



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

Thursday, March 27, 2025
City Hall Kiva Forum
3939 N. Drinkwater Boulevard
Scottsdale, AZ 85251

PRESENT: David Smith, Chair
Daniel Schweiker, Vice-Chair
Carla, Commissioner
Brad Newman, Commissioner
Jim Ransco, Commissioner
Sharyn Seitz, Commissioner
Mark Stephens, Commissioner

STAFF: Sonia Andrews, City Treasurer / Chief Financial Officer
Greg Caton, Interim City Manager
Sherry Scott, City Attorney
Scott Selin, Budget Department Director
Kevin Rose, Interim Water Resources Executive Director

Call to Order

Chair Smith called the meeting to order at 3:30 p.m.

Roll Call

Members present as listed above.

Public Comment

There was no response to the call for public comment.

Chair's Report

Chair Smith stressed the importance of each Commissioner reviewing their notes to come up with suggestions that will be compiled and presented to the City Council at its upcoming joint session. He spoke about a memo containing staff's answers to prior Commissioner questions, which City Treasurer / Chief Financial Officer Sonia Andrews indicated was provided as part of the Chair's report without a presentation and posted online as well.

Commissioner Stephens discussed the question about the City sometimes paying for infrastructure rather than developers, saying the Budget Review Commission (BRC) may want to consider exploring that further next year. He expressed concern about the City potentially acquiring the benefit obligations of new employees with previous years of service in the same pension plan. It was announced the electronic voting system will not be used during this meeting.

Citing the answer provided regarding the Arizona State Retirement System, Chair Smith clarified he wanted to know how many retirees on the plan are former City of Scottsdale employees. He pointed out that the payroll growth was steeper since 2022 than compared to the growth over the last decade as a whole. Regarding the property tax rate chart provided, he requested to know the dollar amounts, not the tax rates. He noted that the City has a permanent sales tax rate of 1.3 percent, not 1.7 percent as shown on the graph, because the 1.7 figure includes temporary taxes.

Recognizing that it takes staff time to answer their questions, Commissioner Carla suggested holding off on asking any questions that won't become pertinent until the next budget cycle. Vice-Chair Schweiker concurred.

1. Approval of Minutes of March 19, 2025

Commissioner Carla suggested changing "She explained" to "Ms. Andrews explained" in paragraph 3 of page 5 for clarity. Chair Smith pointed out that "Overlay" was misspelled on page 6, paragraph

2. Commissioner Newman noted the 15 percent Preserve Tax in paragraph 3 of page 3 should be 0.15 percent.

COMMISSIONER RANSCO MOVED TO APPROVE MARCH 19, 2025, BUDGET REVIEW COMMISSION REGULAR MEETING MINUTES AS AMENDED. COMMISSIONER NEWMAN SECONDED THE MOTION, WHICH CARRIED SEVEN (7) TO ZERO (0). CHAIR SMITH, VICE-CHAIR SCHWEIKER, AND COMMISSIONERS CARLA, NEWMAN, RANSCO, SEITZ, AND STEPHENS VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

2. Capital Projects with Increases Exceeding \$1 million and 10% from FY2024/25 to FY2025/26

Interim City Manager Greg Caton conducted a slideshow presentation and reviewed slides with the following titles: Criteria to become Capital Projects; How are Capital Projects added; Prioritization Criteria; Capital Management Review Committee; and Why would project costs change. He indicated staff will return with updated cost estimates for certain capital improvement projects previously presented to the BRC based on questions that were posed about them.

Commissioner Newman asked where in the process discussions about whether projects should be undertaken would take place. Mr. Caton responded those decisions are made between the time when needs are identified and when projects are added to the capital improvement plan (CIP). The CIP is refined from an initial list of hundreds of projects throughout the first few steps of the process.

Commissioner Carla suggested holding the Council retreat earlier so the Council's priorities are known before the Budget Review Commission begins its discussions. She questioned where in the process community outreach takes place. Mr. Caton responded that community feedback is received throughout the process. The Master Plan, volunteerism, and Scottsdale's board and committees are other ways the community becomes involved. He mentioned one road project started in 2021 based on community input, though construction won't begin on it until 2026. He said many capital projects are operationally driven based on community need, such as upgrades to fire stations and the rolling stock of the City's ambulances.

Chair Smith felt consideration needs to be given to how projects might impact tourism, either positively or negatively. Vice-Chair Schweiker agreed, adding that tourism helps generate revenue so that responsibility does not always fall to residents.

Commissioner Stephens concluded the presentation by reviewing the following slides: Scottsdale Budget Commission Member Report...; Date & Purpose of Meeting; Number of Projects Presented; Common Reasons for Increases; Sample Challenges in Projects; Our Recommendations & Questions; Sample Commission Report Recommendations Draft Points; and Standalone Projects.

