



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

Thursday, April 10, 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, City Manager (arrived at 3:58 p.m.)
Sherry Scott, City Attorney
Scott Selin, Budget Department Director

Call to Order

Chair Smith called the meeting to order at 1:00 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 announced the agenda for tomorrow's Commission meeting has been posted and contains numerous recommendations, though the Commission does not intend to go through each item for approval. Rather, he will look for opposition to the items on the list. The approved items will then be compiled in a report for the Council.

Budget Director Scott Selin dispersed corrections to the draft Budget table of contents, and pages V8, 9, and 16 that Commissioner Karla had requested at the April 7th meeting as well as clarification on pg. C46 regarding Police Department FTEs.

1. Parks and Recreation and Preserve Department Operating Budget

Nick Molinari, Senior Director of Parks & Recreation and Preserve, noted staff recently completed the Parks and Recreation Master Plan, including a thorough operations analysis performed by consultants. The consultants' recommendations formed the basis for the budget recommendations that he will make.

Mr. Molinari conducted a slideshow presentation and reviewed slides with the following titles: Full Time Equivalents/Budget Breakdown; 2024 0.15% Park and Preserve Tax Allocation; Agenda; Full Time Equivalents/Budget Breakdown; Key Cost Drivers; Overtime; Unfilled Positions; Operating Metrics (2 slides); and New FY 2025/2026 Budget Requests (4 slides).

Mr. Molinari explained the 239.47 full-time equivalents (FTEs) are made up of around 139 full-time employees and 340 part-time employees. He stated contractual landscaping agreements have become more expensive every year. He spoke about the Protect and Preserve Scottsdale task force which identified that 18 FTEs would be needed to address unmet maintenance demands, even though only four will be requested in the first year. Much of the overtime that was taken resulted from storm damage. Green space areas require mowing, he said, and the City is adding new acreage in that area every year.

Mr. Molinari remarked the Parks & Recreation department went from 308 FTEs in 2008 to 265 in 2018, even though several new facilities were brought online in that time. He noted the median and rights-of-way (ROW) contracts not only include landscape management, but also callouts and storm damage, both of which are cost drivers that are difficult to predict.

In response to Commissioner questions, Mr. Molinari said some part-time employees worked ten hours a week while others worked more but only for short periods. Many of the City's part-time employees are seasonal. He commented the \$520,281 increase for median and ROW contracts constitutes an 11 percent increase. He said staff recommends a spending limit on the proceeds from the 0.15 percent Parks and Preserve Tax for operations, and anything exceeding the requested costs will require an adjustment to the expense budget or need to be carried forward until next year. Staff is conservatively expecting to spend only \$7.6 million of the \$12.48 million in expected revenues. Vice-Chair Schweiker praised Mr. Molinari for anticipating maintenance needs as neglecting to do so can result in higher costs.

Chair Smith inquired about a potential unspent balance at the end of the year. City Treasurer / Chief Financial Officer Sonia Andrews expected each fund to have reserves for revenue stabilization and some unappropriated fund balance due to timing differences with new programs. Mr. Molinari said future park improvements at Vista Del Camino and El Dorado Park exceed the revenues generated in those years, requiring carryforwards from earlier years. Staff is trying to balance contractual services with in-house and personnel services. Ms. Andrews said the specific amounts proposed to be spent are found in the budget under separate funds, and a report will be presented to the City Council and posted online showing how the 490 funds were spent exactly. Discussion ensued regarding where to find that information in the budget book.

Commissioner Carla suggested that staff prepare an annual report illustrating where funds were exactly spent so members of the public would not have to read the entire budget. Commissioner Stephens pointed out the expenditure increases will be supported by a new revenue source. Ms. Andrews said she can put together a list of all revenue sources to show a clearer picture for the Council.

Mr. Molinari concluded the presentation by reviewing slides with the following titles: Agenda; Full Time Equivalents/Budget Breakdown; Key Cost Drivers; Operating Metrics (2 slides); and New FY 2025/2026 Budget Requests (2 slides).

1a. Presentation and Recommendation on Proposed Budget for Rio Verde Drive Wildlife Crossing

On the call for public comment, Mr. Erik Filsinger spoke about his history with the Preserve, his academic career, and his familiarity with the wildlife in the Preserve. He believed there is not a huge need for a land bridge over Rio Verde Drive and wished to see alternatives such as an underpass.

Commissioner Newman reviewed Rio Verde Drive Wildlife Crossing Recommendation and Feasibility slides. He pointed out the \$35 million projection is for a 200-foot-wide bridge, which would be the largest in the world, but many comparable bridges are 50 to 75 feet wide and cost less. Commissioner Carla added that this bridge will accommodate both wildlife and people, unlike other Arizona land bridges which are just for wildlife. She felt a feasibility study would give the City facts on which to base an opinion.

Commissioner Newman indicated the Commission cannot vote on this today but will vote tomorrow on whether to include it in the recommendation package for the City Council.

