bit of new reality that's affected some of our neighbors and how much their rates have had to go up as they have addressed issues with their systems. We are really at a crossroads, and we think we need to take a path that commits us to a road that can supply us with enough water to secure our future. The good news is we have been at this crossroads before and we as a community made some very good investments.

So, in the, after the 1980 Groundwater Management came to be a decade later is when most of the aspects of that law came to fruition. Scottsdale was in a position where The Central Arizona Project was coming through Scottsdale. We had a water asset, and the community decided to build the Scottsdale Water Campus which has served us well. Allowed us to recycle a lot of water, allowed us to use that Colorado River water coming through the city, and it ended up being a great decision, but it took a little bit of investment to get there. So, the water campus came into being in 1998, when the first water came through it, but there had to be investments beforehand. And so, these are the investments in FY-93 through 95 and the rates that corresponded to making those investments.

We set our rates. A little bit of history. Apologize for diverging from how we set our rates. We set our rates based on our costs and our costs alone. And the cost that we have seen really increasing our on the operations side, our raw water costs. We also have increasing costs of electricity; the APS is projecting a 13% increase in our commercial rates. Yes, Mr. Mayor?

[Time: 00:45:25]

Mayor Ortega: Thank you. I just meant to say are those rates year-over-year?

Brian Biesemeyer: Those are year-over-year.

Mayor Ortega: Just to clarify that.

Brian Biesemeyer: Yes, sir, Mr. Mayor.

Mayor Ortega: Thank you.

Brian Biesemeyer: We have an increased conservation budget, both in our staff and our rebates and increase of personnel cost in general. Our proposed division budget and you can see the breakout of our costs in the significant portion of it that is both purchased water, electricity, and personnel costs. So how these rates changed over time, you can see that over the last five years, our personnel costs have gone up dramatically. Our raw water costs have gone up even more dramatically. Our electricity costs, we've been able to manage, but we've got to a point where they are going to increase more than previous years. On the chemicals, we initially saw an increase in the chemical cost in the COVID time frame and right after COVID, where we had supply chain issues, but we are seeing them stabilize and we are able to optimize those. So, we actually brought down our chemical costs in our requested budget.

Significant cost drivers on the capital side, CIP, capital improvement program, we have drought-driven improvements, our ASR wells, our automated meter program, and our water reuse and processing efforts to recycle more water, our Bartlett Dam Feasibility Study. We have gotten to the point with the Bartlett Dam where over the next five years if we want to be part of that dam, the new Bartlett Dam and get some of the water, the new water behind there, we are going to have to make that investment. So, we have programmed in our five-year capital improvement program, \$50 million for the investment in the Bartlett Dam expansion. That gets us between 5,000 and 6,000-acre feet per year of potential water behind that dam, new water. But we believe that's a prudent investment, albeit it's a big one, it's a prudent investment.

[Time: 00:47:28]

We have booster station modifications and improvements, and this is just the aging infrastructure that needs to be done. And we have our campus water, our water campus expansion. We need to expand our reclamation facility there so we can accept more wastewater and recycle that wastewater. We also have some expansion in our laboratory and our computer control rooms at the facility. We're asking for \$123 million, \$23.5 million in new CIP funding for the five-year plan. So, what does that mean for rates? So, our rate revenue request is 6.3% on a water rate revenue and 8% on the wastewater revenues, total dollar value brought in is \$11.5 million. And as we go through that, so I mentioned the capital spending and I will go back to that. To kind of give some perspective with that, we are obviously not the only ones expecting a lot of capital. So, if I could go to the Elmo again.

So, you can see that Phoenix, City of the Phoenix water is expecting to spend \$3.8 billion over the next five years. Gilbert has had tremendous amount of increases in their capital projects. Let's go down a little farther. So, the City of Avondale has got one of the top five wastewater

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projects going on for \$109 million. Just a little flavor of the amount of money that's being spent in the water and wastewater utilities. But what does that mean to our customers? So, this particular rate request, it's 6.3% overall, but what does it mean specifically for each of the, our customers? So, we have two components of our rate. We have a base fee and a volumetric fee. The base fee is representative of having water available 24/7, 365 days of the year, available for use when you turn on the tap. The other part of is the volumetric. So, the base fee is set on the ability to have water at your house, and it's based on your meter size and the volume flow through that meter size. And you can see the proposed increases in the base fee.

So, in the volumetric side on how much you use, on the residential side, we are asking for an increase in the tiers 3, 4 and 5, no increases in tiers 1 and 2. And on the commercial side, where we have a four-tiered program because commercial users are generally a more steady user of water. We have four tiers, and we are asking for increases in tiers 3 and 4. On the wastewater side, we have the same structure albeit it's a little different. We don't meter wastewater. That's a difficult task at best in individual homes. We don't meter that. We base, but we have a base fee, based on the water meter size, with the exception of that we standardized all the residential sizes into one, so the 5/8th and 3/4 and 1 inch. If you have a residential home the service line coming off your house, it's the same size for all these residential homes. So, we standardize the base rate, but after that it goes up according to the meter size as those service lines increase as well.

So, we have a base fee, and then we have a volumetric fee and we set that based on a three-month winter average and take 90% of the three-month winter average to be a representative amount of what is used inside the house. And then we charge differently for the different commercial classes because it is more expensive to treat certain wastewaters than others. And so, restaurants with dining have more fats, oils, and grease and more difficult to treat and therefore are charged more compared to residential use. Our history of rates, we try to be asked for small incremental rate increases and this is our history over the last five and ten years. How have we done compared to the General Consumer Price Index, for our three different sized residential meters, you can see that we've been less than the General Consumer Price Index. We also are asking for increases in our miscellaneous charges and these are really cost, just returning our costs to us when we set a meter, we set a service line.

[Time: 00:52:39]

When we do other meter maintenance activities, we charge the cost of those activities, and we have a bulk water rate. The total is 165,000, an increased revenue due to the miscellaneous service charges. So how does that compare, and, again, we set our rates on our cost, but we always like to compare to other valley cities of our size or larger. And so, you can see for a 5/8th-inch meter, these are the smaller meters and normally representative of the smaller homes in south Scottsdale and the average for a 5/8-inch meter, the use is 9,000 gallons per month and the sewer is 6,000 gallons per month and you can see our rates are on the left side of that chart. Some of the lowest in the valley.

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And the total increase we are asking for is \$2.20 per month for this side. That's both for water and sewer increases. And I always talk about Chandler. It used to be Gilbert, but Gilbert has walked way above that. It used to be Chandler. Chandler is a very flat city. It has two pressure zones. It has 100 to 150 feet of elevation change. We have thousands of feet of elevation change in Scottsdale, we have beautiful terrain, beautiful geography, but unfortunately, we have to push water up those hills and back down and it's just more expensive to do so and takes more infrastructure to do so. But I don't think we'd change that.

In any event, so going on to three-quarter meter, the water use for the average three-quarter meter, these are slightly larger homes and the average water use is 10,000 gallons and the sewer is 7,000 gallons. And again, you can see here on the left side, our current rates and then our proposed rates. This increase is \$3.80 per month. And then for our largest residential size, the 1-inch meters, these are larger homes, typically they have fire suppression systems, sprinkler systems. The average water use for this meter size is 16,000 gallons per month and the average sewer is 11,000 gallons and you can see, again, we are on the far left, or the less expensive comparables. The increase here is \$6.65 per month. I would like to brief that since I'm asking for rates, I would like to also say that, you know, if you are going to pay for something, you should get good service.

[Time: 00:55:28]

And so, I bring these key performance indicators up every year to say that our citizens are getting good performance. We are a world-class utility. The first one is customer accounts per employees. That's a measure of how lean we are. And so, you can see the industry median is 485 accounts per employee. The top quartile is 626 and we are at 760, telling you that we are a lean utility. Debt service coverage ratio, the median is \$2.28, the top quartile is \$2.98, and we are right next to the top quartile at \$2.95. Employee turnover, as I briefed last year, this is one area where we are struggling, and as I mentioned we have a lot of folks retiring. We have a lot of good programs that bringing people in, but they at the time.

We have an operator apprentice program that's been very successful, and we just recently promoted a supervisor who originally came up through that program and he's now one of our plant supervisors. Very effective program. It just takes a while. It takes two to three years to get folks through the apprentice program. We have a training program for our service workers. It takes a year. It takes a while, and it also takes a lot of our time. So, while we are pushing people into our program, it just takes time. So, you can see the industry median is 10.6, top quartile 6.8 and we are at 16. I also want to say that the City Manager has got a class in comps coming and we are very thankful for him for doing that and allowing us to remain competitive in this competitive industry.

Our water main breaks per 100 miles. This is important for a number of reasons. One, folks don't really like the roads in front of their houses torn up and we don't like to do that either. But it's important to keep the water within our pipes so we lose less water, and we stay efficient

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with the water we have. And the industry median, 18.8, and top 25% 7.2 and we are at 4.7, almost half of what the upper quartile is. So again, not very many breaks. Hydrants out of service, I don't think I need to explain that. That's kind of important. Top 25 is 0.2, and we're a quarter of that, we're at .05% for hydrants out of service. Sanitary sewer overflows that's literally sewage flowing out of our sewer system, not something any utility wants. Industry median 1.6 per 100 miles. So, we have 1200 miles of sewer. Do the math. That would be 13, 14, 15 of those if we were industry median. Top 25 is 0.7, Scottsdale in our last calendar year was zero. So, I think we have performance that can be recognized.

Also, I want to, as I leave to talk about our rate increases, if folks can keep their water to 10,000 gallons a month or less, the rate increase for these different meter sizes is there, and that's just the base rate. So really the key, particularly for all of these, but particularly for the one-inch sized meter group, if they can keep their water consumption down to less than their average, or keep it down to 10,000 gallons, there's a considerable savings. I'm going to go back a little bit because I want to emphasize one thing here. So, with this one-inch group, it's 16,000 gallons of water. At that they are in the Tier 3 area, which is 4.55 per 1,000. A savings of 2,000 gallons would decrease their water bill by \$9. This rate increase if passed by Council is \$6.65. So, there's a way to save in this structure for folks if they want to for the like I said, the mere 2,000 gallons a month saving would more than overcome this rate increase. And I am going the wrong way. So, again, we are asking for a rate revenue increase of 6.3% on the water side and 8% on the wastewater side. And that concludes my briefing pending your questions.

Mayor Ortega: Okay. Councilwoman Janik and then Councilmember Durham.

[Time: 01:00:12]

Councilwoman Janik: Thank you, Brian, as always wonderful presentation, good information, really good data. I do have several questions. On slide 19, enterprise water resources water rates-based fee, I noticed that the 5/8th-inch meter, the rate goes up 0.3%, minimal. But when we get to the 8-inch meter, it's going up 71.4%. What is your justification for such a substantial increase as we go to larger meters?

Brian Biesemeyer: The larger sizes? Yes, that's a great question. Mayor and Council, Councilwoman Janik. We just did a rate study, so we did a cost-of-service study been an outside vendor Raftelis, that did the report. The report is posted online. In the report, they said we needed to, one, increase our base fees. That was a big part of it, and we needed to adjust our base fees based on flow and they have changed the flow characteristic somewhat and recommended the industry standards of AWA which has a slightly different flow standard than we were previously using, so we are adjusting to some of the flow standards. And that's why the base fee is going up and you can see the larger percentages on the larger users again based on the fact that the capacity of those meters is bigger than we were previously given credit for.

Councilwoman Janik: Okay. Another question on that. How many customers have an 8-inch

meter?

Brian Biesemeyer: Those are only the largest commercial customers, the very largest multifamily customers. They are very large users, hospitals and large multifamily.

Councilwoman Janik: Okay. Slide 22, I noticed there that's the sewer rates, again it looks like everybody gets a 19% increase.

Brian Biesemeyer: That one was standard. Again, the rates study that you had was only on the water side. We didn't.

Councilwoman Janik: I'm sorry, say that again.

Brian Biesemeyer: The cost-of-service study was only a water cost of service study. It was not on the wastewater. We maintained our wastewater volumetric equation as it has been.

Councilwoman Janik: Okay. And it looks like a 19% increase.

Brian Biesemeyer: That's correct on the base side. Again, that goes to overall, our push to have a more higher base fee. It gives us steadier revenue as we're pushing people to conserve water, there's a push and pull with that as people conserve water, it does impact our revenue and we want people to conserve water.

Councilwoman Janik: Okay.

Brian Biesemeyer: But we need a steady revenue and we shifted some of that over to the base fee.

Councilwoman Janik: Okay. And then 23, slide 23, it looks like that's the standard 5% across the board.

Brian Biesemeyer: It is.

Councilwoman Janik: And what was that based on?

Brian Biesemeyer: That was, again, based on the fact that we were increasing more, the overall increase was 8%. A higher percentage of that was based on the base side than the volumetric side.

[Time: 01:03:41]

Councilwoman Janik: Okay. And then I do have a question on slide 30, which you did a very nice job explaining the employee turnover, which is kind of, wow, 16.3%. Would you say that's

primarily based on retirements?

Brian Biesemeyer: Primarily. We have had some leave in certain categories. I lost, one of our valley cities increased their electrician rate by \$6 an hour and I lost two electricians almost within a month after they increased their rates.

Councilwoman Janik: Okay. Do you feel that number will be going down over the next three years or sooner?

Brian Biesemeyer: I'm encouraged it will be. Again, as I mentioned, I'm very pleased that the City Manager is doing a class in comps study that will allow us to keep our rates in the competitive range and then as we use those rates as well as our training programs, our operator apprentice program and our service worker trainee program, that they should bring in and up those numbers for us.

Councilwoman Janik: Okay. Then when we get the study and if the study shows that there are certain people in your workforce and your department that should get raises, so that they would meet the standard, the industry standard, is there enough money in these increases to give them those raises or is that going to be pushed off for a year?

Brian Biesemeyer: There's enough money in these increases for those raises.

Councilwoman Janik: Okay, good. Thank you.

Mayor Ortega: We also have Councilmember Durham and then Councilmember Graham, wishing to speak.

[Time: 01:05:22]

Councilmember Durham: Thank you, Mayor. Several of the slides, and I'm including number 20, refer to landscaping volume charges. What are those exactly and how do you, and that's just part of the rate?

Brian Biesemeyer: Oh, that's a landscaping. Yes, I'm sorry. Residential users, that includes our landscaping meters, meters put out purely for landscaping. So, we have some that are labeled landscaping. That's merely what that is.

Councilmember Durham: It's a separate meter from the house meter?

Brian Biesemeyer: Right, it would be a separate meter from the house meter.

Councilmember Durham: Thank you.

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Mayor Ortega: Okay, Councilmember Graham and then myself.

Councilmember Graham: Thank you, Mayor. Brian, Ana Lia and Brian, a good presentation. And I guess a couple of things I wanted to point out. You mentioned that it's an enterprise fund, so it's got to recover its costs and kind of stand on its own. But I have always had a little bit of an issue with that because a normal business has to go out and find and compete for customers and there's no such choice for our enterprise users. Obviously, Scottsdale Water is an elite utility, and it's the envy of other utilities and we're very proud of that. As a side note, Brian, you mentioned the Bartlett Dam expansion, it's something that I think I would support that, and I think I would be a very far-seeing item to do. I guess my issue, I know we are not voting tonight on the rate increases. That comes I believe, is that right? That's coming in May?

Brian Biesemeyer: That's correct.

Councilmember Graham: Okay. Thanks, Brian. Yeah, I know we're not voting on the rate increases tonight, I suppose this is more of a disclosure, procedural vote, I think this one, this year, I think stings a little bit after the \$24 million 400% project overrun, we voted on last week. But I just don't think there would be much pushbacks if we saw 1 to 3% per year but we are seeing 6, 8, 9%. Our population is not growing, which we are often told about. Residents see the already approved 10,000 plus apartments in the pipeline. They just wonder if their fee increases are paying for more people to move here. Those are some general comments and I appreciate your presentation tonight, and all that you do. Thank you.

Mayor Ortega: Well, thank you. I would just suggest that the increases reflect both short term, immediate, and long term needs, which is what we pay you to do, and your team is actually covering that very well. And then also, point out that we are in competition with other cities. So, we're bidding for, you know, piping and personnel and all of those aspects, and that's generally, speaking, means that the market is tested and that's what the real costs are in our marketplace. Let's move on.

Brian Biesemeyer: Yes, sir.

[Time: 01:08:43]

Dave Bennett: Good evening, Mayor, and Council, my name is Dave Bennett, I serve as the Solid Waste Services Director for the city and I'm here to speak to the proposed solid waste rates and fees for fiscal year 24/25. This year we worked with the budget office to conduct a rate analysis. Two reasons for the rate analysis, it's been about eight years since our last rate analysis. Number two reason, due to the planned transfer station expansion project, we will be incurring debt to fund this project. The company that performed the rate analysis for us is Burns and McDonald, listed below are cities that have enlisted them to perform similar rates and fees work. As you can imagine, the analysis identified the total cost to provide solid waste and recycling services to our customers. The analysis verified that those costs were being allocated

to the correct customer classes such as residential, commercial, and our roll-off program. Doing so, ensures that our residential ratepayers are not subsidizing any part of the commercial services program and most importantly, design rates that protect the financial integrity of our operation.

