

**SCOTTSDALE CITY COUNCIL  
REGULAR MEETING MINUTES  
MONDAY, NOVEMBER 26, 2018**



**CITY HALL KIVA  
3939 N. DRINKWATER BOULEVARD  
SCOTTSDALE, AZ 85251**

**CALL TO ORDER**

Mayor W.J. "Jim" Lane called to order a Regular Meeting of the Scottsdale City Council at 5:00 P.M. on Monday, November 26, 2018, in the City Hall Kiva.

**ROLL CALL**

Present: Mayor W.J. "Jim" Lane; Vice Mayor Guy Phillips; and Councilmembers Suzanne Klapp, Virginia L. Korte, Kathleen S. Littlefield, Linda Milhaven, and David N. Smith

Also Present: City Manager Jim Thompson, City Attorney Bruce Washburn, City Treasurer Jeff Nichols, City Auditor Sharron Walker, and City Clerk Carolyn Jagger

**PLEDGE OF ALLEGIANCE** – Councilman Smith

**INVOCATION** – Rabbi Ariel Shoshan, Ahavas Torah, The Scottsdale Torah Center and Scottsdale Police Chaplain

**MAYOR'S REPORT**

Mayor Lane announced the kick-off of Scottsdazzle and upcoming events.

Mayor Lane wished the Saguaro Sabercats good luck in pursuit of their 6<sup>th</sup> straight 4A state football championship.

**PRESENTATIONS/INFORMATION UPDATES**

- **2018 Spirit of Scottsdale Award**  
**Presenter(s):** Jennifer Fabiano, Neighborhood Advisory Commission Chair

Neighborhood Advisory Commission Chair Jennifer Fabiano and Commission members Carol Miraldi and Rachel Putman presented the 2018 Spirit of Scottsdale awards to the following recipients:

**NOTE:** MINUTES OF CITY COUNCIL MEETINGS AND WORK STUDY SESSIONS ARE PREPARED IN ACCORDANCE WITH THE PROVISIONS OF ARIZONA REVISED STATUTES. THESE MINUTES ARE INTENDED TO BE AN ACCURATE REFLECTION OF ACTION TAKEN AND DIRECTION GIVEN BY THE CITY COUNCIL AND ARE NOT VERBATIM TRANSCRIPTS. DIGITAL RECORDINGS AND CLOSED CAPTION TRANSCRIPTS OF SCOTTSDALE CITY COUNCIL MEETINGS ARE AVAILABLE ONLINE AND ARE ON FILE IN THE CITY CLERK'S OFFICE.

- Single-Family Residential Award Winner – 5002 N. Scottsdale Road
- Multi-Family Residential Award Winner – The Carter
- Non-Residential Award Winner – Hotel Adeline
- Non-Residential Award Winner – Goldwater Brewing
- Spirit of Scottsdale Award Winner – Ron Roth

#### **PUBLIC COMMENT**

- Dennis Hall commented on the draft swim club policy.
- Howard Myers thanked the supporters of Proposition 420.
- Betty Janik commented on an advertisement thanking Proposition 420 supporters.

#### **CONSENT AGENDA**

- 1. Arrivederci Italian Cuisine Liquor License (74-LL-2018)**  
**Request:** Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses and Control for a Series 12 (restaurant) State liquor license for an existing location with a new owner.  
**Location:** 8900 E. Pinnacle Peak Road, Suite D1  
**Staff Contact(s):** Tim Curtis, Current Planning Director, 480-312-4210, [tcurtis@scottsdaleaz.gov](mailto:tcurtis@scottsdaleaz.gov)
- 2. House Brasserie Liquor License (75-LL-2018)**  
**Request:** Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses and Control for a Series 12 (restaurant) State liquor license for an existing location with a new owner.  
**Location:** 6936 E. Main Street  
**Staff Contact(s):** Tim Curtis, Current Planning Director, 480-312-4210, [tcurtis@scottsdaleaz.gov](mailto:tcurtis@scottsdaleaz.gov)
- 3. Bourbon Cellar Liquor License (76-LL-2018)**  
**Request:** Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses and Control for a Series 12 (restaurant) State liquor license for a new location and owner.  
**Location:** 23623 N. Scottsdale Road, Suite D107  
**Staff Contact(s):** Tim Curtis, Current Planning Director, 480-312-4210, [tcurtis@scottsdaleaz.gov](mailto:tcurtis@scottsdaleaz.gov)
- 4. Permanent Extension of Premises for Kyoto (2-EX-2018)**  
**Request:** Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses and Control for a permanent extension of premises for a Series 12 (restaurant) State liquor license for an existing location to add a patio.  
**Location:** 7170 E. Stetson Drive  
**Staff Contact(s):** Tim Curtis, Current Planning Director, 480-312-4210, [tcurtis@scottsdaleaz.gov](mailto:tcurtis@scottsdaleaz.gov)
- 5. Stanley A. Crews Veterans of Foreign Wars Post 3513 Bingo License (1-BI-2018)**  
**Request:** Consider forwarding a recommendation of approval to the Arizona Department of Revenue for a bingo license.  
**Location:** 7220 E. Wilshire Drive  
**Staff Contact(s):** Tim Curtis, Current Planning Director, 480-312-4210, [tcurtis@scottsdaleaz.gov](mailto:tcurtis@scottsdaleaz.gov)

6. **Shea Residence Abandonment (14-AB-2018)**  
**Request:** Adopt **Resolution No. 11288** authorizing the abandonment of 4,799± square feet of right-of-way located along the east boundary of Parcel No. 216-48-366 with Single-Family Planned Community Development Environmentally Sensitive Lands (R1-18 PCD ESL) zoning.  
**Location:** 34745 N. 79<sup>th</sup> Way  
**Staff Contact(s):** Randy Grant, Planning and Development Services Director, 480-312-2664, [rgrant@scottsdaleaz.gov](mailto:rgrant@scottsdaleaz.gov)
7. **Singh Residence (15-AB-2018)**  
**Request:** Adopt **Resolution No. 11310** authorizing the abandonment of a portion of the existing 33-foot GLO easement located on the north and east sides of Parcel No. 217-31-019F with Single-Family Residential Environmentally Sensitive Lands (R1-43 ESL) zoning.  
**Location:** 12997 E. Cochise Road  
**Staff Contact(s):** Randy Grant, Planning and Development Services Director, 480-312-2664, [rgrant@scottsdaleaz.gov](mailto:rgrant@scottsdaleaz.gov)
8. **Silverstone Parcel G North Final Plat (9-PP-2017#2)**  
**Request:** Reapprove the final plat for 182 lots on a 23.73±-acre site with Multiple-Family Residential District, Planned Community District (R-5/PCD) zoning for a minor modification of a drainage/open space tract to allow tract "CA" and the property lines for lots 13-32 to be consistent with the existing drainage walls located on the site.  
**Location:** 23233 N. 74<sup>th</sup> Street  
**Staff Contact(s):** Randy Grant, Planning and Development Services Director, 480-312-2664, [rgrant@scottsdaleaz.gov](mailto:rgrant@scottsdaleaz.gov)
9. **Scottsdale Heights (1-PP-2018)**  
**Request:** Approve the final plat for a 54-lot residential subdivision on a 13.3±-acre site with Medium Density Residential District, Environmentally Sensitive Lands Overlay (R-3 ESL) and Central Business District, Environmentally Sensitive Lands Overlay (C-2 ESL) zoning.  
**Location:** 7225 E. Dove Valley Road  
**Staff Contact(s):** Randy Grant, Planning and Development Services Director, 480-312-2664, [rgrant@scottsdaleaz.gov](mailto:rgrant@scottsdaleaz.gov)
10. **Fiscal Year 2018/19 Capital Improvement Plan Mid-Year Budget Adjustments**  
**Request:** Adopt **Resolution No. 11317** authorizing FY 2018/19 capital improvement plan mid-year budget adjustments.  
**Staff Contact(s):** Daniel Worth, Public Works Director, 480-312-5555, [dworth@scottsdaleaz.gov](mailto:dworth@scottsdaleaz.gov)
11. **Parking and Access Easement Agreements**  
**Request:** Adopt **Resolution No. 11302** to authorize:
  1. Termination of Parking and Cross-Access Easement Agreement No. 2018-191-COS with Spectrum Acquisition Scottsdale, LLC.
  2. Parking and Access Easement Agreement No. 2018-192-COS with Spectrum Acquisition Scottsdale, LLC, to support the City's park maintenance and parking needs associated with the park and Club SAR properties located east of the Camelback Road and Hayden Road intersection.**Staff Contact(s):** Daniel Worth, Public Works Director, 480-312-5555, [dworth@scottsdaleaz.gov](mailto:dworth@scottsdaleaz.gov)