2. Preserve Fund Budget

Ms. Andrews directed the Commission to page B-16 of the budget book. Due to the 1995 0.2 percent tax sunseting, she stated, no revenues will be collected from that tax in fiscal year (FY) 2025/26. \$25 million is expected to be generated from the 2004 0.15 percent tax in the next fiscal year, which will be transferred for debt service. She reviewed a slide entitled Existing McDowell Sonoran Preserve Debt.

In response to Commissioner questions, Ms. Andrews indicated staff projected that \$159.8 million in fund balance will be available on June 30, 2025. Chair Smith thought it is important that the public know that number will also grow along with the remaining principal and interest due. Ms. Andrews clarified the debt cannot be called until FY 2027/28, but funds can be placed in escrow to defease the debt. If the debt is paid off in FY 2027/28, and capital improvements are funded as proposed, the 0.15 percent tax is projected to be collected for two more years with approximately \$2.8 million left over in the fund after five years assuming revenues continue with current trends.

City Attorney Sherry Scott indicated an executive session or a legal advice memo would be appropriate ways for her to provide legal recommendations regarding the sunseting of the 0.15 percent tax. It may need to be approved by voters.

Responding to additional Commission queries, Ms. Andrews said the City's investments are restricted by state law to fixed-income investments, and they cannot be invested beyond five years. She admitted the City could be adversely impacted if interest rates were to fall.

Kroy Ekblaw, Executive Assistant, Strategic Projects, concluded the presentation by reviewing the Preserve Tax - Transfers Out to CIP slide. He noted all trailhead improvement projects were developed working with users of the trails. He discussed the amenities and improvements to storage contemplated in these projects. The improvements at Fraesfield and Tom's Thumb trailheads will complete those projects, and the improvements to the northern parks will address drainage issues with the parking lots.

In response Commissioner Seitz's question, Ms. Andrews stated the difference between the \$15 million for FY 2025/26 in the presentation and the \$11.5 million listed in the budget book is due to carryover funds from FY 2024/25 shown in the capital budget summary.

Commissioner Carla emphasized these are not significant improvements. Reasonable shade is being added for users, as is additional seating for people attending education events.

Chair Smith recalled that voters passed a measure in 2018 limiting what could be done with Preserve funds to the acquisition of Preserve land, the construction of new trails, or to pay off debt. He wondered how these restrictions might impact the ability to fund the proposed capital improvement projects. Mr. Ekblaw responded that the second tax approved by voters included improvements, so these would all qualify.

Discussion ensued regarding whether the 2018 vote removed the ability to fund improvements. Ms. Scott reviewed the exceptions detailed in section B of the City Charter, adding that she would need to study it with Preserve staff to form a legal opinion. She noted Preserve staff is aware of the Charter as they make their recommendations. Mr. Ekblaw explained the provision under which these projects would qualify.

Commissioner Newman wondered whether the Rio Verde Wildlife Crossing project would qualify since it only entered the capital plan this year. Ms. Scott relayed her understanding that it is considered a new trail approved by the McDowell Sonoran Preserve Commission (MSPC), and the 2018 proposition 20 ballot measure provided exceptions for new trails approved by the MSPC as well as maintenance of existing trailheads completed or under construction prior to the effective date of that Charter section. Mr. Ekblaw responded it had been a concept project for years, but the MSPC did not formally recommend it until May of 2024. Commissioner Carla indicated they had been waiting for the Transportation Department to widen Rio Verde, eventually giving up and making the recommendation independent of that project.

3. Tourism Fund Budget

Scott Selin conducted a slideshow presentation and reviewed slides with the following titles: Tourism Development Fund; Tourism Development Fund Revenue; Fund Allocation; and Tourism Development Fund Expenditures. He remarked that the transient occupancy tax is expected to increase again in FY 2026/27 and into the out years. More recent forecasts show that the City will take in about \$3 million more in revenues in this fiscal year than in the adopted budget.

Tourism and Events Director Rachel Smetana spoke about her changes in leadership which resulted in new direction since the proposed budget was submitted. The presentation consisted of the following slides: Destinating Marketing; Event Retention and Development; Administration and Research; Other Commitments; and Transfers Out.

Ms. Smetana discussed the history of destination marketing within the city. The contract with Experience Scottsdale will expire in 2026/27 with an option for a five-year renewal. She indicated copies of the contract were distributed to the Commissioners, including their annual business plan, and Experience Scottsdale provides quarterly updates with monthly deliverables as laid out in the contract. She mentioned the City's allocation for destination marketing had focused on Old Town Scottsdale, Westworld, Scottsdale Stadium among others, though staff will reconsider how to spend that 5 percent allocation.

Ms. Smetana highlighted some specific events that the city funds including Tour de Scottsdale and the Fiesta Bowl, further mentioning the economic benefit of the latter. There could be impacts to the Fiesta Bowl if it moves to a tournament structure in the future, so discussions will occur regarding what to do when that contract ends next year. She noted funding of up to \$75,000 is available to try to grow new events into tourism drivers. She noted a significant increase in the Other Contractual budget and noted that some might be used to research the economic impacts of investment in sports tourism.