For our 84,000 plus single-family residential customers, that receive weekly trash and recycling service, monthly brush and bulk collection and a host of other services we are proposing an increase of 8%. A 10% increase for our 1100 plus commercial refuse customers and a 10% increase for our on-demand roll-off program. A 22% increase for our commercial customers that utilize 90-gallon and 300-gallon containers for their recycling needs and lastly, an 8.5% increase for our commercial recycling containers. This slide, it shows the revenue each program would generate from the proposed rate increase. This chart breaks down what is contributing to the \$2.24 monthly residential rate increase. As you can see fleet maintenance, personnel and landfill costs account for 51% of the increase. A newcomer to this chart that is shown in the dark orange area is debt service which accounts for 34% of the increase. This money will help to pay for the transfer station expansion project. Also, since 85% of our overall tonnage that flows through this facility comes from our residential program, our residential ratepayers will fund 100% of the expansion costs.

Mayor and Council, I believe most of you are aware of our plans to expand the transfer station. This project has already been approved through the CIP project process. The existing facility at the top, at the very top, you see a little square building there, it was built in 1995 with the intention of future expansion, including construction of a second tipping forward tunnel during the original project. The timeline for this project, the construction will start in January of 2025 and all work is scheduled to be completed in calendar year 2026. So, let's talk about how this project will benefit our residential ratepayers. Expanding the transfer station from three bays to six bays will double the tipping floor space, which will ensure that our current and future tonnage demands will be met. The additional floor space will also allow us to separate green waste from our brush and bulk loads. By doing so, we will be able to divert this material from the landfill, which will help to extend the life of the Salt River landfill. Included in the transfer station expansion is a green waste drop-off area. The goal here is to capture green waste from commercial landscapers servicing our residents and large HOAs.

[Time: 01:13:29]

Based on the distances these companies currently travel to dispose of this material, we see a real opportunity where they could save time and money by bringing this material to our new site and pass on those cost savings to our residents. This will also have an impact on extending our landfill. Part of the expansion also includes a permitted household hazardous waste facility. Currently we provide monthly household hazardous waste home collection, however, this service is limited to the first 250 customers that sign up at the beginning of each month and we limit the quantity of material that each resident can place out for collection. Having a permanent facility will allow residents weekly access to properly dispose of their material and

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they will also be able to bring in larger quantities of material. Another positive for a permanent facility is approximately 25% of the material that's brought into these types of facilities can be reused or recycled.

Lastly, with the expansion of the transfer station tipping floor, and adding a green waste drop-off area, this will create two new revenue streams for us, which will help to stabilize future residential rate increases. In regard to the commercial refuse cost personnel, fleet, maintenance and landfill costs account for the bulk of the rate increase, our normal frequent flyers there. For a customer that has a 4-yard container picked up once a week the 10% increase would have them paying \$11.87 more each month. For our commercial recycling customers that have a 4-yard recycling container picked up once a week, the 8.5% increase would have them paying \$7.40 more each month, at present our front load recycling rates average 30% lower than our refuse rates.

The rate analysis did address this gap in our out years projected commercial refuse and recycling rates will have recycling rates 10% and then refuse rates in fiscal year '29. When I presented this slide to Council last year, recycling markets were somewhat volatile. As the graph shows, since then markets have leveled out. Also, this graph represents cost we were paying the city of Phoenix to process our recyclables, which had our base fee at \$95.91. Some good news to report, since October of last year, we are now bringing our recyclables to the Salt River materials recovery facility and their base fee is \$85.08. So, we are inching closer to where we were at in January of 2022. At that time, we were receiving revenue for each ton of processed recyclables. In many different departments in the City have helped Solid Waste get to this point, those being our Risk Management Department, the City Attorney's Office, and the City Manager's Office, but most of all you, Mayor Ortega and every one of our esteemed Councilmembers.

Throughout these three years, each of you has supported Solid Waste to get the necessary resources needed to improve our overall safety record which has had a big impact on us being able to retain employees and attract employees from neighboring cities. So, thank you. With regards to comparing our rates to other valley cities, as with last year, we fall in the middle of the pack, however, the level of service and the number of services we provide to our residential customers far exceed most of our other cities on the list.

[Time: 01:17:50]

As Mr. Biesemeyer has stated in the past and tonight, it's a challenge to deliver water to the northern areas of our city. I would like to add to his point, neither is getting a 26-ton garbage truck to these areas so, they pose significant cost challenges for us. So just to recap, this slide shows the proposed rate increases for each of our service programs. We are seeking an 8% increase from our residential services program, 10% increase for our commercial and roll off programs and the increases we are seeking for our commercial customers that choose to recycle. Just as before, this slide shows the revenue each program would generate from the proposed rate increase, and with that, Mayor, and Council, I'm happy to answer any of your

questions.

Mayor Ortega: Thank you. I see question from Councilwoman Janik and then Councilwoman Caputi.

[Time: 01:18:52]

Councilwoman Janik: Thank you, Mayor, thank you, Dave, good presentation. I'm having trouble understanding how a commercial client could have a reduction in their fees if they recycle. When I look at the slide that shows a fairly significant increase in the cost to the customer for those, for the roll-off recycle cart, I don't know if I have the right name and I can't find the right slide. I don't understand the math that's involved there.

Dave Bennett: Can you, let me just make sure I understand your question, Councilwoman Janik. Can you please restate it on what you are asking for the difference in the recycling cart fees?

Councilwoman Janik: So, slide 36, I did find it. A 22.4% increase in recycling cart. And that is for one of the commercial customers that has decided to recycle, correct?

Dave Bennett: Yeah. So those, I'm glad you asked that question. So those two rates that you're seeing, the 22.4% for the 90 and 300-gallon are different than the commercial actual refuse rates, that discount. So those are predicated on our residential rates. So, we provide, we utilize residential equipment to pick up those cans. Our residential rate, we kind of just broke in half, minused out the extra refuse day collection we have, and this is the rate. It's a very small increase, if you look at it, it's a \$2 increase than what they are paying right now for the 90 and I believe it's \$6 for the 300-gallon can.

Councilwoman Janik: Okay. So then, overall, when they recycle, they will realize an overall rate decrease, an overall cost decrease?

Dave Bennett: Not compared to what we are charging in our overall rates. They are going to see an increase in the rates they are paying this year.

Councilwoman Janik: Okay, but it will be offset a bit by recycling.

Dave Bennett: No, the cost, our recycling costs, the slide I think you are talking about to where we market our recyclables let me get to it.

Councilwoman Janik: That was 36, I don't know if that's 36, solid waste proposed.

Dave Bennett: Yeah, this question here? Yeah so, each one of these, each one of these categories reflects an increase in their overall rate that they are paying right now.

Councilwoman Janik: Yeah, and I get that. So, everything is going to go up a bit?

Dave Bennett: Yes.

Councilwoman Janik: But then I know we were working towards saying that if you recycle, then you won't need as big of a container, therefore, overall, with the recycling you are paying less than you would have if you didn't recycle.

Dave Bennett: Okay. Okay, I see what you are saying.

Councilwoman Janik: Is that accurate?

Dave Bennett: Well, if you are doing pay-as-you-go. So, in commercial like what we did in our study in the Downtown District.

Councilwoman Janik: Yeah.

Dave Bennett: What we did, and to fill you in Mayor and Council, we did a pilot study in the Downtown. And what we did is we placed out recycling, 4-yard recycling containers and the goal was that we achieved is that we reduced the frequency of refuse collection there. So, we minused a day of collection and therefore, since our refuse rates are much higher than our recycling rates, those customers saw a savings.

Councilwoman Janik: Gotcha.

Dave Bennett: Does that help you?

Councilwoman Janik: Yes, it does, thank you.

Mayor Ortega: Councilwoman Caputi.

[Time: 01:22:48]

Councilwoman Caputi: Thanks, Dave. I'm not sure why I don't know the answer to this question but the conversation that we had about plastic bags made me think of it. So, our recycling programs, both residential and commercial, is there an opt in and opt out, or do we automatically recycle no matter what?

Dave Bennett: With regards to residential, it's a city ordinance that we provide residential refuse collection, recycling is voluntary. If they want to recycle, they can choose to do so. But if they don't recycle, we do add another container. They have to pay for that container and a nominal, I think it's like \$11 or \$12 to have that additional container. It's voluntary and as you know the commercial services, we compete against the private. So that's total voluntary on their part.

Councilwoman Caputi: Okay, thank you.

Mayor Ortega: Thank you. We will move on. This is Michael Clack, and the subject is Planning and Development Services.

[Time: 01:23:57]

Michael Clack: Good evening, Mayor and City Council, my name is Michael Clack. I'm a Chief Development Officer for the Planning Department and I'm here to present to you our rates and fees for the Planning and Development Services. So, on the first slide, you see there, we are targeting a couple of fees that we want to talk a little bit more about, and we're proposing an increase to the pre-application fee from \$115 to \$125. These pre-app meetings as we call them are intended for residents, developers, and businesses and property owners to meet with various city staff to discuss project plans, and these staff members encompass many different disciplines according to the project and the size of the project that is being done.

There will also be some follow-up conversations with these pre-apps that take place, and the aim is to seek a better understanding and goals of a particular project to ensure that all parties understand their options and the rules that apply to those specific projects. The project size alone does not necessarily indicate the staff time that would be applied on an equal basis or an equal ratio for each project. Some projects are smaller. Some projects are larger. It also depends on the expertise and the.

Mayor Ortega: Why don't you get closer to the microphone.

Michael Clack: Sorry. Sorry about that. It would also depend on the expertise and the experience of the design professionals and the residents that are doing these projects. For example, a small project may require more staff consulting time because there may be homeowners that are coming in for these projects. This is the one time that they are making an addition to their residence or their small business and so they don't do this on a regular basis or for a living, so they may need a little bit more hand holding. While on a larger project, you have a lot of design professionals and sometimes they do this for a living, particularly if they do it in Scottsdale, they may have a lot of experience. We may not spend as much time with them, but it's on a case-by-case basis.

Sometimes it's hard to predict how much staff time will be there, but that pre-app does help quite a bit as the project progresses along its path. So, because of the increasing complexity of redevelopment, we have seen a lot of redevelopment here recently, those projects require a little bit more staff time, because they do get quite complex because we are redeveloping, mainly in the downtown area or the more congested areas. And so that takes a little bit more time. Next, you will see up there, we are talking about a new fee of \$125 for rezoning projects that are less than 21 acres. Historically we have imposed incremental fees for zoning of 21 acre and above, and due to an increasing complexity, again, of redevelopment projects, are less than

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20 acres and the increased staff time, that we spend on these rezoning for less than 21 is acres, we felt that it's time to impose a fee on those types of projects.

The last one that is up on the slide there, has to deal with marshalling/storage yards and this is due to increasing projects requiring marshalling yards. And what these marshalling yards do is because of public safety and when they are in a more congested part of town, they build closer to the right-of-way, and in some cases they are right on the right-of-way, and the building code will require what we call pedestrian protection to help prevent any injury or diminished injury or damage to people that may be walking going by.

So there will be, that may take up some part of the right-of-way. It may mean that we lose use of sidewalk, for example, while construction is going on or it may mean that we have to close off a lane of traffic during construction. So, we've got to charge for that, and as you can see, we're proposing on increasing those fees. Currently, the charge is for initially, \$1,000, plus 10 cents a square foot and what's not up there that I want to emphasize, is that 10 cents a square foot is based on the number of weeks a contractor feels like they have to shut that down, while they build that particular project. So, it could get quite expensive. That's somewhat by design, because we are losing the use of that right-of-way by the citizens, and also, it's to give them an incentive to properly figure out how long it's going to take them to build that project and get out of the right-of-way.

If they exceed that, there is a, you can call it a penalty or whatever, but there's additional costs for that. And that's \$2,000 plus 10 cents a square foot per week. And so, as we move along, what we are proposing is \$1,500 base fee and 25 cents a square foot per week. And then if they go beyond that time, that they say that they are going to do, then they will have to pay \$2,500 and 25 cents a square foot per week. Moving on to the next slide. We have additional planning and development fees and rates adjustments. We're going to increase our remaining fees by approximately 5% to allow for higher cost recovery to property and timely address customer needs within Planning and Development Services.

We're also proposing an increase of about 5% for our wireless communications facilities to allow higher cost recovery and to be consistent with lease payments in the wireless industry. And finally, drainage and flood control capital projects, we're proposing to increase the stormwater fee on the utility bill by \$1 per month to be dedicated entirely to city drainage and flood control CIP projects. This next slide is a recap of what we have just discussed tonight, our pre-application fees, and what the proposed revenue change is going to be for each of those programs and fees. We are anticipating an additional general revenue fund of \$1.2 million for FY 24/25. And as far as additional CIP stormwater revenue, we're estimating \$1.1 million for 24/25, and with that, I'm ready for any questions that you may have.

[Time: 01:32:22]

Mayor Ortega: Thank you, Mr. Clack. With that we have Vice Mayor Whitehead.

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Vice Mayor Whitehead: Just quickly, Michael. I like the fees, especially kind of the late charges for the use of public right-of-ways and I think that we're always trying to incentivize efficiency, and that will do it. So very good because that is probably a top complaint we get when there's construction. Thank you.

Michael Clack: Thank you.

Mayor Ortega: Thank you very much. We'll move on.

Michael Clack: Okay. Thank you.

[Time: 01:32:58]

Judy Doyle: Good evening, Mayor and Council. I am Judy Doyle, the Community Services Assistant Executive Director. And I'm here to present the proposed fee changes for Community Services. First, the Adaptive Recreation Program. We would like to propose an update to our current formula from 50% recovery of the direct costs associated with our special interest programs to and up to 50% recovery of the direct costs associated with all adaptive recreation programs. For example, we've been charging a fee for our special interest and our social programs, like a two-hour cooking class or a monthly dance, we have a \$5 fee for residents and a \$7 fee for nonresidents. All of our other programming has been free.

Our goal with our fee update is to establish consistency across all of the programs, especially with our Special Olympic sports, which currently has no fee. Special Olympics, for example, meets weekly for 8 to 12 weeks and requires a lot of staff time, involvement, and preparation but do not recover any costs. Our free offering fee high rates unfortunately of no shows which is tough, especially when a lot of our programming does have a wait list. We hope that by establishing a fee for all programming, we would reduce that absenteeism. We would also like to propose a change to the Scottsdale stadium porter fee. We'd like to migrate from a fixed fee approach to a cost recovery formula. Going to a formula will allow us to stay current with market costs and provide for a 100% cost recovery of the Scottsdale Stadium contract costs for porter labor. Currently, per our fee schedule, we, it's 22, excuse me \$22 per hour per member if you want porter service for your event.

However, through the Scottsdale Stadium contract, we are actually being charged \$25 per staff member per hour yet, we can only pass on that \$22 established fee. So, again, going for a formula base will allow us to pass on the current market costs. We are also proposing a few WestWorld rental fee changes. These changes were primarily driven by the south hall. The south hall has only been used as an ancillary event space due to it having a dirt floor. So, to activate the space we are actually going to be coming back with a capital project to make improvements to the South Hall. Those improvements will include converting that dirt floor to concrete. We are going to be adding electrical to the flooring and also adding restrooms. So, with those new improvements we are proposing a fee increase from \$1,250 per day for commercial use, to

\$3,000 per day.

Also related to the South Hall, there is currently a \$600 per day fee for the South Hall when you rent it with the Equidome. We are proposing eliminating that \$600 per day fee with those planned improvements to the South Hall the \$600 per day fee is too low when you compare to the market and all that that space will now offer. Eliminating the fee will not have an impact to our revenue as we've never had any interest in event producers using that south hall with the Equidome for any event space. Additionally due to market comparisons and demand for the North Hall, we are proposing a fee increase from \$6,500 per day, for commercial use to \$7,000 per day. And then finally, increasing the fees for the North Hall and the South Hall, then triggers a fee change to the Tony Nelssen Equestrian Center facility or TNEC. Renting the TNEC includes the North Hall, the South Hall, the Equidome, it includes everything.

So, we are proposing an increase to this from \$9,000 per day to \$11,000 per day, and I will just note that when you rent the TNEC, you do achieve a \$1,500 per day savings versus renting each of those spaces individually. This slide here just reflects the changes I mentioned to the adaptive recreation program and that stadium porter fee. Total revenue change of just over \$4,000. And this table reflects those WestWorld changes. Overall, the fee changes in Community Services would generate an additional \$124,000 in the General Fund, and an estimated \$45 in revenue in the Stadium Facility Fund for that stadium porter fee. And that concludes those proposed changes for Community Services. I'd be happy to answer any questions.

Mayor Ortega: Thank you. Seeing none, we will move on.

Judy Doyle: Thank you.

