



**City of Scottsdale
Budget Review Commission
Regular Meeting Minutes**

Thursday, February 13, 2025
City Hall Kiva Forum
3839 N. Drinkwater Blvd.
Scottsdale, AZ 85251

PRESENT: Chair David Smith
Carla, Commissioner
Brad Newman, Commissioner
Jim Ransco, Commissioner (via Teams)
Daniel Schweiker, Commissioner
Sharyn Seitz, Commissioner

ABSENT: Mark Stephens, Commissioner

STAFF: Sherry Scott, City Attorney
Greg Caton, Interim City Manager
Sonia Andrews, City Treasurer / Chief Financial Officer

Call to Order

Chair Smith called the meeting to order at 2:00 p.m.

Roll Call

Members present as listed above.

Chair Smith provided opening remarks regarding the purpose of the Budget Review Commission's assignment.

Public Comment:

No members of the public wished to speak.

New Business:

1. Introductions

All present Commissioners took the opportunity to introduce themselves.

2. Adopt Budget Review Bylaws

Commissioners were previously provided with the Budget Review Commission Bylaws for review. There being no questions, Chair Smith called for a motion.

COMMISSIONER SCHWEIKER MOVED TO ADOPT THE BUDGET REVIEW COMMISSION BYLAWS. COMMISSIONER SEITZ SECONDED THE MOTION, WHICH CARRIED SIX (6) TO ZERO (0). CHAIR SMITH AND COMMISSIONERS CARLA, NEWMAN, RANSCO, SCHWEIKER, AND SEITZ VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

3. Appointment of Vice-Chair

Chair David Smith appointed Daniel Schweiker as Vice-Chair of the Budget Review Commission.

Chair Smith introduced all City staff present for this meeting.

4. Approve Proposed Meeting Calendar

Commissioners were previously provided with tentative meeting dates, times, and locations for the months of February, March, and April 2025. Chair Smith noted this is a tight timeline and it may be necessary to schedule additional meetings. The last meeting on April 24, 2025, is listed as optional but could become a joint meeting with the City Council for the Commissioners to share their thoughts. The proposed budget is scheduled to be presented to the City Council on May 6, 2025.

In response to Commissioner Carla's question, Ms. Andrews advised that a date has not been set for the work study.

COMMISSIONER SEITZ MOVED TO APPROVE THE MEETING CALENDAR. VICE-CHAIR SCHWEIKER SECONDED THE MOTION, WHICH CARRIED SIX (6) TO ZERO (0). CHAIR SMITH, VICE-CHAIR SCHWEIKER, AND COMMISSIONERS CARLA, NEWMAN, RANSCO, AND SEITZ VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

5. Overview of the City's Budget Components, Budget Process and Timelines

Sonia Andrews, City Treasurer/Chief Financial Officer, provided a high-level overview of the City's budget process, noting the budget is the City's financial plan that provides strategic financial direction for the City's needs for the upcoming year. She provided a high-level overview of the City's funds, departments, and how the budget is structured. Although the City Manager and the City Treasurer work together in the budget process, they have very distinct roles.

Ms. Andrews reviewed the timeline for the budget development process that starts in October. The proposed balanced budget will be released on April 3, 2025, to the Budget Review Commission for review and discussion. The proposed balanced budget will then be presented to the City Council on May 6, 2025, for review and discussion. After that, the next step is to hold public hearings. A tentative budget will be presented to the City Council on May 20, 2025, for adoption. In accordance with charter requirements, the final budget will go before the City Council on June 10, 2025, for adoption.

There are many steps within the budget process with a baseline budget that determines budget requests including capital projects and revenue forecasts. Ms. Andrews reviewed all the

components that are required during the budget process to bring a balanced proposed budget forward for review. The City has been awarded the Government Finance Officers Association of Arizona Distinguished Budget Award every year for over thirty years based on criteria, policy, financial plan, and how the budget is prepared.

The three components of the budget are operating budget, capital budget, and 5-year capital improvement plan. The operating budget expenditures show personnel is the highest expenditure followed by contracted services and debt services. Ms. Andrews reviewed and discussed the funds within the operating budget to show how money is collected and spent. The largest fund is the general fund and followed by the water and sewer fund.

In response to the Commissioners' questions, Ms. Andrews explained most if not all the discretionary funds are in the general fund because the other funds are either restricted for the purpose of the revenue or required to be spent on the operations for various reasons. Funds for Police and Fire, including the paydown of pension, are primarily in the general fund, but they do have operations in restricted funds due to some revenues received which are dedicated to Police and Fire operations. The tourism development fund shows a \$22 million expenditure for FY24/25 which does not include reserves or contingencies and transfers.

Ms. Andrews continued reviewing and discussing the operating budget by department, noting that Police has the largest budget, followed by Public Works. The local sales tax is the largest source of revenue, followed by fees and charges.

Chair Smith noted the bed tax which accounts for approximately \$36 million in revenue is in the other revenue category.

Ms. Andrews continued the review of revenue by fund and where the money goes, noting most sales tax revenue goes into the general fund. Over \$460 million of the capital budget is allocated for water and sewer infrastructure, followed by transportation. Transportation is high because the City must account for 100 percent of the arterial life cycle project costs but gets reimbursed 70 percent from the county. A brief overview of the funding for capital projects was provided.

In response to the Commissioners' questions, Ms. Andrews explained excess general fund revenue is used to fund certain capital projects and also Public Safety Personnel Retirement System pension pay down, but if it is a restricted fund, the excess revenue must stay in that fund. A department may also be accumulating funds for a larger expense that is part of the master plan. Prioritization of expenditures is done during the internal review with the City Manager, Executive Team, and departments. The proposed budget is what the City believes it can fund and is aligned with the Council priorities and department goals.