- 12. 68<sup>th</sup> Street Bridge Land Use License Agreement**  
**Request:** Adopt **Resolution No. 11314** authorizing Agreement No. 2018-194-COS with Salt River Project Agricultural Improvement and Power District to license an area across the Arizona Canal for reconstruction of the existing 68<sup>th</sup> Street Bridge.  
**Staff Contact(s):** Daniel Worth, Public Works Director, 480-312-5555, [dworth@scottsdaleaz.gov](mailto:dworth@scottsdaleaz.gov)
- 13. Palomino Library Intergovernmental Agreement**  
**Request:** Adopt **Resolution No. 11293** authorizing Agreement No. 2018-183-COS with Scottsdale Unified School District No. 48 for the operation and maintenance of Palomino Library at Desert Mountain High School to update and supersede existing Agreement No. 2012-101-COS.  
**Staff Contact(s):** Bill Murphy, Community Services Director, 480-312-7954, [bmurphy@scottsdaleaz.gov](mailto:bmurphy@scottsdaleaz.gov)
- 14. Naming of Teen Center at Eldorado Community Center**  
**Request:** Adopt **Resolution No. 11318** authorizing the Boys & Girls Clubs of Greater Scottsdale to name the teen center at the Barker Branch of the Boys & Girls Club within the Eldorado Community Center the "*Executive Council Charities Teen Center.*"  
**Staff Contact(s):** Bill Murphy, Community Services Director, 480-312-7954, [bmurphy@scottsdaleaz.gov](mailto:bmurphy@scottsdaleaz.gov)
- 15. Papago Sports Complex Lease Agreements**  
**Request:** Adopt **Resolution No. 11322** to authorize:  
1. Lease Agreement No. 2018-201-COS with the City of Phoenix for use of the Papago Sports Complex property.  
2. Sublease Agreement No. 2018-202-COS with the San Francisco Giants Baseball Club, LLC, for use of the Papago Sports Complex property.  
**Location:** Northwest corner of McDowell Road and 64<sup>th</sup> Street  
**Staff Contact(s):** Bill Murphy, Community Services Director, 480-312-7954, [bmurphy@scottsdaleaz.gov](mailto:bmurphy@scottsdaleaz.gov)
- 16. R T O'Sullivan's Teletrack Wagering Establishment License**  
**Request:** Consider approval of an application for a new Teletrack Wagering Establishment License for R T O'Sullivan's.  
**Location:** 7919 E. Thomas Road, Suite 101  
**Staff Contact(s):** Darcy Nichols, Business Services Director, 480-312-5925, [danichols@scottsdaleaz.gov](mailto:danichols@scottsdaleaz.gov)
- 17. Pari-Mutuel Wagering on Telecast Racing Events Code Amendment**  
**Request:** Adopt **Ordinance No. 4368** amending Scottsdale Revised Code, Chapter 16, Licenses, Taxation and Miscellaneous Business Regulations, Sections 16-493, 16-494, 16-496, 16-499, 16-501, 16-502, 16-506, 16-508, 16-509, 16-511, 16-512, and 16-513 relating to Pari-Mutuel Wagering on Telecast Racing Events (teletracking).  
**Staff Contact(s):** Darcy Nichols, Business Services Director, 480-312-5925, [danichols@scottsdaleaz.gov](mailto:danichols@scottsdaleaz.gov)

Item No. 17 was removed from the agenda at request of staff.

- 18. Drugs, Toxic Vapors, or Narcotics Incapacitation Code Amendment**  
**Request:** Adopt **Ordinance No. 4373** amending Scottsdale Revised Code, Chapter 19, Offenses—Miscellaneous, Section 19-8, to bring the Section into compliance with state law.  
**Staff Contact(s):** Bruce Washburn, City Attorney, 480-312-2405, [bwashburn@scottsdaleaz.gov](mailto:bwashburn@scottsdaleaz.gov)
- 19. Police Department Urban Area Security Initiative Grant**  
**Request:** Adopt **Resolution No. 11313** to authorize:
  1. The acceptance of a 2018 Arizona Department of Homeland Security Urban Area Security Initiative Terrorism Liaison Officer grant in the amount of \$20,000, if awarded.
  2. The Police Chief or designee to conduct all negotiations and to execute and submit all documents in connection with the grant.
  3. A budget transfer in the amount of \$20,000 from the adopted FY 2018/19 Future Grants Budget and/or Grant Contingency Budget to a newly created cost center to record the grant activity.**Staff Contact(s):** Alan Rodbell, Chief of Police, 480-312-1900, [arodbell@scottsdaleaz.gov](mailto:arodbell@scottsdaleaz.gov)
- 20. Federal Lobbying and Legal Services Contract**  
**Request:** Adopt **Resolution No. 11306** authorizing Contract No. 2018-102-COS-A1 with Covington & Burling, L.L.P., to extend the contract for federal lobbying and legal services for one additional year.  
**Staff Contact(s):** Brad Lundahl, Government Relations Director, 480-312-2683, [blundahl@scottsdaleaz.gov](mailto:blundahl@scottsdaleaz.gov)
- 21. Request for Exemption from Posting Security for Outstanding Workers' Compensation Claims**  
**Request:** Adopt **Resolution No. 11312** authorizing the execution of a letter to the Industrial Commission of Arizona requesting an exemption to the requirement to post security for outstanding workers' compensation claims.  
**Staff Contact(s):** Katherine Callaway, Risk Management Director, 480-312-7841, [kcallaway@scottsdaleaz.gov](mailto:kcallaway@scottsdaleaz.gov)
- 22. Investment of Temporarily Idle Funds Code Amendment**  
**Request:** Adopt **Ordinance No. 4375** amending Scottsdale Revised Code, Chapter 2, Administration, Section 2-134, relating to the investment of temporarily idle funds of the City.  
**Staff Contact(s):** Jeff Nichols, City Treasurer, 480-312-2364, [jenichols@scottsdaleaz.gov](mailto:jenichols@scottsdaleaz.gov)
- 23. Monthly Financial Report**  
**Request:** Accept the FY 2018/19 Monthly Financial Report as of September 2018.  
**Staff Contact(s):** Judy Doyle, Budget Director, 480-312-2603, [jdoyle@scottsdaleaz.gov](mailto:jdoyle@scottsdaleaz.gov)
- 24. November 6, 2018 General/Special Election Canvass**  
**Request:** Adopt **Resolution No. 11323** as the official canvass of the City of Scottsdale November 6, 2018 General/Special Election.  
**Staff Contact(s):** Carolyn Jagger, City Clerk, 480-312-2411, [cjagger@scottsdaleaz.gov](mailto:cjagger@scottsdaleaz.gov)

**25. Implementation of Voter-Approved Transportation Tax Increase**

**Request:** Adopt **Ordinance No. 4374** amending Appendix C of the Scottsdale Revised Code to increase the privilege tax rate from 1.65% to 1.75% and the use tax rate from 1.45% to 1.55% for a period of ten years, such increase to be effective February 1, 2019.

**Staff Contact(s):** Jeff Nichols, City Treasurer, 480-312-2364,  
[jenichols@scottsdaleaz.gov](mailto:jenichols@scottsdaleaz.gov)

**MOTION AND VOTE – CONSENT AGENDA**

Councilwoman Littlefield made a motion to approve Consent Agenda Items 1 through 25, absent Item 17, which was removed from the agenda at the request of staff. Councilwoman Klapp seconded the motion, which carried 7/0, with Mayor Lane; Vice Mayor Phillips; and Councilmembers Klapp, Korte, Littlefield, Milhaven, and Smith voting in the affirmative.

**REGULAR AGENDA**

**26. Fiscal Year 2017/18 Annual Financial Audit**

**Request:** Accept the FY 2017/18 annual financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co., P.C.

**Presenter(s):** Sharron Walker, City Auditor

**Staff Contact(s):** Sharron Walker, City Auditor, 480-312-7867,  
[swalker@scottsdaleaz.gov](mailto:swalker@scottsdaleaz.gov)

City Auditor Sharron Walker gave a PowerPoint presentation (attached) on the FY 2017/18 annual financial audit reports.

**MOTION AND VOTE – ITEM 26**

Councilwoman Klapp made a motion to accept the FY 2017/18 annual financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co., P.C. Councilwoman Littlefield seconded the motion, which carried 7/0, with Mayor Lane; Vice Mayor Phillips; and Councilmembers Klapp, Korte, Littlefield, Milhaven, and Smith voting in the affirmative.

**27. Fiscal Year 2017/18 Financial Update and Use of Year-End General Fund and Transportation Fund Undesignated, Unreserved Fund Balance**

**Requests:**

1. Receive, discuss, and provide possible direction on the City Treasurer's financial summary presentation for FY 2017/18.
2. Discuss and provide possible direction to staff regarding options for use of the fiscal year-end 2017/18 General Fund and Transportation Fund undesignated, unreserved fund balance.

**Presenter(s):** Jeff Nichols, City Treasurer

**Staff Contact(s):** Judy Doyle, Budget Director, 480-312-2603, [jdoyle@scottsdaleaz.gov](mailto:jdoyle@scottsdaleaz.gov)

City Treasurer Jeff Nichols gave a PowerPoint presentation (attached) on the Fiscal Year 2017/18 financial update and the year-end general fund and transportation fund undesignated, unreserved fund balance.

**28. Monthly Financial Update**

**Request:** Receive, discuss, and provide possible direction on the City Treasurer's monthly financial presentation as of October 2018.

**Presenter(s):** Jeff Nichols, City Treasurer

**Staff Contact(s):** Judy Doyle, Budget Director, 480-312-2603, [jdoyle@scottsdaleaz.gov](mailto:jdoyle@scottsdaleaz.gov)

City Treasurer Jeff Nichols gave a PowerPoint presentation (attached) on the City's financial status as of October 2018.

**29. 2019 State Legislative Agenda**

**Request:** Consider the approval of the City of Scottsdale's 2019 State Legislative Agenda.

**Presenter(s):** Brad Lundahl, Government Relations Director

**Staff Contact(s):** Brad Lundahl, Government Relations Director, 480-312-2683, [blundahl@scottsdaleaz.gov](mailto:blundahl@scottsdaleaz.gov)

Government Relations Director Brad Lundahl gave a PowerPoint presentation (attached) on the 2018 state legislative agenda.