Mayor Ortega: Thank you, Judy.

[Time: 01:38:55]

Jeff Walther: Good evening, Mayor, Jeff Walther, Police Chief, happy to stand before you to talk about our rate request or proposals. I have two, and so I will be very brief. The first is our off-duty rate for our police officers. We haven't had a rate increase in the last two years, and this is specific to off-duty only. This is for those vendors and businesses that hire officers, police aides, sergeants, lieutenants for off-duty work, security purposes, Fashion Square, to give you an example. And so those rate increases are being requested to really keep in line with the current market. If we look at our 12 closest competitors related to off duty rates, we are sitting at number 10. You should have that information your packet. The increase will put us at number four and really three if you remove the top outlier which is, we believe is well beyond market.

The second is on our on-body camera fees, the state legislature last year approved the ability for us to charge increased rates for on body camera footage. When you look at the on-body camera numbers they increased to the first ten that we had that we tested over a period of time we

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have nearly 400 on-body cameras out deployed in the field right now. And so typically what you are seeing, is we are going to go from \$20 per report, so if you had 10 officers on a particular call, no matter how many on body camera videos, so 10 videos, it would be \$20. Our proposal is to increase that \$40 per video.

What that's really going to do that really pays for staff time and covers staff time and it's a lot of staff time when you look at the technology in redacting on-body camera videos. And what it will often do is reduce the frivolous number of on-body camera videos we are being requested by the thousands every month, to those that are really specific to victims. And state legislature also passed, has passed by statute that we with don't charge victims of crimes for on-body camera footage. So those are the two rates that we're asking to increase proposing to increase, and just breaks down the numbers for you to give you a greater idea of what we're looking at in terms of the actual dollar amount for that, for officers, sergeants, lieutenants, police aides and then obviously we have, if we have off-duty on the particular holiday, there's that off-duty rate as well. And then the on-body camera video moving from \$20 to 40, which will see about a revenue change, an increase change of \$10,000 annually. I'm happy to take questions.

Mayor Ortega: Thank you. Seeing none, we will move on. Thank you, Chief.

[Time: 01:41:51]

Luis Santaella: Good evening, my name is Luis Santaella, I'm a Deputy City Attorney and I'm pleased to be here before the City Council to talk about our request for the City Attorney's Office. And what we are requesting is an increase to the service enhancement fee. And what that is, is a criminal defendant and traffic violators. It's been the same since 2014, which was when it was originally established, at \$10. We're requesting an increase to \$14 and that would be per citation, per criminal defendant or civil traffic violator. So, the only people that will be paying this fee are people that get in trouble. And what it does, it helps us pay for extra services, like we have prosecutors on duty, 365 days a year, seven days a week on holidays, weekends, to do jail court. That helps with public safety, and it helps make sure that people are fairly processed through the system. It pays for things like our diversion programs, probation, and stuff of that nature. And we anticipate it will bring in at least \$92,000 additional. If you have any questions, I will be happy to answer them.

Mayor Ortega: Thank you. Seeing none, we will move on, thank you, Luis.

Luis Santaella: Thank you.

Marianne Bayardi: Good evening, Mayor, members of the Council, I'm Marianne Bayardi, the Presiding Judge of our City Court and I have come to talk to you about some fee increases that we are requesting at the City Court. The first thing that I would like to say is City Court has not come to the Council and sought increases in fees in a decade and so while some of these numbers may seem large, it's because they haven't changed over all that time. The first is the

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court enhancement fee. It is assessed to exclusively enhance the technology, operational, and security capabilities of the court. Obviously, a lot of these have gone up dramatically over the course of the last ten years. And also, we have warrant fees. These are imposed on criminal cases where a defendant either does not appear in court as ordered or does not follow through with the orders of court, usually sentencing orders. The next is the default fee. Similar to the warrant fee but different. Sorry, I guess I'm supposed to be activating this, aren't I. Sorry. Can somebody help me? Oh, good, it's your fault, not mine. I'm just kidding, there we go.

So, we have the court enhancement fee, the warrant fee. Oops. The default fee is similar to the warrant fee, but it applies to civil cases. So typically, traffic cases where people have gotten a ticket, and they don't come to court to address their ticket. And then the contract administration fee, after somebody is sentenced and they negotiate a contract for payment if they can't pay in full, also if they failed on their payment and they have come to court to get another payment plan, then we assess that again.

What we are seeking is the court enhancement fee is currently \$30. We're seeking an increase to \$45, so an increase of \$15. For the warrant fee, from 65 to \$100, a \$35 increase. For the default fee from \$65 to \$75, and then the contract fee from \$10 to \$15 with an increase of \$5. You will see the largest of those is court enhancement. There are a lot of expenses that the court pays that come out of that, including all of our I.T. staff, all of our security staff, as well as the security items and I can give you more details about that if you are interested. But that's what the court is seeking and I'm happy to answer any questions that you have.

[Time: 01:46:17]

Mayor Ortega: Thank you, judge. I will add a comment that, you know, because of COVID and actually the modernization that the Judge Olcavage had instituted, we were able to stay ahead of the curve and then use more of these technology tools.

Judge Bayardi: Absolutely, and that's something that we are continuing to do with even more helpful technology. A new thing that we brought on this year, court call that really helps in remote appearances and being able to sign documents on the spot and what have you. So, we continue to push that envelope that Judge Olcavage started.

Mayor Ortega: Thank you, with that we are concluded. But I will mention, but I wanted to say that I have not heard any. Do we have any public comment? Okay. So, I'm opening public comment. There's been none on these rate increases. Therefore, I will close public comment. That will conclude the section. Now, are there any other, we are not voting on anything for item 16. It's for information, and as part of the process as we move forward both with our budgeting projections forward. So, with that, we are concluded with Item Number 16. Thank you, staff, one and all.

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ITEM 17 - COMPREHENSIVE FINANCIAL POLICIES ANNUAL REVIEW AND ADOPTION

Mayor Ortega: We will now go to Item number 17, which is the Comprehensive Financial Policies Annual Review and adoption. And, again, I will just make note that I do not see any requests to speak therefore, I will open public comment and close public comment on Item Number 17. We'll move on with the presentation by City Treasurer Sonia Andrews.

[Time: 01:48:13]

Sonia Andrews: Thank you, Mayor, thank you, Council. Next slide. So, the purpose of our financial policies is to formalize national best practices. It's also to provide guidance to city staff to ensure fiscal responsibility and integrity, and it also allows our bond rating agencies to assess the city's financial management practices. So financial policies are important in that regard, and we do an annual review and adoption with City Council, so this is what we are doing tonight. Next slide. For this year, the changes primarily are enhancing our capital project cost controls. We did some of that last year, and we have a little bit more that we're proposing this year. Other than that, the other changes are mostly housekeeping changes to incorporate current practices that have not been codified, or prior Council resolutions that weren't incorporated. So, I'm not going to go through those. I will just focus on the enhancing the capital project costs controls. And then thirdly, I wanted to remind Council that Council adopted a policy, a resolution in January to implement a new expenditure limitation review policy, that has already been incorporated in into our budget. So, it's not part of the review tonight. Next slide.

So, the expenditure control capital project cost controls that we added this year, and proposing for Council adoption is under policy 3.02, where we are basically saying that capital projects will be monitored to ensure that no unnecessary budget authority exist due to inactivity or project completion. So basically, if a project is inactive and has been completed, we will remove the budget authority that is no longer needed so it doesn't sit there or get used by another project. Also, before year-end, any unspent funding for inactive or completed projects will revert back to the fund balance of the funding source. So, like the budget authority, if there's any funding that is left when a project is completed, we will also move that back to the fund balance of the original funding source. Next slide.

And then if you remember last year, Council adopted a capital expenditure management policy that says that any project cost increases that exceed 10% or 1 million requires a specific presentation and discussion and explanation to Council. So, we're adding to that policy to say that unique circumstances, the City Manager and Budget Director can and may require specific Council discussion or presentation even if the increase does not meet the policy threshold of 10% or \$1 million. And this might apply to some of our smaller areas like, for example, airport, they may have a small project that doubles in size, like it increases by 100%, but is not 10% or \$1 million, and we may feel that that requires some explanation to Council. So, this gives us a policy that speaks to that. And with that, I can answer any questions.

Mayor Ortega: Vice Mayor Whitehead.

[Time: 01:51:54]

Vice Mayor Whitehead: I just want to really thank you. The increase in financial security with the steps you have taken on our reserves and how the increased transparency and the triggers that make sure that we all communicate sooner rather than later, if there's an issue, nobody is doing anything wrong. Sometimes issues happen. This is great. I think this will save taxpayers money and so with that, I want to motion to adopt Item Number 17, Comprehensive Financial Policies Annual Review, and adoption. Oh, here we go. Thank you, Mayor. Adopt Resolution Number 13031 relating to Comprehensive Financial Policies, as the formal guidelines for the City of Scottsdale, FY 24/25 Financial Planning and Management.

Councilwoman Janik: Second.

Councilmember Durham: Second.

Mayor Ortega: Would you like to speak to your second?

Councilwoman Janik: Yes, thank you. Could you go back to, I think it's slide four? And it might be three. All right, go back. One more maybe. It was the slide where you talked about if you have appropriated a certain amount of money for a project. So, let's say, for example, a construction project, and then they have excess funds. Does that go back to the construction or General Fund or, do you understand my question?

Sonia Andrews: Yes. Mayor, Councilmember, it depends on the funding source. So, if the funding source is bond money, and there is no need for the bond money to be applied to another qualifying project, then we would use it to pay off the debt. So, it won't go to the General Fund. It will go back to the Bond Debt Service Fund to pay down the debt. If the project is a transportation project that is funded by say the 0.1% Arterial Life Cycle Tax and there's no need for that funding, then it will go back to the Arterial Life Cycle Fund.

Councilwoman Janik: Okay. And if it was a project through the General Fund, and there was extra money, it would go back to the General Fund.

Sonia Andrews: Yes.

Councilwoman Janik: Okay. Thank you.

Mayor Ortega: Thank you. We have a motion and a second. Do I have any requests to speak remotely? No. Okay, so, please record your vote.

Councilmember Graham: Yes.

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Mayor Ortega: Okay. We are unanimous. Thank you very much. We are concluded with the Regular Agenda items. At this point, we will return to public comment. Public comment is the second opportunity to provide input on a non-agendized item. I'm told there is no request to speak for the second opportunity in public comment. Therefore, I will close public comment.

CITIZEN PETITIONS

[Time: 01:55:06]

Mayor Ortega: Item Number 18 is receipt of Citizen Petitions. We are told that there are two petitions and we received those at the beginning of the meeting. One with regard to, and according to our charter any citizen or groups of citizens may petition the Council and certain actions can be taken as to direct action on a petition. The first one coming from a homeowner in Pleasant Run, the Chairman of the Architectural Review Committee.

We heard that discussion, and at this point we have three options. And it appears that there's a request. It is of record, and we have it here at the dais. So, the choices would be to direct the City Manager to agendize, direct the City Manager to investigate, or take no action. In this case, I would suggest that we take no action on a claim, or it seems to be a possible claim, but I have no problem if the City Manager could respond or in some way to it, to that it appears to be a claim on the city for a certain amount of money. And therefore, I don't know how we could handle that, so I would not be looking at agendizing that claim. So, I would say no action at this point. We can clarify with a follow-up letter perhaps by the City Attorney or someone, but we can't.

Councilwoman Caputi: Yep, second.

Mayor Ortega: Thank you. That's the motion and not, we're not specifically going to go further into discussion of the merits, and we have a motion and a second. Please record your vote.

Councilwoman Janik: Excuse me, Mayor.

Mayor Ortega: The motion is to do nothing and let it sit.

Councilwoman Janik: I think we need clarification. We're not sure. Do we want one, two or three?

Mayor Ortega: Three, take no action.

Councilwoman Janik: Okay.

Councilmember Graham: Yes.

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Mayor Ortega: Okay. And the motion carries 6-1. The second motion pertained, from a single petitioner, with a request concerning the administration of a DR applications and on the SR zoning. Once again, we have three options. This is requesting a text amendment. It is, we are not scheduled to discuss the particular points of this case. Vice Mayor Whitehead.

Vice Mayor Whitehead: Yeah, I will motion to have the City Manager review, number two, direct the City Manager to investigate the matter and prepare a written response to Council.

Councilwoman Littlefield: I second that.

Mayor Ortega: I see a motion and a second. So please record your vote.

Councilmember Graham: Aye.

Mayor Ortega: Thank you, that is unanimous.

ITEM 19 - MAYOR AND COUNCIL

[Time: 01:58:46]

Mayor Ortega: At this point, we have completed with the petition aspect of our agenda. We are moving on to Item Number 19, which is to agendize review of the recommendations of the Protect and Preserve Scottsdale Task Force at a future Work Study. Item 19 was added to the Agenda on March 1st at the request of Councilmember Graham. The Council has three options in making a decision, and so I would allow Councilmember Graham, again, not going into the particulars but the merits of having a work study session on the subject. Well, he can explain why he brought it forward in a very limited way. It is not as to your concern. You cannot go into the particulars of it so I would allow.

Councilmember Graham: Mayor, can you hear me? Can you see me?

Mayor Ortega: Yes, we can see you, hear you clearly.

Councilmember Graham: Sorry for not being there with you tonight. I wish I could be. I have a son who is, he's just got a respiratory thing. He's coming out of the hospital. So, he's with us. He's totally fine, but it's just one of those things. I wish I could be there with you, but I appreciate you, Mayor, giving me the opportunity to explain why I put this item on the agenda tonight. I asked for this item to be included in tonight's agenda because in our Work Study last week it was clear listening to my colleagues that many questions remained about a new sales tax that will last a generation and collect over \$1 billion.

Mayor Ortega: Sir, it's not about any particulars of it. It's just, I just want to clarify that there was some direction and consensus given by the Council at that Work Study for additional

information that is forthcoming, and that's the extent of that versus a replay of the, so those, there was direction for that. And that is my understanding and I believe staff is bringing back, remember, that the presentation couldn't have all the filed file information on every single decision or data point. And so, I don't want to go further into with respect to your questions. There will be answers provided to you, just as they will be provided to all of us. And we're not talking about generational taxes and all that at this point. Our subject is just we have three options, one is to agendize it, one is to direct City Manager and the Charter Officer to investigate the matter, and report back and that's really as my understanding of where we were when we left after two hours.

Councilmember Graham: Well, Mayor, I could say a lot more, but I won't. The motion will be to take item one and that would be to move to agendize an item for a second Work Study on this sales tax.

Mayor Ortega: Thank you. And.

Councilwoman Littlefield: I will second.

Mayor Ortega: We have Councilwoman Janik and then Councilwoman Caputi and then Vice Mayor Whitehead. I did hear a motion. Did you want to second?

Councilwoman Littlefield: Yes.

Mayor Ortega: Okay, so Councilwoman has seconded. There again, I will go with those in order. Councilwoman Janik, Councilwoman Caputi, and Vice Mayor.

Councilwoman Janik: Thank you, Mayor. Is it appropriate at this time to make a counter motion for number three to take no action or do I need to wait until we clear the?

Vice Mayor Whitehead: Second, if it's appropriate.

Mayor Ortega: I think it might be simpler to just vote up or down the motion that's there.

Councilwoman Janik: Okay.

Mayor Ortega: I think that would be the easiest way and then we could go on to another option. Councilwoman Caputi.

[Time: 02:03:07]

Councilwoman Caputi: I have a question for staff. If we had a second Work Study, what does that mean in terms of pushing off the ability to move the rest of the schedule forward. What does it, I know we have a couple of comments from residents concerned that if we had another

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conversation on this, that it would mess up the schedule for everything else in terms of moving forward to putting it before the citizens for a vote. I guess my question is what happens if we do have a Work Study, what does it delay or not delay? What is the downside?

Mayor Ortega: Generally, the Clerk could review schedule or calendar. I don't know that they are prepared to answer that.

Councilwoman Caputi: I guess my question; does it interrupt the ability of us to move forward and put it on the ballot to have the residents vote on it?

Ben Lane: Thank you, Mayor. Thank you, Councilwoman Caputi. I think it just depends how quickly it could get agendized. If it could get agendized later this month it should not be an issue.

Councilwoman Caputi: I don't know what the downside would be to having more conversation, as long as it doesn't interrupt our ability to keep moving forward. Thank you for answering that.

Mayor Ortega: Okay, Vice Mayor Whitehead and then myself.

[Time: 02:04:32]

Vice Mayor Whitehead: I just want to remind my colleagues up here that this is not a new process. This is a process that Council has spent 15 months on. And I just want and as everything that we do here in the City of Scottsdale, we have had phenomenal feedback outreach to our residents, and we have had feedback upwards of 90% in support. But for those residents who don't know, our City Treasurer has been meeting with us for hours each month to find out if we have any questions and to find out how she might, how we can design this in order to build consensus. So, in government, we don't get exactly what we order. We build consensus by having seven voices, with seven different life experiences to get to a tax that is incredibly low.