Ms. Smetana said the City supports Museum of the West with \$250,000 in operating costs and will match up to \$400,000 in private donations. Additionally, the proposed budget includes \$600,000 for each of the next two years to support revitalization of the original museum. She listed some of the seasonal entertainment sponsored by the City. She added that \$500,000 of the transfers out are earmarked to support Westworld. Each dollar spent by the City on tourism, she commented, it receives \$1.44 in tax receipts.

Commissioner Stephens observed that the City has two representatives on Experience Scottsdale and wondered whether they were being allowed to provide a commensurate share of input. Ms. Smetana confirmed that 70 percent of Experience Scottsdale's budget comes from City of Scottsdale bed tax, 13 percent from the State of Arizona Prop 302, 11 percent from Paradise Valley, and 6 percent from the private sector.

Responding to Commissioner queries, Ms. Smetana stated 50 percent of Experience Scottsdale's bookings in 2023/24 were business conventions, though there is a need for venues of different sizes. Commissioner Newman encouraged her to target planners who arrange moderated-sized conventions that fit the venue. Chair Smith said there is a lot of oversight over Experience Scottsdale, who provides quarterly and semi-annual metrics to the City Council. He lauded Ms. Smetana for focusing on the 5 percent local allocation, which he felt will pay huge dividends.

Vice-Chair Schweiker recommended that Experience Scottsdale CEO Rachel Sacco be asked to give a presentation at a Commission meeting in the fall to expound upon the organization. He stated Paradise Valley returned \$7 on every dollar spent on the Convention and Visitors Authority.

4. Library and Human Services Department Operating Budget

Kira Peters, Senior Director of Library and Human Services, conducted a slideshow presentation and reviewed slides with the following titles: Agenda | Library & Human Services; Library and Human Services Full Time Equivalents; Library/Human Services Proposed FY25/26 Budget; Housing & Community Assistance Office; Funding Sources; Library & Human Services Key Cost Drivers; Library and Human Services Vacancies; New FY 2025-2026 Budget Requests; and Library and Human Services Select Operating Metrics.

Ms. Peters indicated the decrease of 16.7 FTEs was due to a prior reorganization with the Community Services Division. The Library and Human Services departments are not large revenue generators, but the return on investment is reflected in the people they serve. She stated a lot of the higher dollar contracts the City has relate to housing assistance payments, library services, and rehabilitation projects within the Housing and Community Assistance office.

Ms. Peters described how funds are distributed through the U.S. Department of Housing and Urban Development, the local programs through which specific recipients receive the funds, and the criteria recipients need to meet to receive them. Community Development Block Grant funds are used for housing rehabilitation programs, roof repair replacement, and an emergency repair program. Regarding uncertainty at the federal level, she pointed out funds are being allocated via a continuing resolution through September of 2025. Arizona is expected to receive \$1.12 billion in opioid settlement funds, she continued, which will be used by the Human Services Department within allowable guidelines. She explained the salaries of Community Action Program case workers are paid by the County; the City's obligation is to pay their fringe benefits.

Chair Smith said the City is unique in the number of libraries it has. Ms. Peters discussed the agreement Scottsdale has with Maricopa County Libraries, saying the County pays \$400,000 or \$500,000 for materials for the collection, and there are also reciprocal use borrowing agreements.

Ms. Peters acknowledged the potential negative impacts that might result if federal funding is cut, especially with rental subsidies. Options are being discussed if cuts are made at the federal level.

5. General Fund Budget

Ms. Andrews conducted a slideshow presentation and reviewed slides with the following titles: Significant Events That Impacted the General Fund (2 slides); General Fund Total Revenues and Total Expenditures; Use of Excess Revenues and Fund Balance; General Fund Proposed FY25/26

Revenues; General Fund Proposed FY 25/26 Expenditures and Transfers Out; and General Fund Reserves and Fund Balance.

Due to the influx of stimulus money from COVID-19, which was restricted in its use, \$59 million in expenditures was transferred out of the General Fund so they could be funded by stimulus funds. Ms. Andrews pointed out revenues would have appeared higher otherwise. She noted the policy for operating and emergency reserve funds was changed in 2023 from 10 percent to 25 percent in accordance with best practices and bond rating requirements. She anticipated the City to revert to a more typical business model with respect to revenues and expenditures moving forward.

She explained the causes for the current reduction and future expected increase of the property tax levy as well as the increases in other expected fees and charges.

In response to Commissioner queries, Ms. Andrews said there is a policy to carry some type of contingency fund, though a specific amount is not dictated. She confirmed staff's recommendation will be to spend \$50 million for Public Safety Personnel Retirement System payments, with \$40 million reallocated to other elements.

6. Identification and Approval of Possible Future Agenda Items

Commissioner Stephens observed he learned more from meeting directly with staff than when high-level presentations are made to the Commission. He proposed an agenda item for the Commission to consider forming two member groups to meet with department heads in budget development and report back to the Commissioners. Chair Smith said the Commission needs to be cognizant of the amount of time they request of staff. There was no second on the motion.

Adjournment

VICE-CHAIR SCHWEIKER MOVED TO ADJOURN THE MEETING. COMMISSIONER CARLA 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 4:03 p.m.

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