**MOTION AND VOTE – ITEM 29**

Councilmember Korte made a motion to approve the City's 2019 State Legislative Agenda. Vice Mayor Phillips seconded the motion, which carried 7/0, with Mayor Lane; Vice Mayor Phillips; and Councilmembers Klapp, Korte, Littlefield, Milhaven, and Smith voting in the affirmative.

**PUBLIC COMMENT – None**

**CITIZEN PETITIONS**

**35. Receipt of Citizen Petitions**

**Request:** Accept and acknowledge receipt of citizen petitions. Any member of the Council may make a motion, to be voted on by the Council, to: (1) Direct the City Manager to agendize the petition for further discussion; (2) direct the City Manager to investigate the matter and prepare a written response to the Council, with a copy to the petitioner; or (3) take no action.

**Staff Contact(s):** Carolyn Jagger, City Clerk, 480-312-2411, [cjagger@scottsdaleaz.gov](mailto:cjagger@scottsdaleaz.gov)

No citizen petitions were received.

**MAYOR AND COUNCIL ITEMS**

**MOTION AND VOTE**

Mayor Lane made a motion to direct the City Manager and City Attorney to review Scottsdale's current public nuisance ordinance and bring back recommendations that would update the public nuisance ordinance to better address unruly parties or gatherings and make it easier to hold property owners accountable for repeated unruly gatherings or parties on their properties. Councilwoman Klapp seconded the motion, which carried 7/0, with Mayor Lane; Vice Mayor Phillips; and Councilmembers Klapp, Korte, Littlefield, Milhaven, and Smith voting in the affirmative.

**ADJOURNMENT**

The Regular City Council Meeting adjourned at 7:05 P.M.

**SUBMITTED BY:**



**Carolyn Jagger**  
City Clerk

Officially approved by the City Council on

January 8, 2019



## CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Regular Meeting of the City Council of Scottsdale, Arizona held on the 26<sup>th</sup> day of November 2018.

I further certify that the meeting was duly called and held, and that a quorum was present.

**DATED** this 8<sup>th</sup> day of January 2019.

  
\_\_\_\_\_  
Carolyn Jagger, City Clerk

**2018 Neighborhood Advisory Commission**  
**Spirit of Scottsdale Awards**

Chair Jennifer Fabiano, Vice Chair Carol Miraldi  
& Commissioner Rachel Putman

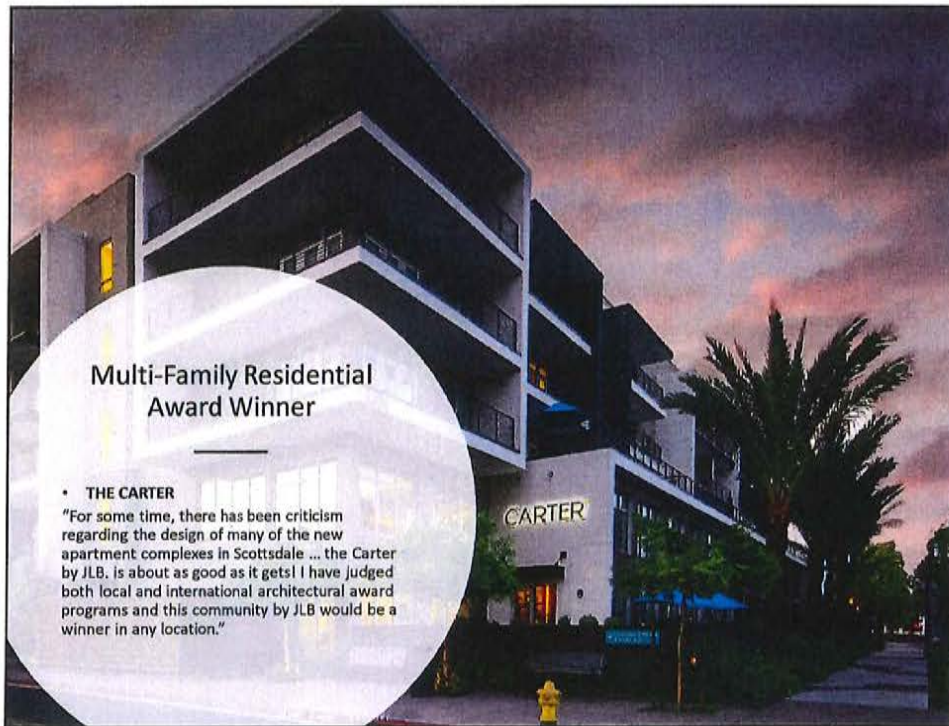
**2018**  
**Program**

- Program recognizes people/places that embody the Spirit of Scottsdale
- Boundary — Indian Bend south
- Categories:
  - Single-Family Residential
  - Multi-Family Residential
  - Non-Residential
  - Spirit of Scottsdale



**Single-Family Residential  
Award Winner**

- **5002 N SCOTTSDALE ROAD**  
"Formally a plain and unremarkable ranch on a highly visible corner of Scottsdale Road... transformed into a very attractive example of a mid-century modern home."



**Multi-Family Residential  
Award Winner**

- **THE CARTER**  
"For some time, there has been criticism regarding the design of many of the new apartment complexes in Scottsdale ... the Carter by JLB. is about as good as it gets! I have judged both local and international architectural award programs and this community by JLB would be a winner in any location."



## Non-Residential Award Winner

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- **HOTEL ADELINE**

"Hotel Adeline is a stylish new boutique hotel that brought to life an older unremarkable property on a very visible section of Scottsdale Road."



## Non-Residential Award Winner

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- **GOLDWATER BREWING**

"Great local atmosphere and pays homage to its historic location as a gun club and shooting range."



## Spirit of Scottsdale Award Winner

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• **RON ROTH**

"When Ron Roth made the leap into retirement, he decided to get involved with Operation Fix It. In an average month, Ron visits 25 single family properties and contributes 85 hours of his personal time to serving our seniors... Ron embodies the Spirit of Scottsdale."

**FY 2017/18 Annual Financial Audit**

Sharron E. Walker, CPA, CFE, CLEA  
City Auditor

Contracted CPA Firm: Heinfeld, Meech & Co. PC

**BACKGROUND**

- City Charter requires Council to designate CPAs to perform an independent audit of City's annual financial statements
- Council assigned financial audit contract coordination and monitoring to the City Auditor
- Audit Committee received FY 2017/18 audit reports at its November meeting

## **Summary of Financial Audit Reports**

Annual financial audit includes:

- City's Comprehensive Annual Financial Report (CAFR):  
Unmodified (clean) opinion
  
- Component Units' Annual Financial Reports:  
Unmodified (clean) opinions
  - Community Facilities Districts (5)
  - Municipal Property Corporation (MPC)
  - Scottsdale Preserve Authority (SPA)

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## **Related Communications**

- Communication to Governance – for City's CAFR and each Component Unit, describes key points such as:
  - Accounting practices, significant estimates
  - Any audit adjustments or disagreements with management - no issues
  - Other similar matters - no issues
  
- Management Representation letters attached

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## **Federal funding/compliance reports**

- FY 2017/18 federal funding totaled \$20.5M, from:
  - Transportation \$12.8M
  - Housing & Urban Develop. \$ 7.1M
  - Others \$ 0.6M

Source: Schedule of Expenditures of Federal Awards

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## **Federal funding/compliance reports** cont'd

- **Single Audit Report** includes:
  1. Report on Internal Control and Compliance based on Financial Statement audit - two audit comments
  2. Report on Compliance, Internal Control and Expenditures of Federal Awards - one audit comment
  3. Schedule of Expend. of Federal Awards - clean opinion
  4. Findings - three (above) / 5. Prior Year Audit Findings – three (one resolved)

Related but not required: Management Letter

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## **Federal & State Funding Reports**

### State funding/compliance report

- Highway User Revenue Fund (HURF) uses:  
City complied with state requirements

### 2 reports are completed later (January/February):

- HUD-required financial schedule - federal
- Annual Expenditure Limitation Report - state

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## **Requested Action**

As recommended by the City Council's Audit Committee:

The Council accept the FY 2017/18 annual financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co. P.C.

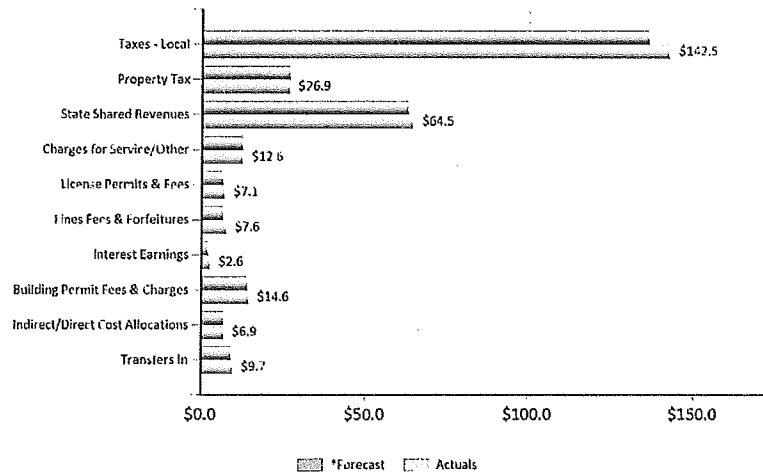
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# FY 2017/18 Financial Highlights Statement of Net Position

November 26, 2018

## General Fund Operating Sources Year-End FY 2017/18

(in millions; rounding differences may occur)



\*Forecast as of FY 2017/18 Tentative Budget.