A \$3.71 tax cut per household per month in order to deliver more policemen, in order to deliver the equipment we need from our fire to save our preserve from wildfires, to protect all of us. And so, I appreciate that in our Work Study Session, there were questions, but I have questions that came up that weren't addressed over the last 15 months. But I also appreciate, and I had asked Councilman Graham about this, if these questions, can our City Treasurer provide these answers and the answer was yes. And, in fact, you did do that. Thank for answering the questions that we had in the Work Study Session.

Delay, this is two questions. It's an expenditure limit about local control for our use of our funding and it's about this tax extension. We have one time to do it. We have a very very tight schedule. I just can't believe that any of the answers that were already provided we are going to get anything out of a Work Study Session, and I would ask my colleagues for this, for efficiency for those who say they don't like bureaucracy, we have made this so transparent. Let's continue

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to be efficient as a city government and move forward. We are going to have a full-blown Session, full-blown City Council Session where everybody can speak, everybody can ask questions and we can make tweaks on, you know, at that meeting. So, there's no loss in opportunities to make changes. So, I do encourage everybody to oppose an added meeting, added burden to our staff. Thank you.

[Time: 02:07:26]

Mayor Ortega: So, I can explain my vote. I will vote no on the motion because it could be viewed, because there is information forthcoming as requested. The second thing I will point out because we are going into a Work Study shortly and only five people of the public are allowed to speak for a work study. When it's agendaized, it could be 25 speakers. So, the conclusions of whether it would delay needlessly, and that more data is forthcoming already brings it to us here. And that is ideal and stringing it out with a Work Study and a Work Study or a delay is not appropriate. We have, I have Councilmember Graham wishing to speak but I am going to let Councilmember Durham speak because he has not spoken yet and again just explain your vote and then we will finish with this. Go ahead, thank you.

Councilmember Durham: Thank you, Mr. Mayor. Is it appropriate to make a motion to call the question or call the question?

Mayor Ortega: Yes, we can call the question.

Councilmember Durham: Yes, I would like to call the question.

Mayor Ortega: So, the question has been called so that we would take a vote on this. If you wish to take a vote and close continuous.

Sherry Scott: Mayor. I'm sorry. Sherry Scott from the legal department. If you've got somebody pending to speak and somebody calls the question, technically, you should take a motion on that calling the question.

Mayor Ortega: Yes, that's what I mean, calling the question, we will take a vote on calling the question. This might go back and forth too long. So, we have a call the question which means if you vote yes, that means we proceed with the vote. Okay? So, Councilmember Graham has called the question. I second that so it's fully proper and to vote on this. That means you are going to vote not on the motion but the vote to vote, okay? Thank you. So please record your vote.

Councilmember Graham: No.

Mayor Ortega: Okay. So, the motion to conclude the discussion, call the question passed 5-2. Now we will vote on the main motion, which came from Councilmember Graham to have some

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additional some Work Study in the future. Yes or no on that motion. Please record your vote.

Councilmember Graham: Yes

Mayor Ortega: Okay, so the motion is defeated 4-3. Thank you.

WORK STUDY

[Time: 02:13:30]

Mayor Ortega: Finally, we are going to continue with the, next we have the Work Study. Work Study is an opportunity to provide a less formal setting for the Mayor and Council to discuss specific topics with each other and the city staff and provide staff with an opportunity to receive direction from the Council. We will, for time sake, we are limited to five speakers of the public for Work Study. And it would be limited to three minutes each or less. I have a request from five speakers to speak on the topics. Therefore, I will open public comment on these Work Study items as posted. The first one is from Thurman Johnson, the second is from Michelle Pabis.

Councilwoman Janik: Excuse me, I don't want to interrupt. But on Item Number 19, don't we need to vote number three take no action? Because at this point it could be one or three.

Mayor Ortega: You are correct. I apologize. Well, we voted to down one of the motions. So.

Councilwoman Janik: Yes.

Mayor Ortega: Thank you very much for that correction. So, at this point, I move to take no action on the request, excuse me, the requested motion. The motion was voted down already so I think it's only an up or down, but I don't see why we could --

Sherry Scott: Mayor?

Mayor Ortega: The motion to agendize was defeated.

Sherry Scott: That was correct the motion to agendize was defeated. If you want to bring it to a close, you could go ahead and take a motion for no action. You could, I think the City Clerk's point is you could also take a motion for number two, your second option, which is to direct the City Manager or responsible charter officer to investigate the matter and prepare a written response. So.

Mayor Ortega: Well, I don't think so because we were already agendized for a motion in the affirmative from Councilmember Graham. That was defeated. So, we don't have to now vote on whether we're going to redirect the manager or do nothing. The motion was not for three options, and the motion was for one and it was no longer exists. Now, we are taking action on

this whole subject, but I don't believe we should, we've already voted on the posted motion as recommended.

Sherry Scott: Mayor, you are correct if the Council takes no other motion, the effect of that is no action. So, you are fine.

PUBLIC COMMENT

[Time: 02:13:49]

Mayor Ortega: Okay, yeah, great. Thank you. At this point, we will reopen the Work Study and the Work Study purpose is to discuss less formally the topics which have been posted, duly posted and at this point, we also have the opportunity for five speakers to speak, limited to five speakers on a Work Study, and I will therefore open public comment. And in doing so I will call forward Thurman Johnson and then Michelle Pabis and Austin Fairbanks in that order. Come forward Thurman Johnson and Michelle next and you have three minutes. Thurmon Johnson going once. Going twice. Thank you. He's not here. And we're going on to Michelle Pabis and then Austin Fairbanks. After Austin comes Linda Milhaven, and Sasha Weller.

Michele Pabis: Good evening, Mayor, members of the Council for the records Michele Pabis, Vice President of Community and Government Affairs for HonorHealth. I appreciate the opportunity be with you tonight to speak briefly about the Scottsdale Ambulance Transportation Program, which you will be getting an update on during the Work Study Session. As you all know, Honor Health is the largest healthcare provider for Scottsdale and for decades we have had the incredible opportunity to work with the Scottsdale Fire Department. And as you know, we all have the same goal, which is to improve the health and well-being of those we serve. Pre-hospital emergency care is a critical part of the out-of-hospital experience that many of our emergency room patients undergo. Ensuring the timely transfer of patients to the hospital is critical in saving lives and increasing outcomes. We have a history of innovative partnerships with Scottsdale Fire, and I think probably most of the citizenry doesn't understand how closely the EMS and the hospital system works together to make sure that every minute counts.

Things like helping to purchase transport monitors to actually submit cardiac data directly from the field to the hospital, and therefore, being able to directly send the patient to the cath lab in order to reduce the door to balloon time. These are the types of relationships, partnerships, collaborations that happen and why that prehospital care is just so critical. There's a lot of discussion in the fire and even in the hospital world about transports both 911 and inner facility. I want to applaud Scottsdale Fire, Chief Shannon, and really his team for taking this opportunity to find the reliable, continued reliable service for the citizens of Scottsdale and thus increasing the opportunities for incredible care. We appreciate the opportunity to continue to partner fully support the City of Scottsdale moving forward with 911 ambulance service and really appreciate the continued partnership with Scottsdale Fire. With that, I'm happy to answer any questions.

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Mayor Ortega: Thank you. Seeing none, we will move on to Austin Fairbanks and then Linda Milhaven and Sasha Weller.

[Time: 02:16:45]

Austin Fairbanks: Honorable Mayor and Council, good evening my name is Austin Fairbanks I live at Scottsdale residence at 2938 North 61st Place, Scottsdale 85251. I had the privilege of speaking before the Council on January 23rd meeting where I expressed concerns for the potential for the expenditure limitation issue, the financial policy to become somewhat of a slippery slope and to eventually raising that expenditure limitation without any real justification I could see. During that meeting I compared Scottsdale to Cave Creek and Fountain Hills, two of our neighboring municipalities, but as the Vice Mayor rightly pointed out to me during that meeting and after that meeting, there are differences in how each communities fund their municipal services. So, I want to set the record straight that I don't, I didn't attempt to compare them in terms of what Scottsdale should do but rather what other municipalities do is different from Scottsdale and we shouldn't necessarily just look on the screen a say Scottsdale has a low expenditure limitation compared to other municipalities.

So, with that out of the way and previously expressed my personal opposition to raising the expenditure limit, I wanted to focus today on some of the ballot language that you will consider potentially and to hear about from the city staff. You will see that city staff has understandable and clear wording, meeting statutory requirements and reviewing other ballot language and other local ballot language in determining what language should be put before the voters. I would add that I think we should have non-biased neutral information put before the voters. So, I think that's an important part of any ballot question that gets put forward. So, my concern here today is about the neutrality of the language, that we ultimately put before the voters if we do so on the expenditure limitation. First is in the official title, I don't think we should be using the term state-imposed to refer to the expenditure limitation. I talked a little bit about this last time, it's a constitutionally mandated requirement that you have to follow as a city. You do have the opportunity to raise it if you want to if the voters approve that as well. But I think the term imposed is universally negative connotations, so saying state imposed is not the best in terms of neutrality. If you have to put in the term I suggest, say constitutional expenditure limitations but I don't think we need a term there at all.

Second is for the yes or no statements. What you will see in the presentation later today there's some options that city staff has presented, is presenting, and I think it's important that the yes and no statements should be brief and answer simply what the yes or no would do which would allow the city to exceed the expenditure limitation and not say the following phrase for the no side as proposed say, "not permit the city to use previously budgeted funds to maintain the existing and planned city services and programs." This language seems like an attempt to sell or encourage people to fund the city at a certain level over the fiscally restrained no position. Also, I would say that the statement that is potentially factually inaccurate. If the citizens were to vote against limitation being increased, the city would still be permitted to use funds to maintain city

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services and programs. So, that's why I think it's potentially misleading or inaccurate to include that and it's also not concise. My point today was not to oppose the expenditure limitation as much as to suggest alternative language to consider if you do put it on the ballot. Thank you very much.

Mayor Ortega: Thank you. Next, we have Linda Milhaven and Sasha Weller.

[Time: 02:20:07]

Linda Milhaven: Good evening, Mayor and Council, my name is Linda Milhaven, and I live on Belgian Trail here in Scottsdale and I would like to speak to agenda item on your Work Study about the permanent base adjustment to the state-imposed expenditure limit. Looking at the slide presentation you are going to get this evening, it looks at historical expenditures, and I think while interesting in the interest of transparency and accountability, it's most important that we look at the most recent years. In the fiscal year ending June 20, our spending was \$92 million below a limit. That spending was \$417 million. The following year, in the year ending June 21, we were spending \$100 million less than the gap, less than the limit at \$423 million, and the year ending 2022 it was \$41 million. But if you recall, that was the year we made a \$60 million payment to the police retirement system.

A very important and necessary payment I'm glad we made but fortunately we're not going to need to make payments that large in the future. In fact, in the following two years they were significantly less. So, if we added that back since that was a one-time charge there would have been \$100 million gap in that year. So, while we look at historical performance, I think the question that we really need to answer tonight is what has happened to eat up that \$100,000 gap between our expenditures and our expenditure limit? Also, in the presentation, you will see a slide that shows that we are the lowest per capita among, we have the lowest per capita limits among the peer cities, some might suggest that that in and of itself is justification for raising our expenditure limit. I would suggest that in Scottsdale we expect better, and we do better, and that is not a good enough reason in and of itself. Instead, I would suggest that that slide is a great example of our historical financial discipline and prudence and hope that tonight we can continue into that vein of transparency, accountability, and fiscal responsibility. Thank you.

Mayor Ortega: Okay. Next, we have Sasha Weller.

Sasha Weller: Good evening, Mayor Ortega, members of Council, I wanted to speak to you on both issues that are going to be talked about in the Work Study. First, being the ambulance issue. This quite possibly will be the most important public safety decision that will come before this Council and probably the most important public safety decision that will come before any Council over the next two decades. This is going to be really bring our emergency services to the level that it needs to be.

As the president of the Scottsdale Firefighters Association, I have known the entire history of the

Scottsdale Fire Department, but our history prior to that as well. Scottsdale enjoyed from 1992 till 2005 our own ambulance business within our Fire Department. It was a seamless process. It was a seamless door-to-door service. It was the most necessary thing that we could possibly do for the public safety. The majority of our business is emergency medical services and ensuring that door-to-door service and continuity of care gives our patients the best possible survival rate that we can. For many different reasons, the CON processes, et cetera, that came about in 2005, that service had to be disconnected. We are now at a place where we can bring that service back to the citizens, and I strongly, strongly ask you that you consider the worthy project that this is as a public safety issue. There is no better care and no better service than your citizens and the visitors of this city will be provided by than the Scottsdale firefighter and we strongly urge you to support that.

Secondly, I would like to speak you to about the expenditure limit issue that's coming before you. We found ourselves in a place where we're not keeping pace with the expenditure needs. Our cap has not been raised since 2004. Respectfully, to past Councilwoman Linda Milhaven, who I consider a friend. We disagree on this issue. I think when you look at the COVID years, that's a really, really hard comparison to make in the sense that many city services were shuttered and so we can't really compare all of those years. That said, the impacts of not raising this expenditure limit will be hugely impactful to the public safety. We're currently behind in total expenditure Phoenix, Mesa, Chandler, Surprise, Peoria, Glendale, Maricopa, Queen Creek, and Buckeye. And per capita we are behind Phoenix, Chandler, Surprise, Glendale, Maricopa, Queen Creek, Tempe, Buckeye, and Avondale. This is Scottsdale. We're better than this. My members need the money, need the resources. They need to perform their jobs every single day and to continue to provide the best services possible to the citizens and visitors of city. Thank you.

Mayor Ortega: Thank you very much. At this point that concludes the public testimony regarding the two Work Study subjects. The first subject is Scottsdale Ambulance Transportation Program. The second subject is a Permanent Base Adjustment Update. So, on the Scottsdale Ambulance Transport Program, presenter Fire Chief Tom Shannon. Chief, I saw the ambulance outside in the parking lot earlier today. It looks really sharp.

WORK STUDY 1 – SCOTTSDALE AMBULANCE TRANSPORTATION PROGRAM

[Time: 02:26:40]

Fire Chief Tom Shannon: Let's hope that's the only time you see it.

Mayor Ortega: Thank you.

Chief Shannon: So good evening, Mayor, and members of the Council, as my staff seats themselves, I would just like to thank you for your time. I know you have been hard at it, and so we're going to be concise for you, but we certainly want to answer any questions you might

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have about this exciting return as you just heard to a service delivery model that existed. If I can really quickly introduce your Scottsdale team. They include, next slide, they include essentially every city division starting with our Treasurer's Office and the Budget Office, our Fleet Department, I.T., Facilities, literally every department has hand in this for almost two years. Coming up on March 29th is essentially two years when we got the initial go ahead from you and you folks have endured many conversations with me in briefings, previous Council members endured those same briefings.

Very specifically, though, I would like to introduce the talent that really has gotten us to this point. Starting with kind of a hired gun and that is Katherine Steadman from Kutak Rock Law Firm. I consider her kind of the modern day "Katherine the Great" she's know as the CON whisperer if you will. She certainly knows what she was doing, and we are happy to have her. Dr. Casey Solem, who you will get a chance to hear from. He's our Medical Director for the City. Teresa Martin, my finance manager, and she manages essentially all the fire department finances. Deputy Fire Chief Danny Abels who is giving instructions right now and Battalion Chief Brian Joseph.

So, you might ask yourself why? Why are we here today? Well, as you just heard, we're really asking to go back to a service delivery model that was much better for the citizens and visitors of Scottsdale. Continuity of patient care is absolutely essential for outstanding clinical outcomes and what we mean by that is we don't want to play a telephone game with patients. We want to make initial contact and I know you are all aware that we live in a fire-based EMS system, which means your fire department is the first responder. They touch those patients first and we deliver those folks door-to-door to the hospital. As was mentioned, in and around 2005, because the city did not possess a certificate of necessity, we contracted with private sector ambulance companies and our current partner is an outstanding partner, but they are challenged by the business side of the ambulance business that includes both interfacility and 911 which requires them to put profits and revenue margins as the priority.

[Time: 02:29:06]

Now, of course they would say, you know, patient care is absolutely their number one priority, but in our business, we have the luxury of focusing exclusively on patient outcomes and what is best for our citizens. The concept of gift clause has been a disputed and contemporary issue inside the public and private ambulance sector. Many of the governmental agencies that still use a private vendor are in essence gifting their services to the private sector by providing the fire-based EMS delivery system to them at nowhere near the recovery of cost that exists. And then finally, and most importantly is we have greater reliability of the those resources that were previously mentioned, that existed. We have to have the certainty of an ambulance, absolutely coming to necessary household or business when needed. What is currently existing in the ambulance environment now are very long response times, and that's primarily due to staffing but as I mentioned, the private sector must operate as lean as they can, and that impacts response times.