Commissioner Stephens provided justification for each of the recommendations listed in the presentation. He noted the Budget Review Commission will not act on any of the sample recommendations today, but he provided them as examples of possible wording for the City Council. Vice-Chair Schweiker thanked City staff for working with him and Commissioner Stephens on this endeavor. He spoke about his time on the Paradise Valley Town Council where inclusion of incentives in construction contracts resulted in projects being done early, and no penalties needed to be enacted.

Chair Smith pointed out the 31 projects provided at the end of the presentation were all ones where staff is requesting a budget increase. He estimated the total increase for these projects is \$284 million, \$163 million of which will take place in fiscal year (FY) 2025/26. The total amount budgeted in FY 2025/26 for capital projects is over \$1 billion. Budget Department Director Scott Selin clarified the 31 projects are only projects where the budget increase requests meet the \$1 million and 10 percent criteria. There are other projects which do not meet that threshold that are also requesting increases.

Commissioner Newman believed there are many different reasons for changes in the scope of projects and asked whether the Council is informed of the specific reasons for each project. Discussion ensued about the Scottsdale Sport Complex turf replacement project. Mr. Selin pointed out staff limited the explanations for change to only four categories: scope, inflation, conditions, and phased. Mr. Caton said scope changes sometimes do not occur, particularly with rehabilitation projects, until the project is fully underway and the situation can be assessed.

Discussion took place regarding Project WL02, with Commissioner Stephens indicating the regulatory requirements would only apply to changes. Commissioner Carla inquired whether more advanced engineering needs to be done on projects in older parts of town. Mr. Caton replied staff would get back to the BRC with clarification on that, but he emphasized the importance of communicating with utility providers to ensure they complete their improvements before the City undertakes road improvements. Vice-Chair Schweiker spoke about the unforeseen challenges faced when working in older areas.

Commissioner Newman pointed out that projects 15, 16, and 17 on the chart show cost increases of more than double the initial projections, yet they were attributed to inflation. Commissioner Stephens thought that might be due to the limited explanations for cost changes, and he hoped a more detailed explanation would be given before this was presented to the Council. Interim Water Resources Executive Director Kevin Rose explained that the sizeable cost increase for the Jomax Road Sewer Improvement project is because the project was first devised in 2015, but construction would likely not begin until 2028 or later.

3. Recommendations on Proposed FY2025/26 Capital Budget and 5-Year Capital Improvement Plan

This item was removed from the agenda.

4. Timeline and Proposed Process for Commission Review and Recommendations

Ms. Andrews conducted a slideshow presentation and reviewed slides with the following titles: Ordinance No. 4660 - Duties of Budget Review Commission; Commission Reviews and Discussions to Date; Topics Identified for Further Discussion...; and Proposed Process and Reviews for April Meetings. She pointed out the proposed FY2025/26 budget will be finalized next week.

Commissioner Stephens requested that something qualitative be included to give the BRC a clearer idea of why revenues are changing, not just a listing of budget data. Ms. Andrews said the proposed budget document will include limited narrative with respect to forecast changes to major revenues. The department pages will also include some narrative regarding the items requested in the FY 2025/26 budget.

Commissioner Newman felt street maintenance projects should be prioritized in the budget because they are essentially guaranteed to happen and should not be put off a year. Additionally, pension paydown is also an important issue and that a decision should not be put off for a year. Ms. Andrews stated many of the BRC's parking lot discussions were taken into account when creating the new budget, and she highlighted a few areas where this took place.

Ms. Andrews concluded the presentation by reviewing the following slides: Proposed Major FY 2025/26 Operating Budget...; and Other FY 2025/26 Operating Funds and Departments. She said the department presentations will include information about full-time employees, unfilled positions, overtime, and any significant budget requests.

Commissioner Stephens acknowledged that Enterprise Funds are significant, but since there will be no presentation on them specifically, Commissioners can ask questions if they discover anything troublesome with them. Chair Smith reiterated that the entire budget should be posted next Friday morning. In response to Commissioner Newman's question regarding any potentially significant changes within Enterprise Funds, Ms. Andrews described increases in the cost drivers in Water and Water Reclamation, the largest Enterprise Fund as normal operating costs of the water and wastewater utilities. An update to the rate study is planned for next year, she remarked, with 4 and 6 percent rate increases already approved to take effect this year.

5. Identification and Approval of Possible Future Agenda Items

Commissioner Stephens discussed a potential agenda item for Commissioners to discuss ideas for future-year reviews. Chair Smith wondered whether that could be better accomplished during the April 11 work study session, which is less structured. City Attorney Sherry Scott opined an agenda item could be added for the BRC to discuss future recommendations, though the focus should be on getting this year's recommendations to the Council within the timeframe. It was decided to hold off on this item until the BRC completes its work on this year's budget.

Adjournment

COMMISSIONER NEWMAN MOVED TO ADJOURN THE MEETING. VICE-CHAIR SCHWEIKER SECONDED THE MOTION, WHICH CARRIED SEVEN (7) TO ZERO (0). CHAIR SMITH, VICE-CHAIR SCHWEIKER, AND COMMISSIONERS CARLA, NEWMAN, RANSCO, SEITZ, AND STEPHENS VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 5:07 p.m.

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