## General Fund Operating Sources Year-End FY 2017/18

(in millions: rounding differences may occur)

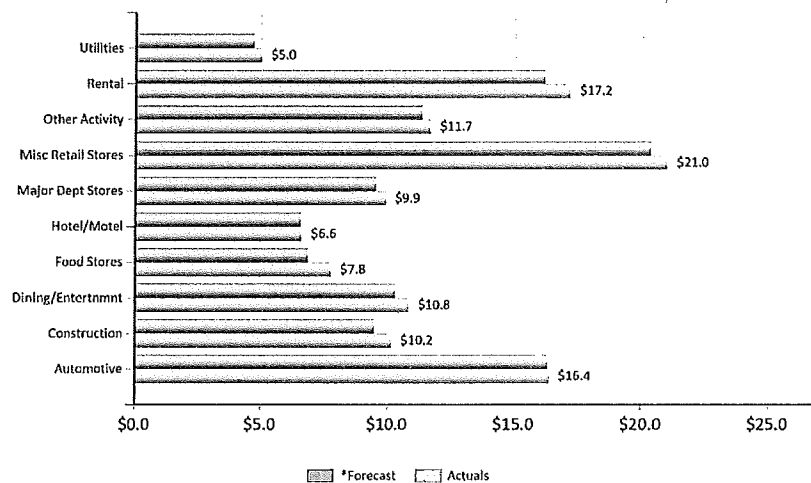
	FY 2017/18	FY 2017/18	Approved vs. Forecast	
	Forecast* Budget	Actual	Favorable / (Unfavorable) Amount	Percent
Taxes - Local	\$136.4	\$142.5	\$6.1	4%
Property Tax	27.2	26.9	(0.3)	(1%)
State Shared Revenues	63.1	64.5	1.3	2%
Charges for Service/Other	12.7	12.6	(0.1)	(1%)
License Permits & Fees	6.8	7.1	0.4	5%
Fines Fees & Forfeitures	6.7	7.6	0.9	13%
Interest Earnings	2.2	2.6	0.5	22%
Building Permit Fees & Charges	14.3	14.6	0.3	2%
Indirect/Direct Cost Allocations	6.9	6.9	-	-
Transfers In	9.3	9.7	0.4	4%
<b>Total General Fund Operating Sources</b>	<b>\$285.6</b>	<b>\$295.1</b>	<b>\$9.5</b>	<b>3%</b>

\*Forecast as of FY 2017/18 Tentative Budget.

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## General Fund Sales Tax Year-End: FY 2017/18

(in millions: rounding differences may occur)



\*Forecast as of FY 2017/18 Tentative Budget.

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## General Fund Sales Tax Year-End: FY 2017/18

(in millions; rounding differences may occur)

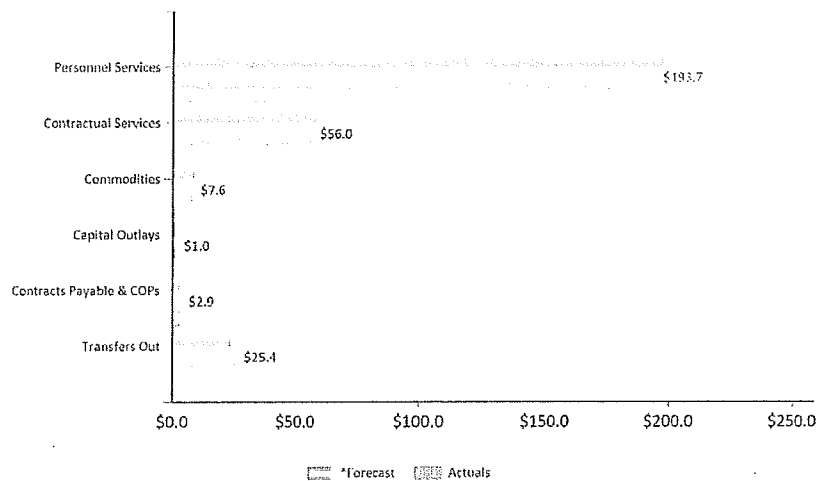
	FY 2017/18	FY 2017/18	Approved vs. Forecast	
	Forecast* Budget	Actual	Favorable / (Unfavorable) Amount	Percent
Automotive	\$16.3	\$16.4	\$0.1	0%
Construction	9.5	10.2	0.7	7%
Dining/Entertnmt	10.3	10.8	0.5	5%
Food Stores	6.9	7.8	0.9	13%
Hotel/Motel	6.6	6.6	-	-
Major Dept Stores	9.5	9.9	0.4	4%
Misc Retail Stores	20.4	21.0	0.6	3%
Other Activity	11.3	11.7	0.3	3%
Rental	16.2	17.2	1.0	6%
Utilities	4.7	5.0	0.3	6%
<b>Total General Fund Sales Tax</b>	<b>\$111.8</b>	<b>\$116.7</b>	<b>\$4.9</b>	<b>4%</b>

\*Forecast as of FY 2017/18 Tentative Budget.

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## General Fund Operating Uses Year-End: FY 2017/18

(in millions; rounding differences may occur)



\*Forecast as of FY 2017/18 Tentative Budget

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## General Fund Operating Uses

Year-End: FY 2017/18

(in millions: rounding differences may occur)

	FY 2017/18	FY 2017/18	Approved vs. Forecast	
	Forecast*	Actual	Favorable / (Unfavorable)	
	Budget	Actual	Amount	Percent
Personnel Services	\$197.7	\$193.7	\$3.9	2%
Contractual Services	58.3	56.0	2.2	4%
Commodities	8.4	7.6	0.8	10%
Capital Outlays	0.8	1.0	(0.2)	(20%)
Contracts Payable & COPs	2.9	2.9	-	-
Transfers Out	23.5	25.4	(1.9)	(8%)
<b>Total General Fund Operating Uses</b>	<b>\$291.5**</b>	<b>\$286.6</b>	<b>\$4.9</b>	<b>2%</b>

\*Forecast as of FY 2017/18 Tentative Budget.

\*\*Includes non-divisional utilities and leave accrual payouts net of vacancy savings.

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## General Fund Sources Over/(Under) Uses

Year-End: FY 2017/18

(in millions: rounding differences may occur)

	FY 17/18	FY 17/18	Variance	
	Forecast as of	Actuals *	Fav/(Unf)	%
	Tentative Budget*			
<b>Sources</b>	\$285.6	\$295.1	\$9.5	3%
<b>Uses</b>	\$291.5	\$286.6	\$4.9	2%
<b>Change in Fund Balance</b>	<b>(\$5.9)</b>	<b>\$8.5</b>	<b>\$14.4</b>	
<b>Ending Undesignated, Unreserved Fund Balance</b>	<b>\$23.6</b>	<b>\$ 38.0</b>	<b>\$14.4</b>	

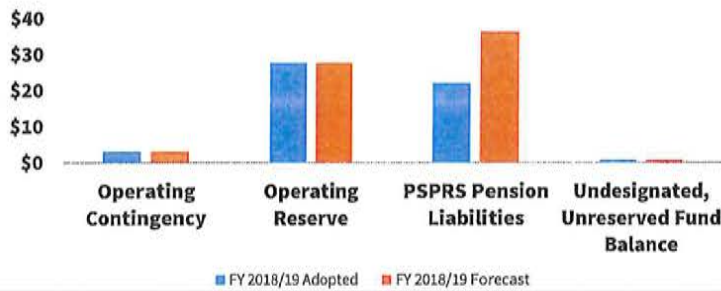
\*Forecast as of FY 2017/18 Tentative Budget.

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## FY 2018/19 General Fund Undesignated, Unreserved Fund Balance

(in millions: rounding differences may occur)

	FY 2018/19 Adopted	FY 2018/19 Forecast
Operating Contingency	\$3.0	\$3.0
Operating Reserve	\$27.6	\$27.6
PSPRS Pension Liabilities	\$22.0	\$36.3
Undesignated, Unreserved Fund Balance	\$0.6	\$0.6
<b>Total</b>	<b>\$53.2</b>	<b>\$67.5</b>



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## FY 2017/18 Transportation Fund Year-End Summary

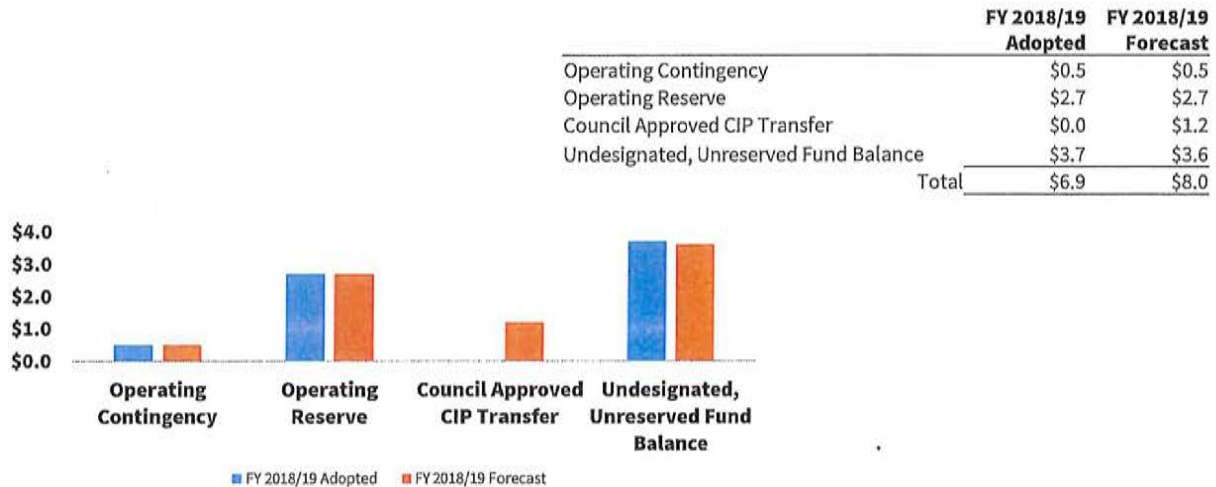
(in millions: rounding differences may occur)