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And so, we'd like to spend just a little bit of time giving you a quick update on where we are at. As many of you remember, March 29th of 2022, we made our initial application, back and forth between the state and the city, our application was prepared and reviewed until August 29th of 2023 where the bureau made its issuance findings letter and suggesting our proposed rates. That moved us into a completion of what would be considered the substantive review. And then we were noticed for a hearing. That hearing took place. It was a single day hearing. We were before Judge Tammy Eigenheer; I'm going to butcher her name. And she recommended ultimately that the city be awarded the CON.

We, during that hearing we were supported not only by Maricopa but many of Scottsdale's businesses, healthcare providers, and significant partners from within the city. We currently possess four ambulances. You saw the ambulance outside. That is one of the delivery systems that will be used to start Phase 1. We've prepared all Council actions necessary to essentially execute this program, should we be awarded the CON. We have focused with our city stakeholders to be essentially right at the gates should Council approve this on an upcoming agenda for funding and moving forward. That would, of course, only come if we are awarded the CON. And then certainly at that time, we would conclude the discussions with the insurers for negotiated rates and those sorts of things. I want to introduce Fire Chief, or Deputy Fire Chief Danny Abels who will discuss the operational plan of our ambulance service.

[Time: 02:32:33]

Danny Abels: There we go. Good evening, Mayor, members of Council, as Chief Shannon said, my name is Danny Abels, Deputy Chief of our EMS Division for Scottsdale Fire. I'm going to start out talking about first, and I will get to what this map you are looking at, what it actually means, but first of all, I want to talk about our relationship with Maricopa Ambulance. So, as we discussed this rollout of our ambulance locations throughout the city. We have partnered with Maricopa Ambulance throughout the whole process. We have been respectful of their business model in the direction that we are going. It's been a collaborative effort for deciding where to place these ambulances with the interest of providing the best service capabilities to our citizens and to make sure that both parties are meeting our response times that would be required through the Department of Health services. They have been a great partner with us.

Just for, to be on the record, that they did testify as Chief Shannon mentioned when we were with the administrative law judge. They did testify on our behalf. They did not oppose, and they did support us receiving our CON. We both are going to be over; it's going to be a three-year phase-in period. So, we will both collaboratively continue to reevaluate our response times and our station locations. But the current plan is a three-year phase-out period over three years. So let me go back to this real quick. What this is showing on our maps, where the darker blue areas are, are the areas of higher call volume or calls for service. As you can see as expected south Scottsdale is the busier part, the downtown area and as you work your way up into northern areas, the calls for service decrease. But we still have to get in those areas within our response times.

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So, the first ambulance for phase, we are going to phase it in, Phase 1 will be Fire Station 602. So, we are going to put that down south and run another station at Miller and Indian School. Reason for that high density, high population, a lot of stuff, a lot of activity down south. A lot of growth. A lot of vertical new construction going up. Then from there, we are going to move our, put an ambulance at Fire Station 608. So that will be the 96th and Cactus area. And so, that area, again, very busy, very busy area. A lot of activity going on, still a lot of growth, a lot of mixed use with the businesses and the residences in that area. And then as we move up north, we're going to put an ambulance up at Fire Station 15, which is Pima and Lone Mountain area. What that is going to do for us up there, is it's going to be able to have quick access down Pima Road. So, they can get to multiple areas. It will be able to handle the Terravita area. Ambulances that will respond to Carefree Highway, east of Scottsdale Road and what it will also do for us is the ability to get over to Station 14 over at Alma School and Dynamite and still be able to meet our response times.

So, in Phase 1, those are the three areas, the three stations locations that will in-fill in. So then, in Phase 2, as we get in, as we continue to build this out, this is where we get into Phase 2 and Phase 3 where we start having a little bit of overlap and redundancy and starting to fill in the gaps a little bit. So Phase 2, again, starting down south, and we did when we sat with Maricopa and I forgot to mention that we did, we broke the city down into south, central and northern and so each phase, we will put an ambulance in those areas so we have identified south Scottsdale as being Indian Bend south down to McKellips. Indian Bend north to Bell Road would be central, and then Bell Road up to basically Cave Creek.

And then I want to go back too, because I didn't mention the important thing. The ambulance up at Station 15, what we have up there is a great opportunity for, or not opportunity, but the process that we have with the automatic aid system, and the ability to work with, so we have Daisy Mountain that provides service to Cave Creek, and you have got Rural Metro that provides service to Carefree. And so, we will have dispatch agreements in place for ambulance backup services as long as what our modern day, we are part of the regional dispatch system. So, we already have an auto aid in place with Daisy Mountain. We have mutual aid in place with Rural Metro. So, you will get some redundancy up in those sparser areas.

[Time: 02:37:48]

Going back to Phase 2, again, starting with the south part, we are going to put an ambulance at Fire Station 601, which is about Miller and McDowell. Again, for the same reasons. High density, high population, a lot of activity, a lot of growth, a lot of stuff going on in the south part of the city. And then we get up and put the, and Fire Station 606, we'll put another ambulance there. That's over about 108th Street and Via Linda. And what that will do again, it will help to support and infill and be able to support that area of the Shea corridor, a lot of activity going on in there that covers station five and four and eight and seven and so that's another ambulance in that area that can respond and take care of a lot of the calls for service that are towards more of the Fountain Hills and the far east area on Shea. And also, be available for all the mountain rescues

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and stuff that happen in that area. And then Station 11 which is in the central part as well at Thompson Peak and Pima Road, so we'll be putting an ambulance in that to support that area as well.

Then as we move into Phase 3, excuse me, we'll put another secondary ambulance out of Station 602 at Indian School and Miller, for all the same reasons. I don't want to be repetitive. I think you get the idea of the impact, the populus, and the density down in the south part of the city. But then we're going to go ahead and put another one at Station 603, located at Indian Bend and Hayden. Again, mixed use, a lot of residential. Very high call volume for service in that area but they have Hayden Road, easy access so they can get up and down Hayden Road north and south pretty quick. And then Fire Station 14, lastly but not least, Phase 3 in the northern part over at Alma School and Dynamite. And taking into account that that's three years, so we are anticipating the call volume in that area, new homes, new businesses in that area, you are going to have growth. You will have the needs for service. Having an ambulance at that station will also help to support the ambulances over at Station 15 that I mentioned on Pima Road and Dixileta.

If they are out on a call or they are unavailable, then we have that extra overlap and redundancy in that area. So that's basically the layout of our operations plan. We are going to continue the ongoing, continue to work through this process. We will rely on data and look at our response times. Nothing is more important than meeting our response times and providing that service to the citizens. So, we will continue through all of these phases is to continue to reevaluate, look at our response times, work with Maricopa, make adjustments as necessary as we move in, or as we continue to move with this project. That's all I have. Thank you.

Chief Shannon: Thank you, Danny. Questions, Mayor?

Mayor Ortega: Were you going to continue now with the presentation?

Chief Shannon: We are. We are.

Mayor Ortega: We will let the Chief continue with the rest of it. Go ahead.

Chief Shannon: Go ahead, Chief.

[Time: 02:41:17]

Brian Joseph: All right, Mr. Mayor, Council, thank you for the opportunity to address you tonight. I am going to provide a little context and financial overview for you related to the ambulance operation and public safety need here. Looking at the slide here, we are looking at two comparable cities to the City of Scottsdale for the total of three cities up there. Looking at the Town of Gilbert, as well as the City of Tempe, just south of us. One of the things to make mention is really your revenue is based upon your payer mix. And what the payer mix means is

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more or less the ability of your different buckets related to commercial insurance, Medicare, Medicaid, auto policies, people who don't have insurance, or just self-pay. And so that mixture defines kind of what your total collections will be if you look at it in a holistic aspect. So that said, there's a different perspective of all three of these cities here, but there are a lot of similarities in the operation, we wanted to make sure to provide some context for you.

So, utilizing the James Vincent Group, which is a Scottsdale based financial services, they did a third-party analysis of the payer mix for us. That's their expertise. They handle ARCRs which are the ambulance cost revenue report for a number of municipalities in the state and they report those figures to the state for the mandatory annual reporting requirements. With those two studies that we did with the James Vincent Group, came up with very comparable numbers. We did a first study in 2021, and then a follow-up study after COVID had kind of slid towards the end of 2022. And what we ultimately settled as far as their analysis on a basis of about 46.7% of the patients we run will have Medicare as their primary insurance. The additional 16.3%, which will have the state Medicaid or AHCCCS program, which you are probably familiar with and then the remaining would probably be commercial policy or self-pay. It's very difficult for them to get to the granularity of ZIP code and different areas within the city to identify which might create a better payer mix, based on whatever the interest might be.

That said, there's some common themes that are generally seen in the socioeconomic diversity of the city. That said, we will see a lot more, most likely of the Medicare and Medicaid patients in the southern ends of the city where a lot of the commercial insurance will be up north but that doesn't mean that they are exclusive and there's quite a bit of mix throughout the city. We just don't have the ability to pinpoint that for you this evening. That said when you compare that to the City of Tempe, or Gilbert, Tempe, specifically, you will see that their Medicare rates are significantly less. They have a much larger AHCCCS or state Medicaid population there. As well as a higher rate of commercial policies and self-pay. And this will directly identify itself with the anticipated revenues, bad debts, and settlements which I will get to into just a moment.

[Time: 02:44:15]

Mayor Ortega: I want to just clarify something that the columns are headed by font that's white on white in this slide, so it's difficult for people to see. Just for clarification, the first column is Scottsdale, the middle is Tempe and the far one is Gilbert. It may not be visible on cable, but, and we will use red next time. It came from the Fire Department. Okay, continue. I just wanted to clarify that.

Brian Joseph: Most certainly, Mayor and I appreciate you pointing that out.

Mayor Ortega: And it's white too so it is not very visible.

Brian Joseph: Completely understand that, thank you for pointing that out.

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Mayor Ortega: If you are referring to the first one that's Scottsdale, second middle is Tempe, and the far one is Gilbert.

Brian Joseph: Yes, sir. Looking at the Town of Gilbert, which is the third column, we are looking at a rate of Medicare of 54%, 16% of AHCCCS or state Medicaid, and 25% commercial policies and the remaining being self-pay. Now, what that pans into in a reality, looking at those two cities, they are looking anywhere from about a 67 to 68% average cost of collections over the last 12 months is what they have been realizing. And some of that is based upon the state regulated rates of AHCCCS and some of that is on the federal regulated rates of Medicare and the remaining is on the policy limits of each individual policy that that person may have through their employer or something that they purchased through the marketplace. How that translates to Scottsdale is that we do a best guess. And when we provided these financial estimates with the budget office, with the finance and all of the other divisions that helped us put this together, we really took a pessimistic approach to financial recovery because we felt it provided greatest transparency for you. If we could provide you with what we believe is probably the worst-case scenario.

That said, James Vincent Group estimated our recovery somewhere between 63 and 70%. And as you can see, that's relatively on par with what we're seeing with the other agencies that we are comparing that. Where you do see the difference however is in the third row which is going to be your settlements and bad debt. James Vincent in their initial analysis prior COVID numbers provided about an 8.8 to 8.9% bad debt ratio. That said, on that secondary analysis that we had them do, that bad debt ratio increased to 13% for variety of reasons as we could probably gather. That said, taking this pessimistic approach, a lot of that debt, we would probably anticipate real world to be a lot less. We would anticipate that bad debt ratio probably to be better in line with the Town of Gilbert at roughly about 9%.

[Time: 02:46:58]

Looking at these comparing operations, as Chief Abels mentioned, we are going to have three phase-in periods. Not necessarily a calendar date but more or less based upon supply chain and our ability to staff, get resources, and all the disposable and tangible supplies needed for the operation. So, in our first year we are looking to have three 24-hour units up 365 days a year providing service to the citizen of Scottsdale for when those calls to service come in, with one additional spare unit if there's a mechanical breakdown or anything that's needed. Looking at our full build-out, we are looking at nine 24-hour units that are running with three additional spares. As you saw in the prior slide, we looked at about 29,000 and some change medical dispatchers a year. That means that a citizen or visitor or someone within our city boundary is calling 911 and is having some type of medical emergency.

The Scottsdale Fire Department responds to that emergency as quickly as possible within safety limits and that said will transport 18,000 people annually out of the city. That's currently being

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all done by Maricopa Ambulance. To the fire chiefs we see this as a public safety and necessity, and we are the safety net when it comes to making sure that everything within the city is taken care of from a fire and EMS perspective. And that said, over the course of that three-phase approach we are looking to take over that total transport. During that building period, we are looking at the partnership that Chief Abels was talking about with Maricopa and being able to appropriately help each other meet our response times in all areas of the city that's tied to that. Chief, if you could go back one slide for me. Looking at the other two cities in comparison, they are running six ambulances 24 hours. And so that being said, their call volume is significantly less.

So, when we look at revenue, that's developed from there, when we look at debt, when we look at payer mixes, you need to also remember the scale of the operation that they are running. Tempe is running about 11,000 transports a year compared it to what we are currently seeing with our partner at Maricopa at 18,000 just to provide a little bit of perspective for you and context. Looking at our overhead staff, just our baseline overhead staff to provide you apples-to-apples comparison, we are looking at one transport manager to be a civilian position to manage the ambulance operation with a billing scrubber to make sure that all of the paperwork that is going to be needed in order to bill all the payers is done appropriately before we forward that off to the company that would actually take care of the billing for us. The quality analyst to make sure that the care that we are providing is on par with protocols and Dr. Solem will talk about that later on. And additional administrative support to support that operation. There are a number of additional personnel positions that will be needed for an ambulance operation, and we'll get to in future slides.

That said, looking at the last section related to the billing company, we had amazing collaborative process with city budget, city finance and had a couple of presentations done by some vendors. Looking at a regional partner that has made contracts with other valley agencies, which is call EMSMC, they are based out of Winston-Salem, North Carolina. The revenue recovery that they look for is the way that they make their money is basically a percent of net collections. So, when a payment is received from the payer, they will say their 3.95% cut, as you can see there based on the screen. As you can also see all the other two cities that we have identified in the other two columns are also with those and we have been able to work with the purchasing department as well to make sure that we are in accordance with all the purchasing guidelines tied to that. This was a great process to go through.

[Time: 02:50:40]

Chief, if you could advance the slide, thank you. Probably the most relevant to you this evening. I know that money is an important thing when we are looking at starting a venture. That said, the phase-in approach is in the first row, to the Mayor's point, we apologize for the white font. So, the first column down will be Phase 1, the middle column will be Phase 2 and the column on the right is Phase 3, which would be identified more or less as year three. Looking at our first row, it basically recaps all the things we talked about as far as units, our initial transports for

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year one, we're looking at 6,000, followed by 12,000 for year two and roughly 18,000 for year three. This doesn't account for growth. There, of course will be additional call volume tied to that and transport, it ebbs and flows as things change on the daily basis. Looking at gross revenue, we're looking at approximately \$8.2 million for year one, correction Phase 1, \$5.6 million for Phase 2, and \$8.4 million for Phase 3.

Looking at our bad debt, or our settlements, our ability to have to write off because of Medicare contractual obligations or state Medicaid obligations the amount that we cannot collect on, we're looking at approximately \$1.6 million on those, offer the first phase, \$5.6 million on the second, and \$8.4 million on the third. The bad debt which is the third row below that we are looking at \$0.73 million, a little over \$700,000 and what that bad debt symbolizes is all of the amount that we cannot collect from patients who have policies that we potentially can go after for a balance bill or the patients who are self-pay and choose to pay only a partial amount or choose not pay an amount at all, there's a number of different opportunities there that we can look at.

[Time: 02:52:35]

Mayor Ortega: Excuse me, Chief. Once again, I'm just trying to clarify for people. There's a tendency to put a dash in front of a sum. Some people read that as a minus. It's not a minus. You guys have to stop doing that. Put a diamond or something else. And so those are all positive, except where they're in parenthesis. Now there you double confuse it because you put a minus and a parenthesis. So, we see it in the column, we have to translate it, and this will show for instance net revenue is not a dash point point, it's a positive 4.8. That's the anticipated revenue stream. Thank you. Just a small thing, but it's very important and please in the future show that without a minus when there's a positive.

Brian Joseph: Absolutely, Mayor. We can certainly do that. I apologize. This was done by me the firemen, so that said, we will work on that in the future. But to the point where we were going on the bad debt, we are looking at approximately \$730,000 or the first phase, \$1.5 million on the second, and \$2.3 on the third phase. Which brings your net revenues in all three of those phases \$4.9 million for Phase 1, \$10.1 million for Phase 2, and \$14.9 million for Phase 3. Looking at the next row below that, which would be the operating expenses. So, this is everything that would be needed to operate the ambulance operation for the City of Scottsdale. This excludes one-time funds which we'll address in the next slide for you. That being said, \$5.7 million for the first phase, \$10.5 million for the second phase, and \$15.1 million for the third phase. To the last point on here, looking at our net income or loss, as you can see and pointed out, we are operating at a loss for all three of these phases here. We are looking at just shy of \$1 million loss for the first phase and half a million dollars for the second phase loss and a quarter of a million dollars for the loss of the third phase.