Ms. Andrews offered to share a list of requested expenditures that were not approved due to lack of funding. If the Commission needs to review the budget and the financial strategies used to prepare it, those will be shared with the Commission. The Commission can make recommendations. There are some outstanding grants that could be affected by a federal freeze. Ms. Andrews opined among other things that a successful end product of a budget is one that aligns with Council's priorities and goals, and meets the needs of the citizens, funds core services and departments needs, is balanced without structural imbalances in revenues and expenditures, does not overleverage the city and maintains or supports our AAA bond rating.

6. Approve Scope of Work and Approach

Sonia Andrews, City Treasurer/Chief Financial Officer, explained the Commission must discuss the scope and provide direction to staff due to the compressed timeline this year. She reviewed the processes for a budget review if time allowed.

Chair Smith suggested that staff:

- provide an abbreviated review of economic trends, a forecast, and other major drivers
- not spend a lot of time on the five-year forecast, but not to say the Commission wouldn't be concerned with sustainability
- be very selective in reviewing department presentations as there won't be time for review of every department
- review the process for capital projects, how they come about, and why they go south and so we will be judicious about what capital projects we actually look at

Commissioner Newman discussed his understanding of the scope, cost, schedule, and contingency for capital planning and suggested that the Commission focus on the capital process, the larger items, use of contingencies and consider pooling contingencies if appropriate.

Commissioner Carla spoke about her understanding the process (2019 bond projects).

Ms. Andrews continued by reviewing the list of the funds, again asking for direction from the Commission.

Chair Smith noted the most interest will be in the upper left quadrant of the chart. Ms. Andrews clarified the direction is to focus on governmental funds. Commissioner Carla asked for Ms. Andrews to bring to the Commission's attention something she thinks is important or if a Councilmember has identified something in one of the other funds.

Ms. Andrews continued by reviewing the list of departments and divisions, again asking for direction from the Commission.

Chair Smith noted the areas of most interest are in the left-hand column of the chart, particularly the capital project management. Vice-Chair Schweiker added transportation and streets as items of importance. Commissioner Newman noted interest in categories that have an impact on pension and debt. Ms. Andrews noted the pension payments will be for Police and Fire, and a lot of debt proposed for upcoming years is for water and sewer services. Chair Smith emphasized tourism and events and how the money is working best in compliance with citizen direction.

Ms. Andrews clarified the Commission is seeking staff to bring back the budget requests and presentations on all the departments on the left side of the chart, as well as transportation and streets, and delete McCormick Stillman Railroad Park. Chair Smith clarified the Mayor and Council, the stadium, library, and human resources can be removed as well, and the list may change. Mr. Caton suggested the Commission allow staff to organize and prioritize the presentations.

In response to Commissioner Carla's questions, Mr. Caton explained they are keeping an eye on what is happening in the federal government and community assistance, and other programs will require a deeper risk review in the coming years.

7. Identification and Approval of Possible Future Agenda Items

Commissioner Carla suggested recommendations for the next budget cycle could be included at the end of the recommendations to the City Council.

Chair Smith suggested recommending that Council direct the Commission in the remaining months of 2025 to look at revenues or expense items, and a deeper dive can be done at that time.

Commissioner Newman noted he concurs with Commissioner Carla, and his priorities for this budget review cycle are pensions, debt, and understanding the capital plan.

Chair Smith reviewed and discussed a summary of aggregate feedback from Council members regarding their budget concerns:

- capex items -the capital budget and understanding how these items are determined by the Planning Department, how are they funded and concern about the variable overhead if capital costs increase, does overhead increase along with it
- sustainability,
- pensions, what are they, how are they funded
- maintenance and repair, are we balancing budgets by deferring maintenance and repair
- expense recovery, whether we have adequate expense recovery for some of the services provided to specific areas like TPC
- adequacy of reserves, how are they determined and how are they used
- quality of life funding
- tourism, arts, and culture
- personnel, FTE comparison with the past, do we have controls over FTES and efficiencies to limit the FTEs
- compensation components and how they have changed over time
- sales, food tax, preserve tax and ALCP tax and sustainability and whether it should be reformed
- long-term visioning contemplating population of city and growth

Chair Smith noted this is a daunting list, but it appears clear the Commission wants to focus on the capital process, which is also being heard from the community.

In response to Commissioner Newman's question, Ms. Andrews explained they ensure funding is available for the capital budget and balance the budget. If a capital project has increased in cost, something else has to come off due to the inability to fund it. The City Engineer can provide more information at a later meeting. Mr. Caton noted this brought to light two issues, one being the capital project that is for a project in the future, and the second being the distinction between the term's overruns and cost escalation. More time will have to be spent on this to understand strengths and weaknesses within the system and address any issues. Chair Smith stressed the need for safeguards that alert the Commission if a project goes south.

Vice-Chair Schweiker noted some challenges as the Legislature may take away food tax and State-shared revenue and requested that staff keep the Commission informed of that.

Commissioner Ransco noted that there seems to be some subjective allocations and looks forward to understanding those.

The next meeting is Thursday, February 27, 2025.

8. Adjournment

VICE-CHAIR SCHWEIKER MOVED TO ADJOURN THE MEETING. COMMISSIONER SEITZ SECONDED THE MOTION, WHICH CARRIED SIX (6) TO ZERO (0). CHAIR SMITH, VICE-CHAIR SCHWEIKER, AND COMMISSIONERS CARLA, NEWMAN, RANSCO, AND SEITZ VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 3:34 p.m.

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