	FY 2017/18 Forecast	FY 2017/18 Actual	Difference
<b>FY 2017/18 Beginning Fund Balance</b>	<b>\$12.1</b>	<b>\$12.1</b>	<b>\$0.0</b>
<b>Sources:</b>			
Sales Tax	\$21.3	\$22.0	\$0.8
HURF	\$16.4	\$16.1	(\$0.3)
Other	\$1.9	\$1.8	(\$0.1)
<b>Total Sources</b>	<b>\$39.5</b>	<b>\$39.9</b>	<b>\$0.4</b>
<b>Uses:</b>			
Community & Economic Development	\$9.8	\$8.7	(\$1.1)
Public Works, Other	\$16.6	\$16.6	0.0
Transfers Out CIP	\$19.2	\$19.6	\$0.4
<b>Total Uses</b>	<b>\$45.5</b>	<b>\$44.8</b>	<b>(\$0.7)</b>
<b>Change in Fund Balance</b>	<b>(\$6.0)</b>	<b>(\$4.9)</b>	<b>\$1.1</b>

10

## FY 2018/19 Transportation Fund Undesignated, Unreserved Fund Balance

(in millions; rounding differences may occur)



10

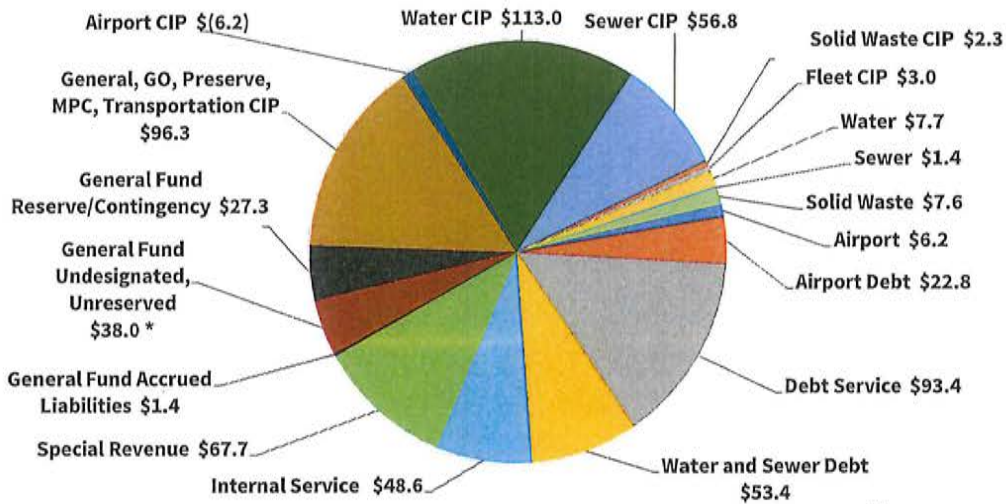
## FY 2017/18 Financial Highlights Statement of Net Position

(in millions; rounding differences may occur)

	FY 2017/18	FY 2016/17	Change
<b>Assets</b>			
Cash and Cash Equivalents	\$629.9	\$615.0	\$14.9
Receivables	111.7	105.4	6.3
Other	203.0	222.9	(19.9)
Capital Assets (Net of Depreciation)			
Governmental Activities	4,370.9	4,349.5	21.4
Equity in Joint Venture	96.5	99.1	(2.6)
Other Enterprise Activities	1,494.1	1,466.0	28.1
<b>Total Assets</b>	<b>\$6,906.1</b>	<b>\$6,857.9</b>	<b>\$48.2</b>
<b>Liabilities</b>			
Accruals: Payables, Payroll and Benefits	(145.9)	(141.8)	(4.1)
Accrued Compensated Absences	(29.3)	(29.0)	(0.3)
Other Liabilities	(92.4)	(103.8)	11.4
Net Pension Liabilities	(342.6)	(343.6)	1.0
Bonds, Loans and Other Payables	(1,197.3)	(1,253.3)	56.0
<b>Total Liabilities</b>	<b>\$(1,807.5)</b>	<b>\$(1,871.5)</b>	<b>\$64.0</b>
<b>NET POSITION</b>	<b>\$5,098.6</b>	<b>\$4,986.4</b>	<b>\$112.2</b>

## FY 2017/18 Financial Highlights Cash and Equivalent Balances \$629.9 million

(in millions; rounding differences may occur)



\* Includes \$10.8 million loan to the Aviation Fund, which is also reflected in the Airport CIP cash and equivalent balance.

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## FY 2017/18 Financial Highlights Receivables and Other Assets

(in millions; rounding differences may occur)

### \$111.7 Receivables

- \$38.4 Intergovernmental and Grants
- \$28.8 Property and Other Local Taxes
- \$25.5 Interest, Fines and Other
- \$19.0 Charges for Services

### \$203.0 Other

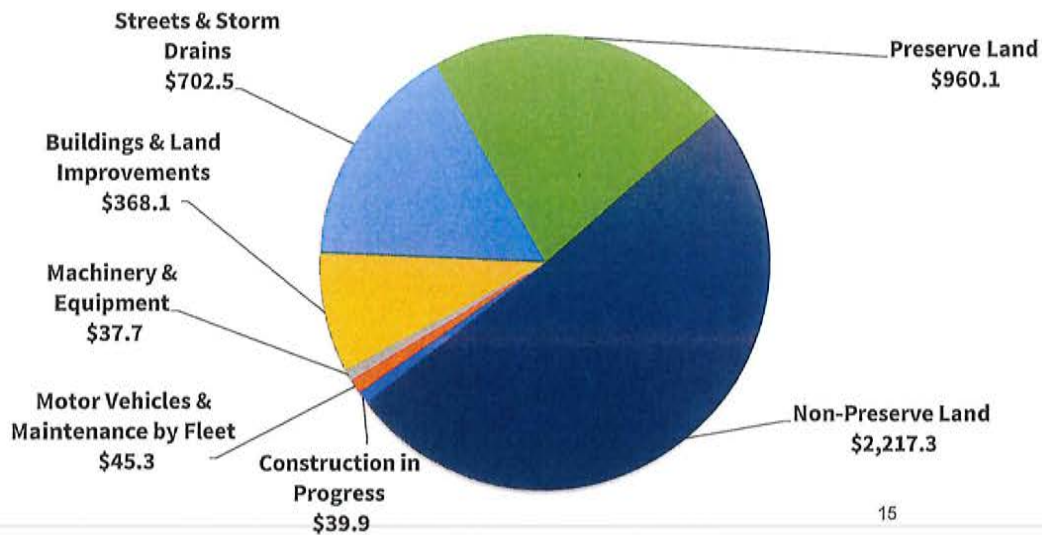
- \$71.4 Pensions
- \$64.1 Service Concession Arrangement
- \$36.4 Deferred Amounts on Refundings
- \$29.9 Supplies and Prepaid Items
- \$1.0 Customer Deposits
- \$0.2 OPEB-Related Amounts

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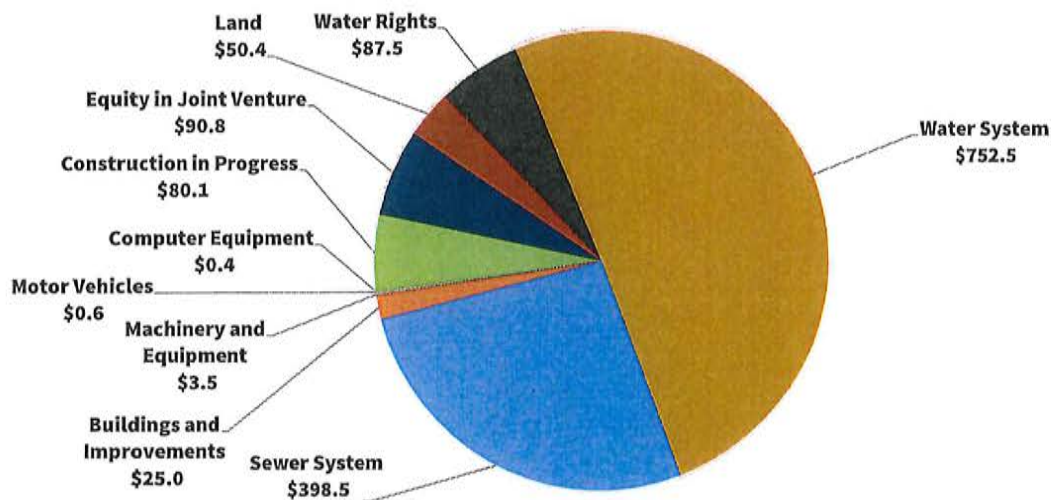
## FY 2017/18 Financial Highlights Net Capital Assets by Type – Government \$4,370.9 million

(in millions: rounding differences may occur)