Mayor Ortega: Thank you. I see we will move on to the one-time expenses we have questions at the end, so we are going to keep to the format for questions at the end of your presentation.

Chief?

Tom Shannon: Okay, go ahead, Brian, just move along.

Brian Joseph: So, looking at our one-time expenses, we have broken them out into three phases to just be consistent with everything else. Looking at the first phase, we are looking at approximately \$4.4 million and that was based upon the five different categories in there. So, \$1.6 million is part of the ambulances that you saw this afternoon out in the parking lot with additional staff vehicles at \$200,000, equipment that would be needed to run the operation, and the personnel that would be tied to that as far as the hiring and everything, just shy of half a million dollars on that one for Phase 1. Over time, tied to the hirings as these would be sworn members of the Scottsdale Fire Department. Phase 2, \$3.5 million, and Phase 3, \$3.6 million, all very similar categories. The only noticeable change that you will see year two versus year three is no vehicle expense in year three is anticipated. All of the expenses that we have prepared for you tonight include the replacement cost ongoing on that yearly basis.

Chief Shannon: So, you are going to hear Mayor and Council from our medical director. Obviously with any start-up, there's a build out and we expect certainly positive revenues and full cost recoveries in the out years. This has been briefed with you over the years. Nothing really has changed since we spoke to you last about the forecasting of the James Vincent Group, so, we feel very good about those forecasts. We will get to specific questions about finance at the end but now Dr. Solem.

[Time: 02:56:46]

Casey Solem: We will switch. Mr. Mayor, members of the Council as the Chief indicated, my name is Casey Solem, I'm an emergency physician and the current Medical Director of the City of Scottsdale in the Scottsdale Fire Department. I am going to talk tonight a bit about the role of a medical director and the value that it adds to the citizens of Scottsdale. The first question that you may be asking is why do we need a medical director? And it's very simple, most elemental level, all paramedics in the state of Arizona who provide any medical care must do so under the direction of a licensed physician. In this case, an emergency physician. But the real purpose and the mission behind the medical direction goes much deeper and it really is much more core to public safety and ultimately, it is to protect the public. To protect the public by ensuring that the care that is provided by the EMS system, in this case the fire department, is the very highest quality that it can be.

In order to break down a bit about how a medical director or a medical direction team moves towards achieving that goal, are really split into three separate categories. The first category being the direct oversight of the medical care that is provided. The second category being serving as a liaison to regional partners and hospital partners. And the third category serving as a medical advisor to city leadership. The largest of these roles at least in its current iteration is in the oversight of the care that's provided and that can be subdivided now into three separate

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categories, the first being prospective, the second being concurrent, and the third being retrospective. So, when we talk about prospective medical direction that includes things like ensuring that paramedics are as trained and educated as they need to be in order to provide the care that is being asked of them. Additionally, that is ensuring that the equipment, the medications, all the technology that's employed in the delivery of that care, is up to date and meets all the standards that the citizens have come to count upon.

And then lastly is in development and updating of our treatment guidelines. So, a little bit of background, when paramedics arrive on scene to treat a patient, they don't have, I should say that there is a somewhat prescribed set of standards that they are supposed to follow when they treat that patient. So standing orders if you will. An example being if you were to arrive on scene of a chest pain patient, the paramedic would do a 12 EKG to look at the cardiac activity, put the patient on a cardiac monitor, place the patient on oxygen, give I.V. fluids, if necessary, treat with aspirin that type of thing. In order for them to do that, that needs to be part of a set of treatment guidelines or protocols that are developed by the medical director. We have a list that's probably 300 pages long that goes through all those protocols. So that needs to be updated on an annual basis and that ultimately is the role of the medical director.

[Time: 02:59:42]

When we talk about concurrent oversight that includes things like ride-along time. Now of course, we run as Chief Joseph indicated roughly 30,000 EMS calls in a year. So, there's no way that a single physician or a team of physicians would be able to oversee all that care. But in order to make sure that the care that is being provided is the best that it can be, having a robust program for riding along, directly overseeing the care that is being provided, gives an opportunity for the medical director to ensure that they are meeting the standards that have been prescribed in that prospective case that I indicated before. And then, finally from a retrospective perspective, that's an interesting way to say that you've got things like quality assurance or quality improvement programs. Quality assurance being a retrospective review of charts of care that's already been provided, and in the process of having a team that's led by the medical director, that does the chart review, we're able to identify if there's any deficiencies or any training opportunities that may exist. And then, the quality improvement portion of that is to then develop training and education and changes to protocols and guidelines in order to ensure that we can elevate the care that's being provided up to the level that's expected.

Moving from the direct medical oversight, into the liaison role, the medical director serves a liaison with both regional, state and actually in some cases national interested partners. So there are a fair number of regional committees that exist within the Phoenix metropolitan area, and there are collaborations with medical directors and with other EMS agencies to ensure that we are all on the same page and that the care that is being provided by each of our agencies is somewhat contiguous when we cross state, excuse me, municipal borders and, in addition, to make sure that it's, of course, meeting the standard of care and meeting the regional best practices.

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Additionally, that liaison role includes relationships with the hospital systems. So specifically, with HonorHealth being the largest healthcare provider in the city, we pretty regularly coordinate disaster planning drills, and different trainings in order to ensure that when there are disasters that arrive, what we are doing as an EMS department is in alignment with what the hospital would expect. And ultimately, to kind of give the purpose behind why you are hearing this, is that you will see in this proposal for the ambulance project, there would be an emboldening or an emphasis placed on medical direction that would allow for more time and more resources to be dedicated to medical direction which would in turn go back to fulfilling that purpose of ensuring public safety and protecting the public, by ensuring that the quality of care is the best that it can be.

And the last piece that I want to leave you with is that as Michelle Pabis mentioned earlier, there is a strong relationship between the City of Scottsdale, including our fire department, and our hospital partners and HonorHealth and that will continue. And we already have many ideas about how we can expand the connection that we can provide to the patients through both the city of Scottsdale and through the hospital system. Thank you very much.

[Time: 03:03:00]

Chief Shannon: Thank you, Doc. Last thing I will say about that, is that Scottsdale is not unique in that we have a medical director. Every agency has to have a medical director. What makes Scottsdale unique is the involvement and the integration of that direct oversight that the Doc mentioned and that immediately transfers into better patient outcomes. Two slides. We're bringing it home for you and then we will answer questions. So, the next slide shows you what Phase 1 would look like in terms of personnel. We've got to build the business, essentially. And so, our first round of firefighters that will be the folks, the attendants, one basic EMT, one advanced EMT or paramedic, as well as the supervisory, logistics and financial backbone that's required in order to successfully establish this phase, first phase. We are obligated to demonstrate to the state through annual reporting the effectiveness of our staffing versus our business model, that's what Brian was referring to when we were showing those initial year investments and projected losses or gains. And so, we have stripped this down to what is absolutely required for the start-up of a business, but it is the infrastructure that would be necessary.

And then finally the next steps that we see, and we want to listen to you now, is we will continue to coordinate with our regional partners to be prepared to execute this program, if awarded the CON. Our current estimate is that we would entertain an August academy for the firefighter positions that would ultimately end up on the ambulance. We do have prepared trainers to help us with getting ourselves back into the transportation business. Our folks have not driven ambulances for some time. So, they drive very large vehicles but we want to make sure they can drive slightly smaller but every bit as important vehicles. And so that's super important. And then the logistic support.

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We are working with city staff, City Manager, the Treasurer to make sure that we have the logistical support to be ready. One little tidbit of information in cost recovery. There's a nuanced program called GEMT that is essentially is a way for particularly governmental agencies to maximize the recovery that they would otherwise lose in the Medicare and Medicaid environments. Several states, both R&D have entertained this method and we are going to be learning more about that and so not only am I optimistic about the forecasting that Brian has suggested to you, but I'm confident that if we do adopt this ground emergency medical transport policy of cost recovery, it will ensure that we are cost neutral at worst and certainly can do better than that and recover some of our capital investment.

So, with that, you have been very patient and listened. I would be remiss if I didn't say how proud I am of the staff that you just heard from. I am a talent scout. I know nothing about anything of what they have just talked about. They are the experts. But they put me in front of you to ensure that the talent is here to do this. As Captain Weller mentioned in his comments, the city, the citizens enjoyed door-to-door service with continuous quality care back in the day. It seems like we have taken a long time to get back to today. So, with that, we will answer any questions you might have.

[Time: 03:06:46]

Mayor Ortega: Well, thank you Chief. And not just questions but comments as well. I believe your presentation was very complete. First of all, the case was made to the Arizona Department of Health Services. We are well on our way to having, we had an administrative clearance and expect that shortly. Secondly, you show the game plan of operations and that was thoroughly vetted. And as you have prepared, I will mention, the Council last year directed this action that we're reviewing today. And the Council with one new member, which is Graham, has proceeded with the direction in a positive way.

So, credit the past Council and ourselves for bringing us to this point. You know, ensuring public safety and that we have all the tools is a priority, just as the safety and well-being of our visitors and certainly our residents here in Scottsdale. And that applies when you say door-to-door it applies from even the classroom door, if a child has to come under our care, and the other door is really the hospital door, where the emergency room is. Right now, there's that break in between and that chain of custody or chain of care is enhanced by the action of having everything under one roof. So having a third-party ambulance operation worked in the past. The other important point is this transition so that we can actually overlap and ensure that Phase 1, Phase 2, and Phase 3 are very well thought out. That doubly assures the health and well-being in our city.

As we move forward with this, I am very confident we have vetted the numbers over a period of months and, of course, we authorize the purchase of the ambulances in the, in our previous budget, anticipating that we will be enhancing and including new services to meet the needs of our community. This is also an additional cost, but with some return, and payments that have

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been calculated in the formula. There's no question that the training will be done with the new training facility that we have for police and fire, and that's augmented in preparation. And finally, I will say, because I have been on Indian School long enough, coming to City Hall, and when I see the alarm go off and I see a ladder truck coming out of our station.

Inevitably, when I'm on Hayden, I will see an ambulance whipping around the Kentucky Fried Chicken because that's where they park, behind that location, and they are coming in two different directions. And, you know, that's we can now unify and go in one direction because of course we have all the controls to make sure those lights are green. And in particular, Indian School and Hayden is kind of a semi-hazardous location. And when you have one coming off the, as I say, around Circle K and heading through that traffic or cutting across the decel lane near Circle K. It's really a problem. So, having them under one roof and we have the space for it, having it under generally one command, is an excellent addition to Scottsdale. I see Council, so I'm definitely very supportive of the information that we have received, and Councilmember Graham and then we have Councilmember Durham and Councilwoman Caputi.

[Time: 03:11:10]

Councilmember Graham: Thank you, Mayor. Can you hear me? Am I?

Mayor Ortega: Yes. But, you know, sometimes your volume is maybe too high on your end, perhaps. So, we hear you sometimes it blasts a little too loud. You might turn it down a little.

Councilmember Graham: Well.

Mayor Ortega: That's good. You can test. That sounds good.

Councilmember Graham: Well, I mean, audio.

Mayor Ortega: A little higher, okay.

Councilmember Graham: Maybe, I'm just not.

Mayor Ortega: Maybe you are distanced. Go ahead.

Councilmember Graham: Okay, well all right I will try to modulate my volume here. Chief Shannon, thank you for your presentation and the rest of your associates for presenting to us tonight. Just a series of questions here. Slide eight, does the operating expense does that include all the, is that comprehensive? Does that include like incremental storage and parking space and depreciation and cost for medical billing, do you feel like you captured everything in there?

Chief Shannon: Mayor, and members of the Council, yes, Councilmember Graham, the operating

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costs that we have included have been vetted through our partners at the budget office and certainly in Brian's work with the James Vincent Group, and with the exception of the capital investment that he isolated out, it includes all considerations that we are aware of. We will continue to work with the Treasurer's Office for any indirect costs that might be associated with this. Recently we had a conversation with the City Attorney regarding potential legal indirect costs. And so, there's things that will continue to participate in, as we develop what's called the first reporting of the A.R.C.R. And so absolutely, we believe that the costs that we have considered are comprehensive.

Councilmember Graham: Okay. And really these are really short questions. So, because I want to leave space for, I want to leave time for my colleagues. Yeah, I was just curious if that included direct and indirect. Financial you know what we care about financially, obviously with we care about service quality but financially we care about the net cash activity for the program compared to what we are paying today. So, I mean, just in very simple terms, do you know is the net cash activity for this more or less than what we are paying for a third-party service now?

Chief Shannon: Mayor, members of the Council, Councilmember Graham, so the current provider has a contractual relationship with us now that provides for a ride-in fee. That in no way can be equated to cost recovery for actual services rendered. And so, the investment loss that you see in Phase 1, 2, and 3, I'm very optimistic in years 4 and 5 and 6 are going to turn into a neutral and then positive net cash flow just as any business would, you would expect as you phase it in. But specifically, to address your question, there are revenue sources now that our contract enjoys that will be replaced with the revenue acquisition that we achieve by conducting that business. Hopefully that answered your question, if not, I can get Brian to be specific.

Councilmember Graham: It was really a yes or no question, I guess. It's really a yes or no of whether or not how much we are paying now is more or less than the net. Is it more? Is the net activity, the net cash activity of this program over the long term, 10, 15 years less?

Chief Shannon: Councilmember Graham, it will be substantially more revenue coming to the city in those out years. We currently pay Maricopa nothing. They pay us.

[Time: 03:15:17]

Councilmember Graham: Okay. I will send like an email with sort of the specific question. For capital projects like this, organizations usually calculate like an investment return and even if that return is negative, you would just kind of like to know how negative it is. And so have you guys, you know, has any sort of capital budgeting analysis to determine when we'll recover costs? Or I guess my question is: Have you done a capital budgeting analysis so that we can know if this will require resources from other places and city or if this will cover its own costs and I think you answered that a little bit. I think you answered that a little bit. I think you said you believe it's going to be cost neutral.

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Chief Shannon: Mayor, members of the Council, in the out years I believe it will be cost neutral and bring in additional revenues. In the early phasing years, this will be a loss leader, and will require additional investment.

Councilmember Graham: Okay. How long do the trucks last?

Chief Shannon: They are on a ten-year vehicle replacement program. That's a plus or minus. We do utilize fleet's rotation system and we are in constant discussions with them as to how best to maintain fleet.

[Time: 03:16:41]

Councilmember Graham: How much do they cost, what's the upfront cost or sticker price?

Chief Shannon: The units that we purchased are \$400,000 per unit. You may recall that that's what a fire engine used to cost about 20 years ago but as is everything, the price of a pickup truck these days.

Councilmember Graham: So, if they last ten years and so how many, I guess my question was: How many do you think you will need to buy every decade?

Chief Shannon: Councilmember Graham, could you repeat that? I couldn't hear.

Councilmember Graham: How many ambulances do you think you will need to buy every decade?

Chief Shannon: Every decade. We are going to phase this program in over probably five years optimistically, given supply chain and positive operational management. And so, I would say we would see probably not until the 12th or the 13th year a need to start replacing the fleet because the oldest ambulances Phase 1 ambulances would be becoming of age and we be replacing those in years 12, 13 and 14 and so on and so on.

Councilmember Graham: Okay, just a couple more questions and that will probably be it for me. What kind of, I'm just curious what kind of, like, common financial metrics. If I can call the fire department and the ambulance if I can call that an integrated department, I'm curious what kind of like, do they measure? What sort of basic metrics do they use? What would be the percentage of total expenses for the ambulance or expenses for the ambulance divided by the total fire department. Have you looked at that? Like common benchmarks.

Chief Shannon: Well, Mayor, members of Council, so our operating, our general budget is north of \$60 million. The initial investment of these ambulances was \$1.6. We would expect similar pricing for the entirety of the fleet and so we would multiply that times four so that puts us up north of \$6 million of vehicular investment. And so, compared to fire trucks and all the other

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investments it's a percentage somewhere within there. I can tell you that our modeling the use of vehicles that we have chosen given the fact that we have firefighters on these ambulances is duplicated across the valley and so I can get that precise question answered for you. If honestly, if you can detail precisely what you are looking for but that's the best estimate, I can give you is that. We believe we have the budget capacity to manage our fleet effectively.

Councilmember Graham: I was just curious if integrated fire departments oh, well, the ambulance should be 15% and if it's bigger than that, then you've got. I mean, it's just kind of a question like that if you have done a proforma on that and said, yeah, we will be about where we need to be. And then I was going to ask you, do you have enough space to park all of these ambulances or are you going to have to buy real estate or build garages?

Chief Shannon: Mayor, members of the Council we currently have the space to park these ambulances.

[Time: 03:19:57]

Councilmember Graham: Okay. And then have you looked at other cities or departments or other municipalities around the country that have gone, you know, we're going from a third party to sort of an integrated, other cities that have incorporated or integrated their ambulance and maybe like pitfalls or lessons they have learned that we can avoid?

Chief Shannon: Mayor, members of the Council, Councilmember Graham, absolutely, the staff has spent the last really four years but two years intensely learning the best lessons from all municipal departments who have achieved their CON. The talent that we have in Kathy Steadman has directed us in the right way. We believe we have a very good game plan, just prior to this workshop, we sought the counsel of two folks who essentially red teamed our program and shot holes in it. And I can tell you they were very complimentary about the level of detail that our folks have gone into. I think we have gone into this with eyes wide open. Does that mean we are going to catch everything, no. We are going to learn in Phase 1, and we'll apply that to Phase 2 and 3. But I believe we are in a good place.

Councilmember Graham: And then I guess my last question is you might have touched on this, but why, we have been here 20 years as far as a department. Why now? Do you think we have should have done this sooner?

Chief Shannon: Mayor, members of the Council, Councilmember Graham, absolutely. What I would say is that, and in speaking with my predecessors, the birth of the organization would have naturally included this service delivery system with the exception of the CON process. State law did not provide for the transfer of this service delivery process, along with the fire department. So, when the city became a municipal department, they were able to execute all portions of service delivery except this. And so that's why it's important for us to really look at this as going back to the best delivery system that a citizen or visitor could enjoy.

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Councilmember Graham: Chief Shannon thank you for answering my questions and your colleagues, Kathy, and Dr. Solem, Teresa, Chief Abels, Chief Joseph, and Liz Sharp. We appreciate your presentation. Thank you.

Chief Shannon: Thank you, sir.

Mayor Ortega: Moving on, we have Councilmember Durham, Councilwoman Caputi and then Councilwoman Littlefield.

[Time: 03:22:42]

Councilmember Durham: Thank you, Mayor. I'm just concerned about the level of one-time expenses. That's roughly \$11 million, which is going to create a big hole in something that is already sort of pretty flat or minimal losses. And these are not going to be one-time expenses either because I was going to ask the question Councilmember Graham did about how often these get replaced and so we are going to be getting hit with this amount of money or something close to it every ten years or so. And then, I don't know if these take into account maintenance of the ambulances in between. I imagine they do, but so these aren't necessarily one-time expenses. Those are going to hang around into the future, as we get new ambulances. It's, that creates a pretty big hole to get out of.

Chief Shannon: Mayor, members of Council, Councilmember Durham, I will let Brian explain a little bit about our capital investment against our other financials to give you hopefully a sense that we are really aware of what we are talking about here.

Councilmember Durham: Okay.

Brian Joseph: Yes, Mr. Mayor, members of Council, Councilmember Durham, thank you for the question. Yes, for some of those things we have included so specifically talking about maintenance and ongoing costs those were part of the operating expenses that we accounted for within the organization as well, as well as the replacement costs. Ambulances themselves have about a seven-year lifespan. And at the time, it's not necessarily purchasing a brand-new ambulance. We are able to refurb a chassis and take the box off that chassis and refurbish it for a fraction of the cost which would be necessary, so it wouldn't necessarily total a full expense of a total replacement unit. That said, looking at the call volume, the amount of calls for service, among other things, really when it comes to the need for additional onetime expenses that is really associated with growth. And so, with growth we are going to see additional call volume, additional revenue come in, we are going to see additional ways to kind of mitigate the concern of the onetime expense, and in a way to minimize the impact to the taxpayer and to the city of Scottsdale. I believe there's another component of your question but I'm sorry I have forgotten, but if there is something I did not address please let me know.

Councilmember Durham: No, I think it covers it. I would imagine these vehicles are going to get

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pretty hard use. So, I'm just worried about the useful life and expenses as we go on.

Brian Joseph: No, I completely understand, Councilman Durham. And one of the great things that we did with this is we collaborated with fleet and had them make a determination as far as what type of chassis, what type of power train, what type of fuel system, and learning from the experience of others both in the positive and the negative to try to mitigate the negative financial impacts that you are specifically talking about. So, we feel like we are moving forward with eyes wide open and are trying to be responsible with the amount of money for the onetimes.

Councilmember Durham: Thank you.

Mayor Ortega: Very good. Councilwoman Caputi and Littlefield. And I would remind everyone that we have one other Work Study item right after this one. Go ahead, Councilwoman Caputi.

[Time: 03:26:08]

Councilwoman Caputi: Thank you, Chief and everyone of course for their great presentation. Like every complex issue that we see up here on this Council, we have all been looking at this for a very long time. I think I first chatted with the Chief about this when I first got elected three years ago so, so many rounds of questions and answers and grilling you and getting to this point here tonight. So, I really just had one small question. On the slide where you showed the comparison between Scottsdale and Tempe and Gilbert, and it was number of units. Right, that's the one. So, it looks like we are building a plan where we have 12 versus 6 and 6 from other cities. Is that right? I was just curious about why we would be needing double the units of the other cities.

Chief Shannon: Councilwoman Caputi, I am going to let Brian explain that.

Councilwoman Caputi: Am I reading that right?

Tom Shannon: You are seeing that delivery system correctly, but it's really related to calls to service. So I am going to let him explain.

Councilwoman Caputi: Okay.

Brian Joseph: Mr. Mayor, members of Council, Councilwoman Caputi, looking at that, yes you are looking at that correctly. However, one of the things that we discussed but it wasn't identified on the slide was the call volume. So, for instance, when we discussed the call volume for the city of Tempe it was approximately 11,000 calls a year versus the potential for 18,000 calls plus within the city of Scottsdale. So, looking at the utilization of the units required to meet that service demand that calculation really looks at nine full-time units running in order to meet the full service once we are fully phased in to Phase 3. The partnership with Maricopa fills that

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gap until that time. So as these other agencies, Tempe, the Town of Gilbert have increased call volume, they will once again look to figure out the best way to meet the demand of their individual community which would be more than likely the addition of personnel, the additional ambulances, either peak time, not 24 hour or full-time 24-hour staff.

Councilwoman Caputi: Okay. That makes more sense because it's not like we have more population than the other cities. So, I was just trying to figure out why the need for.

Brian Joseph: Calls for service. It's based on public need and calls for service.

Councilwoman Caputi: Okay, all right. That satisfies the question I have. Again, for me this is not necessarily about the dollars and cents. It's about being able to provide world-class service, which is what we do here in Scottsdale and, of course, world-class public safety service is one of the best things we do. So, I am in support. Thank you for the explanation.

Mayor Ortega: Councilwoman Littlefield.

[Time: 03:28:53]

Councilwoman Littlefield: Thank you, Mayor. First of all, I have kind of been with the fire department for a long, long time, since it was very first started. And to me, I look at this as this completes what was started when the department was formed, and what they were looking forward to at that time, to complete the entire structure of the department. I would like to go back and finish with the services that were expected to be included eventually when the fire department was formed. This is one of the things they had to postpone, and I think everybody at the time was very disappointed that it couldn't all happen at once in a big pile, but we just couldn't do that at that time. And that was part of the agreement, I think, that they had, but I'm glad to see that it's happening now, because I think it's really time. I had one question for you when you showed the map the covered areas in Scottsdale, and you located the fire stations up north. There's an area up north that's part of Scottsdale that's on the other side of the street. Is that area also going to be covered by Scottsdale Fire?

Chief Shannon: Mayor, members of the Council, Councilwoman Littlefield, are you talking about Carefree or Cave Creek?

Councilwoman Littlefield: No, Highlands.

Chief Shannon: I'm not tracking.

Councilwoman Littlefield: The Highlands, the highland area with the big subdivision and the acre homes.

Chief Shannon: So, it may not necessarily have an ambulance in that station, but what you are

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seeing here are the response polygons represent coverage of that area. So what, at build-out, we will have the responsibility and we will assure that we have full coverage of the entire geography of Scottsdale. We just don't necessarily have to park an ambulance at every single fire station. We don't need 15 ambulances. We need nine.

Councilwoman Littlefield: I wanted to make sure that that particular area of city of Scottsdale was going to be covered in the north.

Chief Shannon: Yes, ma'am.

Councilwoman Littlefield: Thank you.

Mayor Ortega: Okay. Vice Mayor Whitehead.

[Time: 03:31:03]

Vice Mayor Whitehead: Thank you, Mayor and thanks all of you. It's, so if I understand it correctly, when without having a city of Scottsdale ambulance service, we lose a firefighter when an ambulance goes to the hospital; is that correct?

Chief Shannon: Mayor, members of the Council, Vice Mayor Whitehead, yes. That was one of the one of the inefficiencies of the system. So, in order to make sure that every citizen and visitor got the door-to-door experience from 2005 to essentially today, we would stay with that patient from door-to-door and that put that responding company at a manpower deficit. That we operate inside an automatic aid community that requires us to meet the demands of our community and not necessarily rely on other communities to supplement that. So, what we were really hoping to achieve is the ability to transfer care to folks inside of our own houses the Doc has mentioned who will be under the same exact roof and trained the same and on the same call and we will have the seamless transition of care. What existed before was a bit of a hiccup or a deficiency in manpower. So, if we got a significant working incident afterwards, we would be asking for more resources coming from further away, which impacts response times ultimately.

Vice Mayor Whitehead: Yeah, so I think that that's an important point, when my colleagues were talking about costs and that is a real concern. If we have a fire truck that's short one firefighter, then that's a cost and if we have a firefighter on a private company's ambulance that's a cost. I think you called it gifting. So, I do think that maybe in the future presentation kind of give us that perspective of cost. The other thing I want to add which has already been said by Councilwoman Caputi which is, you know when we transitioned fire in house, it was for better service. And when we are looking at the ambulance, it's for the same thing. It's so that we do have world-class safety, public safety for our residents and our visitors. So, I support this. Thank you.

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Mayor Ortega: Okay. And, you know the purpose of the Work Study is to give a nod and you have stated in the presentation the next steps. So, I'm in agreement that we will continue this process, and I believe that's what we, what I'm seeing today. So that would conclude our direction and your presentation. Thank you very much.

WORK STUDY 2 – PERMANENT BASE ADJUSTMENT UPDATE

[Time: 03:33:54]

Mayor Ortega: The Work Study for the Permanent Base Adjustment Update, it will be presented by our City Treasurer Sonia Andrews as well as Ben Lane our City Clerk.

Sonia Andrews: Thank you, Mayor. Thank you, Council. Next slide. Permanent Base Adjustment, okay, I would like to start with going back to 2006, where the city asked voters for a permanent base adjustment back then. And what you see on the slide here is an excerpt of the ballot pamphlet that we issued back in 2006. It says that the ballot measure will allow the city of Scottsdale to spend the revenue it collects to maintain the level of services it now provides, its adoption will not result in an increase in city taxes. Well, I think that statement applies today as we look at our permanent base adjustment request. It is not an increase in taxes. Next slide.

The 2006 Ballot Pamphlet goes on to say that the reason for the permanent base is because the city added new services and new operating cost counts against the base, new revenues that the voters approved, and raising the base will assure that the city can continue to use this voter approved revenue sources, including operating costs associated with voter approved bond programs. So, we're in a similar situation today, as we have the bond 2019 programs, the bond 2015 programs since the 2006 permanent base adjustment. And as I go through the presentation, I will also share with you some of the other cost creases that we were seeing that's causing us to reach our limitation and look for another permanent base adjustment. Next slide.

So before I get into all of that, for our audience who are not familiar with what the expenditure limitation is, I just want to spend a couple of slides on that. The expenditure limitation is imposed on state constitution in 1979 1980 and it's a limitation on our local revenues. Basically, it applies to our operating expenditures, our operating expenditures cannot exceed the expenditure limitation regardless of how much revenues we collect. Some operating expenditures can be excluded, such as debt service, special revenues, and grant funded expenditures. Grant funded are not local revenues and there are some specific exclusions that the state allows. But otherwise, our operating revenues and the expenditures are subject to this limitation.

We have to file an annual audit report to the Auditor General's Office to show that we are within the limitation. And there's penalties for exceeding that. Next slide. The state computes this limitation using a 1979 1980 base and it's adjusted annually with a population factor and an

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inflation factor. There's no adjustment for increases in new services, or new revenues in programs. But the state does allow the city to request voter approval for a permanent base adjustment to increase the expenditure limitation. Next slide. So growing cities will eventually need to raise the limitation, because the growing cities will all have new programs and new services and expenditures that exceed just population and inflation. Of our 91 cities 82 of our 91 cities in Arizona have had one or more permanent base adjustment or adopted an alternate limitation. 21 cities in Arizona had a permanent base adjustment in the last eight years and the city's last permanent base adjustment was 18 years ago in 2006. Next slide.

We have shown this slide many of times that the city has one the lowest limitation per capita in the valley. I won't need to belabor this. The next slide. So, what has happened with our permanent expenditure limitation since 2006 permanent base adjustment, and what this shows is before we received the permanent base adjustment in fiscal year 06/07, our expenditure limitation was \$289.9 million. With the 2006 permanent base adjustments that voters approved, we, our expenditure limitation increased by 40% to 404.7 million. Then 16 years later our expenditure limitation for this current fiscal year is 586.3 million. That's a 45% increase over 16 years which equates to a 2.3% annual growth for population and inflation. Next slide. I am going to spend a little bit of time on this slide. So, when our permanent base went into effect in 2006, I'm sorry in 2008, the 2006 permanent base adjustment, our expense limitation was raised to \$407.4 million. Our actual expenditures that were subject to that limitation was \$342.6 million. If our expenditures had increased by 45% just like our expenditure limitation did, it would be at \$496.8 million today, but our budget that we put together for this fiscal year is at \$582 million. We don't spend our entire budget, but we will have some budget savings, but we can't produce a budget that exceeds this expenditure limitation.

[Time: 03:40:17]

So, what happened? What is the 70% increase? Well, I was really perplexed about this as well, because as I was looking at it, it looks like we had sample capacity up until 2022. So, I did some research and we found that if we looked back at our 2017 budget, we produce a budget and we filed these state forms that we have is to put the expenditure limitation and the, calculate the operating expenditure subject to limitation in our budget. If you look back at our 2017 budget our budget produced was at 93% of the expenditure limitation. And in 2018, it was at 95% of the expenditure limitation. So, in 2017 and 18, we were already starting to bump up against the limitation. So, what happened? Well, in 2020, we had the pandemic and we shut down. In 2021, libraries were shut down, aquatic centers were shut down. We didn't hire any of our seasonal workers. We deferred our market adjustment for our employees, and we also received \$30 million of cares act funding which is federal funds, so we go apply our personnel costs to those federal funds and \$30 million did not get counted towards the expenditure limitation.

In 2022 we received even more stimulus funds and we also started experiencing the supply chain issues. So, we didn't receive things we ordered, and we didn't incur the expenses. So that allowed us to pay the \$40 million in P.S.P.R.S. extra payment, but, really, it's offset by all the

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expenditures that we didn't incur. 2023 was really the defining moment. In 2023, the state reduced our population number, so we ended up having a negative population adjustment that year. So, while our expenditure limitation increased by only 1.2%, we had to give an 8% increase in salaries to keep up with the labor market, and we started experiencing the inflation that we all know about today. So next slide.

So, let's take a look at what our expenses look like now with all of this inflation and over 16 years. This is the cost of a police officer in 2008. You can see the salaries which include the benefits, the healthcare benefits and pension benefits. This is a midrange officer, \$98,000, under \$100,000 and, now he, all the gear, all the vehicle, and all the vests. We didn't have cell phones. We had just radios and we didn't have on body cameras. So, the total cost of the officer back in '08 was \$145,900. Today, these are our costs today, the salaries and benefits are \$168,000, and we now have, and you can see the increase in each of these items and we now have body worn cameras and we also have cell phones in addition to radios. And so, the cost increase has been 76%. And this doesn't even include training costs and other indirect costs for this officer. Next slide.

And this is the costs of a single unit response. And that includes one ladder truck and four firefighters. In 2008, the ladder truck cost us \$747,000 and the four fighters would have cost us as laid out there, for a total cost of \$1,096,000. Now, granted, we don't buy a fire truck every year. So, but this is just to show you the cost of the, you know, the single unit response. Today, that same ladder truck is costing us \$1.35 million and as you can see all the other salaries and items for a total increase of 73%. Next slide. So, in the top box, you can see what our police and fire operating budgets were back in 07/08 and what our police and fire operating budgets are this current fiscal year. And as you can see the increase for police is 76% and for fire is over 100%. Some of the new costs or costs of 100% increase included in our 24 budget is addressing the pension liability, the fire dispatch contract has increased by 100%, and we also have smaller items like the new real-time crime center and evidence storage. Next slide.

[Time: 03:45:25]

Our water costs. We all know that our CAP water purchase and treatment costs have increased in 2011, we expanded the CAP water treatment plant. So today, we're looking at a 310% increase in the CAP water purchase and treatment compared to 16 years ago in 2008. Next slide. And this slide shows in the top box our water operating budget. Back in '08 and compared to this fiscal year, again, 68% increase or in the realm on that 70% increase that we just looked at. And as you can see, I won't read it to you, but all the treatment plant expansions and treat new treatment facilities have increased our costs for our water and including at the last line of that chart there, you can see our reclaimed water distribution, that has increased by 131%.