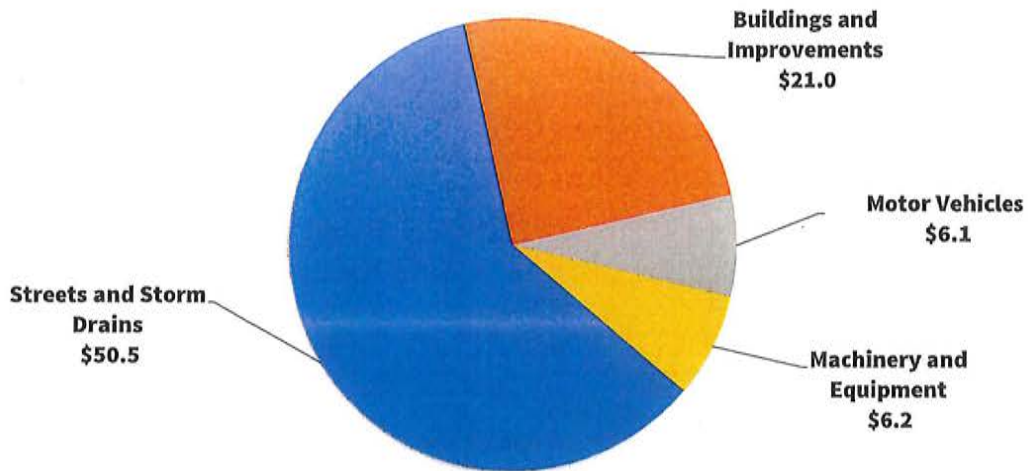
## FY 2017/18 Financial Highlights Net Capital Assets by Type – Enterprise \$1,489.0 million

(in millions: rounding differences may occur)



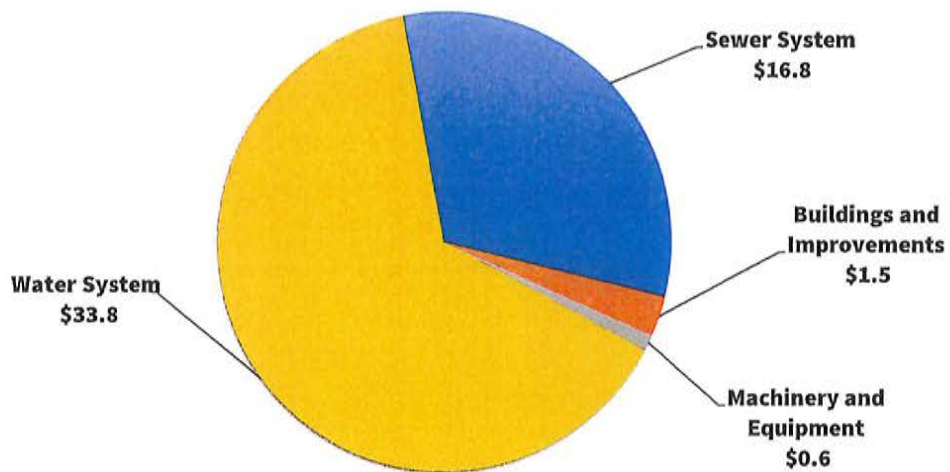
## FY 2017/18 Financial Highlights Annual Depreciation by Type – Government \$83.8 million

(in millions; rounding differences may occur)



## FY 2017/18 Financial Highlights Annual Depreciation by Type – Enterprise \$52.7 million

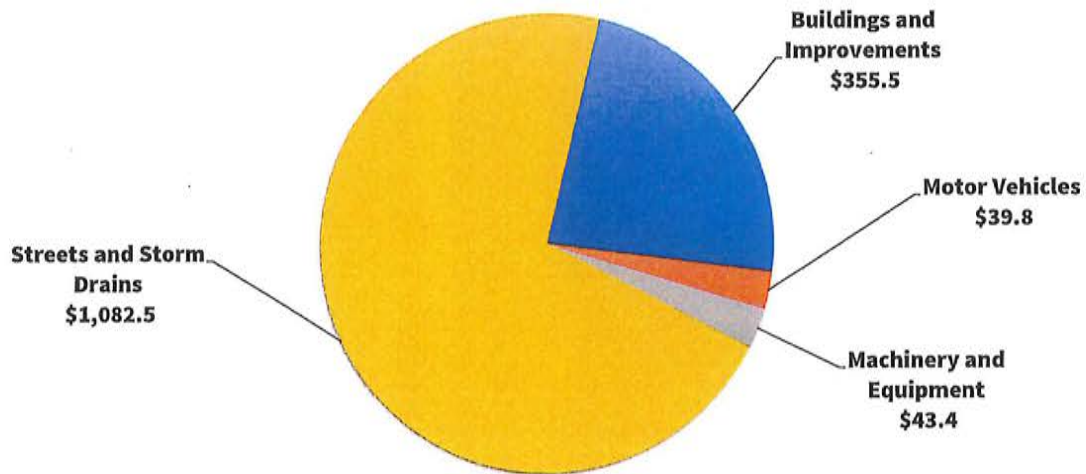
(in millions; rounding differences may occur)



## FY 2017/18 Financial Highlights

### Accumulated Depreciation by Type – Government \$1,521.2 million

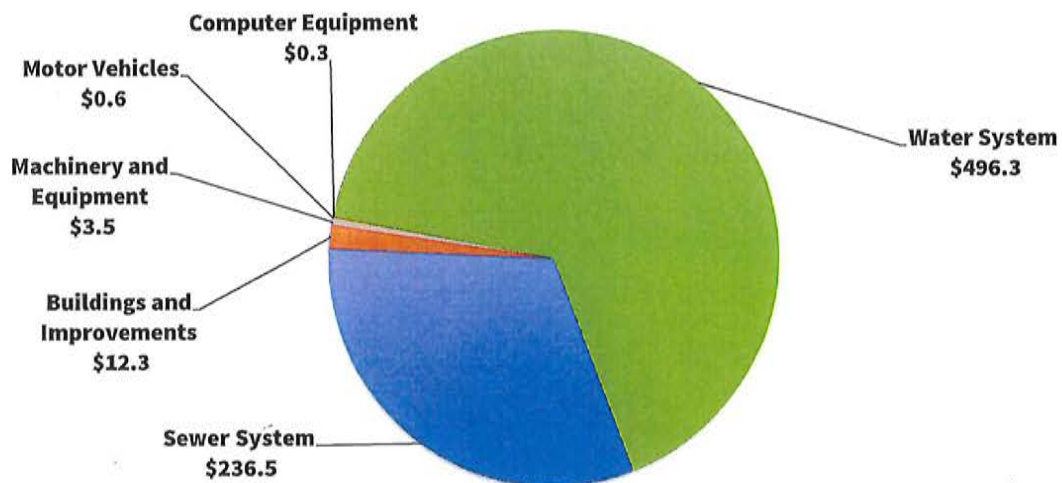
(in millions: rounding differences may occur)



## FY 2017/18 Financial Highlights

### Accumulated Depreciation by Type – Enterprise \$749.5 million

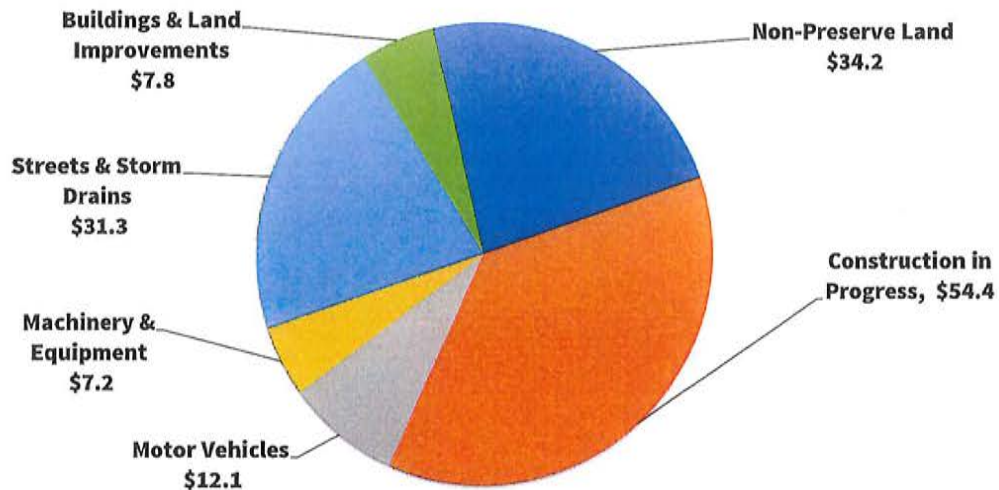
(in millions: rounding differences may occur)



## FY 2017/18 Financial Highlights

### Acquisitions by Type – Government \$147.0 million

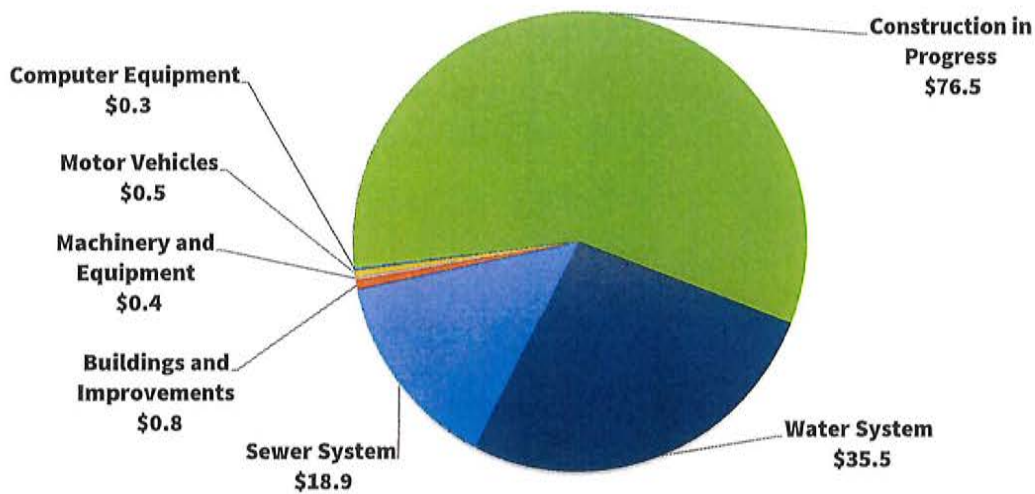
(in millions; rounding differences may occur)