Now, keep in mind that all of these costs are paid for by the water and sewer revenues that are raised, and our water and sewer rates continue to be low. And just like the previous slides that I showed you, with police and fire costs, even though those costs have increased by 70% or above

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70%, it's still funded by our low tax rates, property tax and sales tax rates that we have today. Next slide. So, what are some of the new voter approved costs that we have? In 2010, after the 2006 permanent base adjustment, voters approved increasing our hotel/motel tax from 3% to 5%. With this increase, our tourism expenditures have increased by 257% since 2008. In 2015, voters approved the bond 2015 program for two new fire stations. Those were just completed in 2021, so we're just starting to see the operating costs of those fire stations today. And of course, you all know that in 2019, we have the bond 2019 program with more new fire stations, fire and police training facility, multiuse sports field, and all of that will be completed within the next one to three years. Next slide.

So, for the permanent base adjustment, we're requesting is to address the operating costs of bond 2015 and bond 2019 projects enhance police and fire costs and services and our water cost increases. Next slide. This slide is kind of busy, but I really wanted to address this because there is Council, Council has the ability to approve exceeding the limitation but only for natural and manmade disaster emergencies. State law specifically provides options for that if it's a Governor declared emergency, no citizen vote is required, but we still require two-thirds of Council, two thirds Council vote can exceed that limitation and only for expenditures directly necessitated by a natural or manmade disaster. If it's not Governor declared a citizen vote will be required unless the next fiscal year expenditures are reduced by an amount expended on the disaster. So, as you can see, Council does have the ability to exceed the limitation, approve exceed the limitation but it's very restrictive and it has to meet the state law requirements. Next slide.

[Time: 03:49:19]

So, the next set of slides I will go through is talking about, okay, well, how much do we need, or can we increase our limitation by? Next slide. So, state law provides a methodology that we are required to follow. We can't just pick a number because we like a higher number. We have to follow state law in how we determine the permanent base adjustment and the limitation increase. Basically, what the state law requirement is that we must, it must be based on revenue projections. And we cannot increase the limitation beyond what our projected revenues can support in the year in which the increase becomes effective. So, if we request this permanent base adjustment in November of 2024, it will become effective in fiscal year '26. So, we have to project what our local revenues subject to limitation would be for fiscal year '26. And that's how the state requires us to calculate the permanent base adjustment and the expenditure limitation. In essence, it's saying that we must be able to support revenue projections for the expenditure limitation that we're asking for. And on top of that, we must support our revenue projections with at least the last four years of actual growth. We can't just put a 20% growth projection. We have to use actual last four years growth.

Okay. Next slide. So, I want to bring you back to this slide, in fiscal year, I mean in 2006, when we did the permanent base adjustment, they followed this same requirement. So, they determined based on the analysis that they could support, and they could, you know, justify

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revenues of \$404.7 million. That's a 40% increase in the expenditure limitation. Next slide. So, applying the same methodology today, this is what we have done to calculate what that expenditure limitation can be, and the permanent base adjustment can be. So, I will take you through this. Our fiscal year 2024 budget, which is the current year budget, the first column of numbers we show the state income tax share and I pulled some of these items out because we know that those items will be either decreasing or eliminated or not subject to limitations. So, as you can see, these are local revenues, state income tax share, we know that that will be decreasing, because of the flat tax. So, I show that separately.

Residential rental tax, we know that we will be losing residential rental tax, so I show that that revenue stream is gone. The preserve taxes are used to pay debt service on land and that can be excluded. It doesn't have to be included and subject to limitations, so I show that we don't count that. And the secondary property taxes are used to pay debt service on the bond programs. So, again, that can be excluded, and I show that we exclude that. Everything else can be included to pay for expenditures subject to limitation. And so, the \$704,000 includes sales tax, property tax, our rates and charges and fees and we increase that by 8% a year, and so that's and we add in the ambulance revenues that will be new revenues, and we arrive at this \$884,000 that we can support based on the state methodology that's required. And the permanent base adjustment needed to arrive at the 884 limitation for fiscal year '26 is \$22 million. And I am going to explain that in a minute. Next slide.

[Time: 03:53:23]

So, this slide shows you the state calculation of the expenditure limitation. As you can see, Scottsdale population in 78 was 83,000, and today is 248,542, so our population factor is 2.9945. Now, inflation factor is 3.67. This is the base that I'm, that we're talking about, our base today is \$55.86 million. And if we increase this base by \$22 million, then our estimate is in fiscal year '26 that expenditure limitation is \$884 million. So going back to, if you look at this population factor of 2.9945, remember I talked about in 2013 we had a population, negative population adjustment. So, in 2022, this population factor was 3.02. In 2023, it dropped to 2.93 and as you can see in three years, we still haven't gone back up to the 3.02 that it was before it was adjusted down. So that is one of the reasons why we are bumping up against the limitation as well in addition to the expenditure increases and new expenditures that we're seeing. Next slide.

And this is some examples of some recent limitation increases by our peer cities. Tempe increased their limitation in 2018. They increased it by 51%. And Chandler they are on a home rule, a home rule is an alternate limitation because they would rather have an alternate limitation instead of be under the state limitation but the home rule requires voters to approve that limitation every four years and a lot of cities that go to home rule are starting to look at going back to the permanent base adjustment. They went to the voters in 2022 and increased their home rule expenditure limitation by only 28%, but it's a \$295 million increase because their limitation is 1 point, over a billion dollars. So that's just an example of some of the recent

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increases. So, the next slide.

And this basically shows you some of the cities where you can see what their base limit is, what their base is, what their population factors are, and what their resulting expenditure limitation is. So, because this formula is a 1978 formula, the older, more developed cities have a lower expenditure limitation as a result and the newer cities as you can see, Buckeye, Surprise, population, I mean, Peoria, they have lower population amounts, but they have had tremendous growth during this period. So, it results in a significant expenditure limitation for them based on this 1978 formula. And one of the things we have to understand is we can't change the population factor. We can't change the inflation factor. Increasing the base is our only means to change the expenditure limitation. It's the only component of the formula that cities can adjust to increase our expenditure limitation. Okay. Next slide.

So, what if we don't increase the limitation. Well, if we don't increase the limitation, we will need to make decisions on priorities for operations to stay within the limitation. We will not be able to spend all the revenues we receive, including voter approved revenues for operations we will just go to fund balance. Unexpected expenditures cannot be avoided will require reduction in other operating expenditures to stay within the limitation. And this impacts citywide operations, not just the General Fund. It impacts water, solid waste, airport, police and fire and all general fund operations and all of our operations for that matter. Basically, it really impacts our future plans and future initiatives. Next slide.

So, I bring you back to the 2006 Permanent Base Adjustment Ballot Pamphlet because it is still true today. The permanent base adjustment is not a budget override. The Scottsdale annual budget will continue to be subject to all state laws, including the requirements that cities must pass a balanced budget and spend no more money than they receive. It doesn't allow us to exceed our budget. Next slide. The other thing to remind the Council and our citizens of is the city's financial strength. We have a AAA bond rating from all three bond rating agencies. We have clean audits every year. For 51 consecutive years we received the certificate of achievement for excellence in financial reporting and for 34 consecutive years we have received the distinguished budget award. The permanent base adjustment does not negatively affect the city's financial strength. And even though expenditures have increased by 70%, we have abided by all these awards and clean audits and policies that we have.

[Time: 03:59:00]

My last slide before I turn it over to Ben is the timeline that we anticipate. We hope to bring Council a resolution to consider referring a permanent base adjustment to the voters in April. And in April and July, we will be required, if Council approves in April and July, we will be required to complete analysis and documentation for the Auditor General to approve. They have to approve this. We can't just do it without their approval. After they approve it, we will submit that in August. We hope to do that. With that, I'm going to, I do want to pause and see if there's any questions before we hand it over to you?

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Mayor Ortega: I see none. So, we will proceed with the Clerk Ben Lane.

[Time: 03:59:51]

Ben Lane: Thank you very much, Mayor Ortega, Vice Mayor Whitehead, and Councilmembers. I will be discussing the ballot language. And what I am going to do initially is just provide some background and then discuss some ballot options. In terms of the election date, the Arizona Constitution allows a city to permanently adjust its base limit with voter approval at a general election or nonpartisan election for the nomination or election of its governing board members. As we have discussed the city's upcoming election, general election is on November 5th of this year and as we have also discussed in the past, this will be an extremely full ballot. In addition to the Mayor and Council races that we have, we might have one or more ballot measures, plus there is the presidential election, U.S. Senate election, and U.S. House races and many county races and other state races as well. So, it's going to be a very full ballot, in addition to statewide ballot measures.

So just talking a little bit about the ballot language that we're about to go over. The full text option is it's a longer option and it includes an official title, a descriptive title, and Yes/No options. The tagline text is much shorter. It includes the question and the same yes/no statements that you see with the full text option. For clarification purposes, both the full text and tag line text options will be printed in the publicity pamphlet the city prepares for the November election and it will also be provided in a pamphlet generated by Maricopa County. What will most likely happen is because of the space limitations we will have to use the tagline text, which as I mentioned earlier is much shorter. So just some considerations that were used when drafting the ballot language. We're trying to make sure that the wording is understandable and clear, that statutory requirements were met, and also looked at a number of cities that recently had permanent base adjustments to look at their ballot language.

So, with that, and I will start talking about the proposed ballot language and this is where Council feedback would be greatly appreciated for each section. Again, the official title is a brief explanation of what the measure is doing. This official title and I won't read it just in the interest of time, but I will say this language is very standardized among all cities that have done this recently, including the phrase "state-imposed expenditure limitation." That's what, I will show you another example of another ballot in a minute, but pretty much every city uses that phrase. It is an accurate phrase, this is a state-imposed expenditure limitation, and I feel it's a factual phrase as well. The descriptive title, sorry, I apologize. Any comments or feedback on the official title?

Mayor Ortega: Seeing none, continue.

Ben Lane: Okay. So, the descriptive title, it's a summary of the principal provisions of measure, by state law, it is a 50 word limit. This descriptive title is currently at 41 words. So, there's a little bit of room. To Sonia's earlier point, at the very bottom where it was two XX's, I believe that

would be the \$22 million is where we would put that number in if the Council agreed to that. Again, the descriptive title language, it's very standardized. This is pretty much what every city and town uses for their descriptive title but would appreciate any feedback.

[Time: 04:03:42]

Mayor Ortega: Okay, I will say that it's been calculated according to a template and explained. So, I believe that is an accurate and I would give a nod to that. Vice Mayor?

Vice Mayor Whitehead: Why can't we use the language from 2006. It was extremely clear and this is not. I just wonder why. The ballot measure will allow the city of Scottsdale to expend the revenue it collects, that statement from slide, I don't know what slide number that is, from your presentation, Sonia. I just wonder is there a change or can the same language be used today that was used in 2006 for the ballot?

Ben Lane: So, in terms of the 2006 ballot language, Vice Mayor, it was, it's a little bit dated at this point, but it was actually essentially tagline text, which we'll talk about a little bit later.

Mayor Ortega: And at this stage, the descriptive title has to have a number and so that would be filled in as per the Treasurer's recommendation.

Ben Lane: That's correct, Mayor. Yes. So, okay. Thank you all. So, for the yes/no statements, these are the yes/no statements that were used by Scottsdale. These were used when Scottsdale initially obtained the permanent base adjustment in 1998, and then again when they went out for an increase in 2006. So, these are the yes/no statements that have been used in Scottsdale previously. Just for comparison purposes, there are shorter examples for the Council to consider, if I could have the overhead, please. This is Marana's ballot language. They went for their permanent base adjustment in 2022. Just to show you in the official title, that's kind of neat. It does say state-imposed expenditure limitation. So, I wasn't making that up. And also, but the yes/no statements are much shorter. And other cities and towns do use shorter yes/no statements.

With that being said, I think there is an advantage to the wording used by Scottsdale, and I will go back to that, if we can go back to the PowerPoint. And I think the, this is just my opinion, but I think the advantage for the Scottsdale language is that more likely than not, the tagline text is going to be used. And this is the tagline text. It's very, very short and pretty much every city and town uses something like this. So, this more likely than not is going to be what is printed on the ballot. And so, as you all can see, it's just, it's very short. And that's why I think, and I apologize, I'm going to flip back but I think these yes/no statements are more descriptive, and I do believe they are accurate statements as well and factual.

Mayor Ortega: Okay, Vice Mayor Whitehead.

[Time: 04:07:09]

Vice Mayor Whitehead: So, I would like to propose keeping the Scottsdale language and get some nods here. Fantastic.

Mayor Ortega: Yes, yes.

Ben Lane: Fantastic thank you. And then again, this is the tagline text. It's very short but pretty much every city and town uses this same tagline text.

Mayor Ortega: Good, I see nods. Great. Thank you.

Ben Lane: That's it.

Mayor Ortega: Okay. So, you know, at this point, just responding to both the Treasurer's and the Clerk's presentation, I want to call us back to January when this Council voted to set a policy. So, it's been 18 years since this has been done. And we passed a resolution, which created a policy that said three things. The first one was that any Council or future Council should look at and examine this every five years. They didn't say they had to change but that they must look at it. The second point that we approved, and we signed off on that policy, was that if it came within 90%, that the Treasurer shall inform us of that. And then the third point is that the Treasurer would bring forward the calculated number to resolve the situation. So, you know, this is very much aligned with those, that policy that this Council approved. And I think it's a good template as a policy for future Council to be guided by. At this point, you know, all of the base adjustment is embedded in our budget, so that report is always going out yearly and always has to be justified and audited and so forth. And so that part of the process is already a deep part of our obligation to maintain our, you know, highest ratings.

The implications, you know, for the security of being able to, I would say to be innovative and creative and meet the challenges that we may find anticipated or some that we may generate ourselves. For instance, the ambulance question. So, when this was last looked at in 2006, we had barely started to initiate our own fire department. Which was authorized in 2005, but then it took a year to start up. And certainly, didn't have the ambulance component that we feel raises the excellent, well it meets the expectations of our residents and constituencies. So, I'm very, I think we, this is a two-stop process. We actually are conforming with the policy that this Council feels is a best practice, and it will keep us in line with a good solid budgeting process and being able to meet the needs.

The last thing I will say is that you know, General Funds are pretty much checkbook funds. And over the last couple of years there's been some discussion about the deficiencies of bond money and bond 2010 and inflation and all of that. Well, those shortages or those estimates that were no longer, well, they are obsolete estimates, we were able to make up for those shortages with General Fund transfers. And each of those transfers ate into that cap. And we could know, if we

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didn't have, I would say funds in our checkbook to cover that, first of all, we wouldn't be able to satisfy and meet those needs that have already been approved by the bonds. But secondly, if we hit that bump, which we were at that ceiling, excuse me, I call it a bump, that brick wall, then even if we had the funds, we couldn't spend General Funds to cover the shortages that would be in all of those areas where the bonds are. Frankly, we have the revenues to meet those bond, the bond goals, and this also releases us to be able to meet those needs in our community. If it's a new fire station and we need 18 new firemen, we're going to be able to pay for those firemen out of General Funds and that's very essential not having a barrier on that ability to meet the needs of our Council people, I mean, of our city. Excuse me, Councilmember Graham. I see you want to speak.

[Time: 04:12:51]

Councilmember Graham: Thank you, Mayor. How is the volume of my voice? Can you hear me?

Mayor Ortega: Yes, go ahead. Proceed.

Councilmember Graham: Is the volume okay?

Councilwoman Littlefield: It's good.

Mayor Ortega: Continue.

Councilmember Graham: Okay. Is there trouble? Can you hear me?

Mayor Ortega: Excuse me, continue. We can hear you, Councilmember Graham.

Councilmember Graham: Okay. I was asking for confirmation if you could hear me. So, well, I just wanted to ask real quickly, Sonia, did you say how much you are going to recommend we should raise the base limit by? Or is that for another day?

Sonia Andrews: Mayor, Councilmember Graham, I would recommend the \$22 million.

Councilmember Graham: And what percentage is that?

Sonia Andrews: The 45%.

Councilmember Graham: Okay. I guess my preference would probably be something closer to 40, but, you know, like we did back in '06 and we talked about that at our meeting today, but I'm just putting that out there on the record. Thank you.

Mayor Ortega: Okay. At this point, the purpose of our Work Study is to hear the testimony which we have heard. We have responded. And we will be moving forward as with the ballot

measure under consideration, that will still require Council action to put it on the ballot at a scheduled time through the Clerk's process. And all of the other notifications to the state auditor and so forth, all take effect as we are continuing our budget process. With that, we are concluded with the Work Study. And I hear a motion to adjourn?

Councilwoman Janik: So moved.

Vice Mayor Whitehead: Second.

Mayor Ortega: We have a motion and a second. Please record your vote.

Councilmember Graham: Aye.

Mayor Ortega: Thank you.

ADJOURNMENT

[Time: 04:15:03]