## FY 2017/18 Financial Highlights

### Acquisitions by Type – Enterprise \$132.9 million

(in millions; rounding differences may occur)



## FY 2017/18 Financial Highlights Accruals and Other Liabilities

(in millions; rounding differences may occur)

**\$145.9**

### Accruals: Payables, Payroll and Benefits

- \$140.9 - Accounts and Interest Payable
- \$5.0 - Payroll and Benefits

**\$29.3**

### Accrued Compensated Absences

**\$92.4**

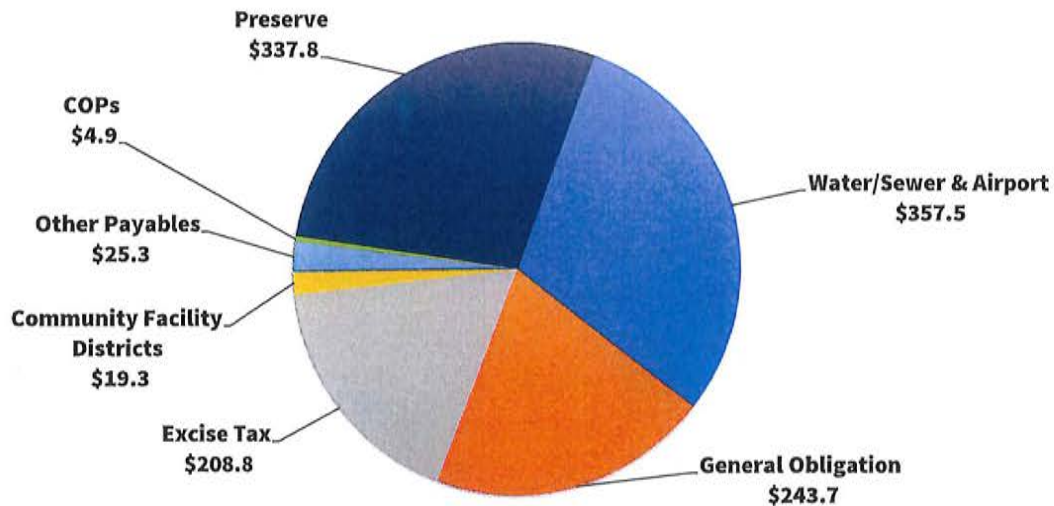
### Other Liabilities

**\$342.6**

### Net Pension Liabilities

## FY 2017/18 Financial Highlights Bonds, Loans and Other Payables \$1,197.3 million

(in millions; rounding differences may occur)



**FY 2017/18 Financial Highlights**  
**'Off-Balance Sheet' Liabilities**

**Implicit  
Subsidies**

Liability for health insurance at subsidized rates for Public Safety "medically-retired" employees

**Compensated  
Absences**

Liability to be earned by employees during future service

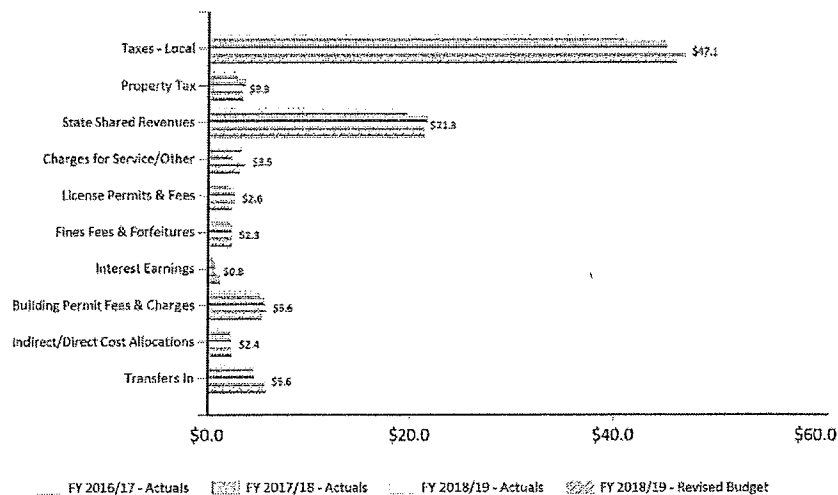
25

# Monthly Financial Update October 31, 2018

November 26, 2018

## General Fund Operating Sources October 2018: Fiscal Year to Date

(in millions; rounding differences may occur)



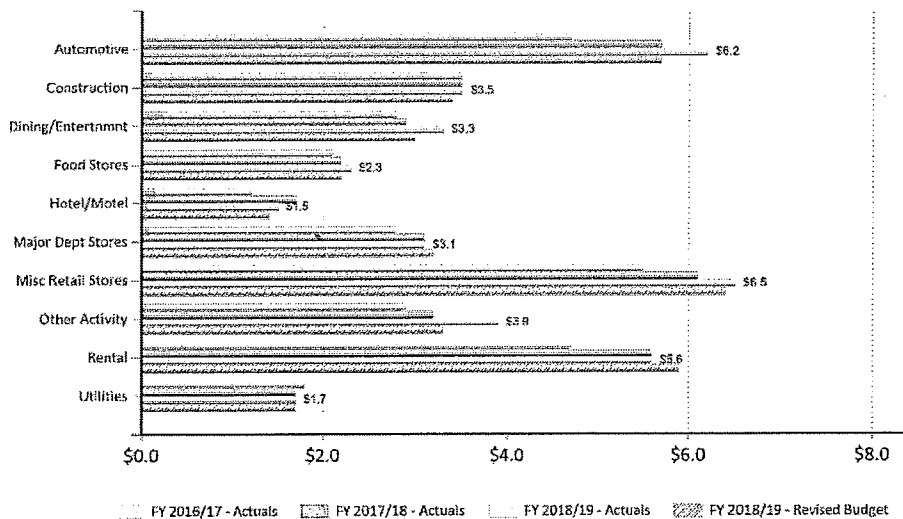
## General Fund Operating Sources October 2018: Fiscal Year to Date

(in millions: rounding differences may occur)

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2018/19	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	Percent
Taxes - Local	\$41.1	\$45.3	\$47.1	\$46.2	\$0.9	2%
Property Tax	2.8	3.6	3.3	3.3	(0.1)	(2%)
State Shared Revenues	19.7	21.7	21.3	21.5	(0.2)	(1%)
Charges for Service/Other	3.2	2.3	3.5	3.0	0.5	18%
License Permits & Fees	1.9	2.5	2.6	2.2	0.4	17%
Fines Fees & Forfeitures	2.2	2.3	2.3	2.3	-	-
Interest Earnings	0.5	0.6	0.8	1.2	(0.3)	(29%)
Building Permit Fees & Charges	5.0	5.5	5.6	5.2	0.5	9%
Indirect/Direct Cost Allocations	2.2	2.3	2.4	2.4	-	-
Transfers In	4.4	4.5	5.6	5.7	(0.1)	(2%)
<b>Total Sources</b>	<b>\$82.9</b>	<b>\$90.8</b>	<b>\$94.6</b>	<b>\$93.1</b>	<b>\$1.6</b>	<b>2%</b>

## General Fund Operating Sources: Sales Tax October 2018: Fiscal Year to Date

(in millions: rounding differences may occur)





## General Fund Operating Sources: Sales Tax October 2018: Fiscal Year to Date

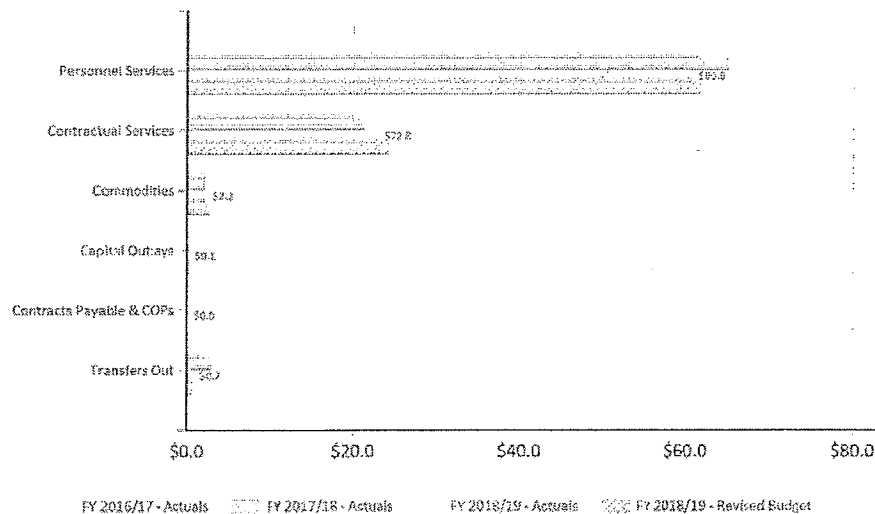
(in millions; rounding differences may occur)

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2018/19	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	(Unfavorable) Percent
Automotive	\$4.7	\$5.7	\$6.2	\$5.7	\$0.5	9%
Construction	3.5	3.5	3.5	3.4	0.1	3%
Dining/Entertainment	2.8	2.9	3.3	3.0	0.2	7%
Food Stores	2.1	2.2	2.3	2.2	0.1	5%
Hotel/Motel	1.2	1.7	1.5	1.4	-	-
Major Dept Stores	2.8	3.1	3.1	3.2	(0.1)	(3%)
Misc Retail Stores	5.5	6.1	6.5	6.4	0.1	2%
Other Activity	2.9	3.2	3.9	3.3	0.6	17%
Rental	4.7	5.6	5.6	5.9	(0.2)	(4%)
Utilities	1.8	1.7	1.7	1.7	-	-
<b>Sales Tax Total</b>	<b>\$32.2</b>	<b>\$35.8</b>	<b>\$37.5</b>	<b>\$36.1</b>	<b>\$1.4</b>	<b>4%</b>

\*YTD CIP Transfer = \$1.6 Million

## General Fund Operating Uses by Category October 2018: Fiscal Year to Date

(in millions; rounding differences may occur)



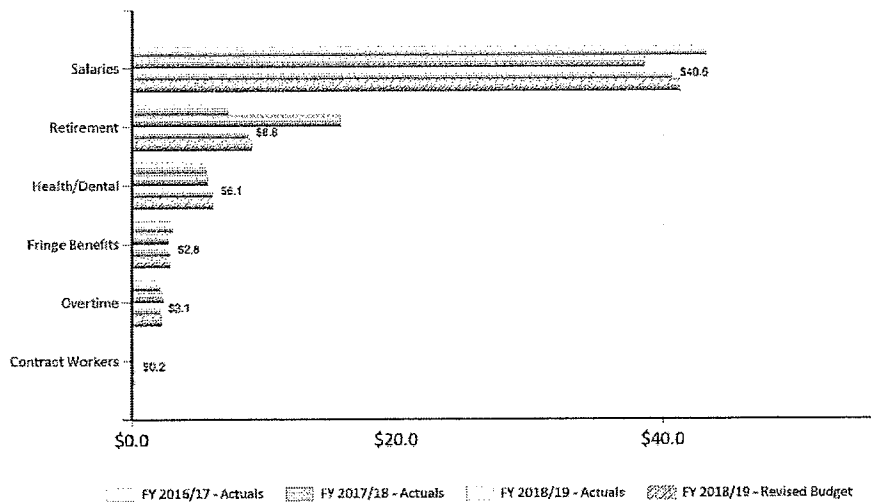
## General Fund Operating Uses by Category October 2018: Fiscal Year to Date

(in millions; rounding differences may occur)

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2018/19	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	Percent
Personnel Services*	\$61.3	\$65.1	\$60.6	\$61.7	\$1.1	2%
Contractual Services	19.9	21.2	22.8	24.2	1.4	6%
Commodities	2.2	2.1	2.2	2.6	0.4	17%
Capital Outlays	0.2	0.1	0.1	0.2	0.1	65%
Contracts Payable & COPs	-	-	-	-	-	-
Transfers Out	1.4	3.0	0.7	0.7	-	-
<b>Total Uses</b>	<b>\$85.0</b>	<b>\$91.6</b>	<b>\$86.4</b>	<b>\$89.4</b>	<b>\$3.0</b>	<b>3%</b>
*Pay Periods thru October:	9	8	8			

## General Fund Operating Uses: Personnel Services October 2018: Fiscal Year to Date

(in millions; rounding differences may occur)



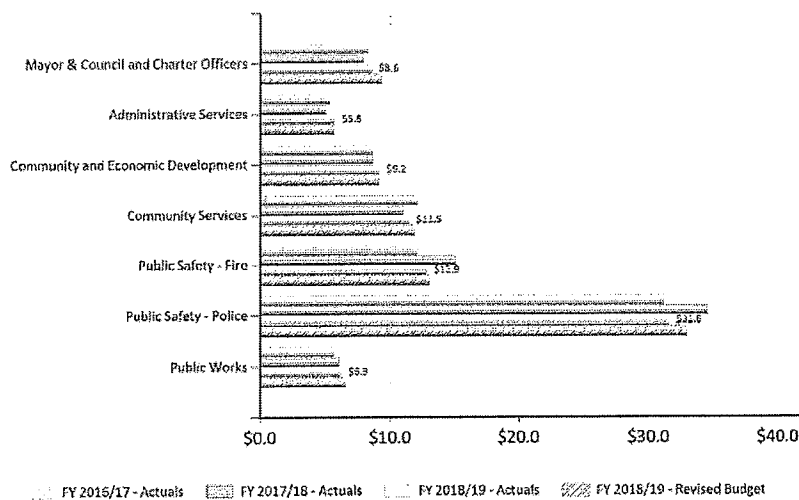
## General Fund Operating Uses: Personnel Services October 2018: Fiscal Year to Date

(in millions; rounding differences may occur)

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2018/19	Actual vs. Budget	
	Actuals	Actuals	Actuals	Revised Budget	Favorable / (Unfavorable) Amount	Percent
Salaries*	\$43.2	\$38.6	\$40.6	\$41.2	\$0.6	1%
Retirement	7.3	15.8	8.8	9.1	0.3	3%
Health/Dental	5.6	5.7	6.1	6.1	0.1	1%
Fringe Benefits	3.0	2.7	2.8	2.8	-	-
Overtime	2.1	2.3	2.1	2.2	0.1	5%
Contract Workers	0.1	0.1	0.2	0.2	0.1	26%
<b>Personnel Services Total</b>	<b>\$61.3</b>	<b>\$65.1</b>	<b>\$60.6</b>	<b>\$61.7</b>	<b>\$1.1</b>	<b>2%</b>
*Pay Periods thru October:	9	8	8			

## General Fund Operating Division Expenditures October 2018: Fiscal Year to Date

(in millions; rounding differences may occur)



## General Fund Operating Division Expenditures October 2018: Fiscal Year to Date

(in millions; rounding differences may occur)

	FY 2016/17	FY 2017/18	FY 2018/19	FY 2018/19	Actual vs. Budget	
	<u>Actuals</u>	<u>Actuals</u>	<u>Actuals</u>	<u>Revised Budget</u>	<u>Favorable / (Unfavorable) Amount</u>	<u>Percent</u>
Mayor & Council and Charter Officers	\$8.3	\$8.0	\$8.6	\$9.4	\$0.8	8%
Administrative Services	5.4	5.1	5.8	5.7	-	-
Community and Economic Development	8.6	8.7	9.2	9.2	-	-
Community Services	12.1	11.0	11.5	11.9	0.4	4%
Public Safety - Fire	12.2	15.2	12.9	13.1	0.2	2%
Public Safety - Police	31.2	34.5	31.6	32.9	1.3	4%
Public Works	5.7	6.1	6.3	6.6	0.3	5%
<b>Total</b>	<b>\$83.6</b>	<b>\$88.6</b>	<b>\$85.7</b>	<b>\$88.7</b>	<b>\$3.0</b>	<b>3%</b>

## General Fund Results: Summary October 2018: Fiscal Year to Date

(in millions; rounding differences may occur)

	FY 16/17	FY 17/18	FY 18/19	FY 18/19	Actual vs. Budget	
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unf)</u>	<u>%</u>
<b>Sources</b>	\$82.9	\$90.8	\$94.6	\$93.1	\$1.6	2%
<b>Uses</b>	\$85.0	\$91.6	\$86.4	\$89.4	\$3.0	3%
<b>Change in Fund Balance</b>	[\$2.1]	[\$0.8]	\$8.2	\$3.7	\$4.6	

Item 29

***Proposed 2019 State  
Legislative Program***

City of Scottsdale  
Government Relations Office  
November 26, 2018

***2019 State Legislative Program***

- First Regular Session of the 54<sup>th</sup> Legislature
- Legislature begins January 14, 2019
- Senate President:
  - Karen Fann (R-, Prescott, LD1)
- Speaker of the House:
  - Rusty Bowers (R- Mesa, LD 25)

## ***Legislative District 23***



Senator Michelle  
Ugenti-Rita



Representative  
Jay Lawrence



Representative  
John Kavanagh

## ***Legislative District 24***



Senator  
Lela Alston



Representative  
Amish Shah



Representative  
Jennifer Longdon

## ***Legislative District 28***



Senator Kate  
Brophy McGee



Representative  
Kelli Butler



Representative  
Aaron Lieberman

## ***2019 State Legislative Agenda***

- Input from City Leadership
- Two Sections
  - Core Principles
  - Policy Statements (includes Key Positions)

## ***2019 Key Positions***

- ✦ SUPPORT implementation of the *Drought Contingency Plan (DCP)*, if such implementation protects the City's existing priorities and rights, including underground storage of our Colorado River and reclaimed water, and ensure water left in Lake Mead benefits the Colorado River System.
- ✦ SUPPORT legislation to address the negative impacts that short-term rental properties can have on adjacent properties and neighborhoods.

## ***2019 Key Positions***

- ✦ SUPPORT legislation to prohibit discrimination in employment, housing, and public accommodations based on sexual orientation and gender identity.
- ✦ OPPOSE legislation that would limit or curtail the City's current zoning authority of home-based businesses in residential areas.
- ✦ OPPOSE changing the imposition of construction sales taxes to "materials only" or other methods that do not equitably return those revenues to where the construction activity occurs.



## ***Economic Vitality & Tourism***

- SUPPORT increased state funding for favorable tourism and associated job creation environment.
- SUPPORT small business by reducing unnecessary obstacles to small business that are inconsistent with the values of the community.

## ***Economic Vitality & Tourism***

- SUPPORT a dedicated fund to better position Arizona to attract and host major events.
- SUPPORT legislation or actions that increase “angel investor” initiatives for start-up technology companies.

## ***Transportation***

- SUPPORT the continuation of Arizona's leadership in the development of autonomous vehicles and devices.

## ***Approval of Legislative Agenda***

- Consider approval of 2019 State Legislative Agenda.