

SCOTTSDALE CITY COUNCIL  
REGULAR MEETING AND WORK STUDY SESSION MINUTES  
TUESDAY, DECEMBER 5, 2023



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

### CALL TO ORDER

Mayor David D. Ortega called to order a Regular Meeting and Work Study Session of the Scottsdale City Council at 5:00 P.M. on Tuesday, December 5, 2023 in the City Hall Kiva Forum.

### ROLL CALL

Present: Mayor David D. Ortega; Vice Mayor Solange Whitehead; and Councilmembers Tammy Caputi, Tom Durham, Barry Graham, Betty Janik, and Kathy Littlefield

Also Present: City Manager Jim Thompson, City Attorney Sherry Scott, City Treasurer Sonia Andrews, Acting City Auditor Lai Cluff, and City Clerk Ben Lane

**PLEDGE OF ALLEGIANCE** – Councilmember Durham

### MAYOR'S REPORT

Mayor Ortega called attention to the ongoing wars in foreign countries as they fight to protect their democracy and freedom and asked for a moment of silent reflection for these war-torn countries.

Mayor Ortega discussed the Scottsdale Police Department awards ceremony that took place this morning, recognizing heroic and life-saving events performed by the Police Department.

### PUBLIC COMMENT

No public comments were received.

### MINUTES

**Request:** Approve the following Council meeting minutes from November 2023:

- a. **Special Meeting Minutes of November 13, 2023**
- b. Executive Session Minutes of November 13, 2023
- c. **Regular Meeting and Work Study Session Minutes of November 13, 2023**

**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.

## **MOTION AND VOTE - MINUTES**

Councilwoman Janik made a motion to approve the Special Meeting Minutes of November 13, 2023; Executive Session Minutes of November 13, 2023; and Regular Meeting and Work Study Session Minutes of November 13, 2023. Vice Mayor Whitehead seconded the motion, which carried 7/0, with Mayor Ortega; Vice Mayor Whitehead; and Councilmembers Caputi, Durham, Graham, Janik, and Littlefield voting in the affirmative.

## **CONSENT AGENDA**

### **1. Fire Station 612 and Well 160 Municipal Use Master Site Plan (3-UP-2023)**

**Request:** Find that the conditional use permit criteria have been met and adopt **Resolution No. 12989** approving a Municipal Use Master Site Plan for a new fire station and well site on a ±4.6-acre site with Planned Community District, Industrial Park (P-C I-1) zoning.

**Location:** 18455 N. Hayden Road

**Staff Contact(s):** Erin Perreault, Planning, Economic Development, and Tourism Executive Director, 480-312-7093, [eperreault@scottsdaleaz.gov](mailto:eperreault@scottsdaleaz.gov)

(Moved to Regular Agenda, see page 4)

### **2. Apache Park Playground Replacement Project Construction Bid and Budget Transfer**

**Request:** Adopt **Resolution No. 12975** to authorize:

1. Construction Bid Award No. IFB-062023-098 with Arizona Recreation Design, Inc., the lowest responsive bidder, in the amount of \$103,859.84, to provide complete construction services for the Apache Park Playground Replacement Project.
2. A Budget Transfer, of up to \$22,585, from the Parks and Recreation Division, Playground Rehabilitation (PG02) Capital Improvement Plan project budget to the Apache Park Playground Replacement (PI10) Capital Improvement Plan project budget to be funded by the capital General Fund.

**Location:** 1201 N. 85<sup>th</sup> Place

**Staff Contact(s):** Judy Doyle, Community Services Assistant Executive Director, 480-312-2691, [jdoyle@scottsdaleaz.gov](mailto:jdoyle@scottsdaleaz.gov)

### **3. Parking Lease Agreement and Sublease Agreement**

**Request:** Adopt **Resolution No. 12992** to authorize:

1. Agreement No. 2023-195-COS with HonorHealth for the use of land for parking at Drinkwater Boulevard and Second Street.
2. Sublease Agreement No. 2023-196-COS with Scottsdale Arts for the use of land for parking at Drinkwater Boulevard and Second Street.
3. The Community Services Assistant Executive Director overseeing the Parks and Recreation Department, or designee, to execute any other documents and take such other actions as necessary to carry out the intent of this Resolution.

**Staff Contact(s):** Nick Molinari, Community Services Assistant Executive Director, 480-312-1011, [nmolinar@scottsdaleaz.gov](mailto:nmolinar@scottsdaleaz.gov)

(Moved to Regular Agenda, see page 4)

### **4. Proposition 202 Grant Funds Acceptance (Fort McDowell Yavapai Nation and City of Scottsdale)**

**Request:** Adopt **Resolution No. 12994** to authorize:

1. Agreement No. 2023-198-COS with the Fort McDowell Yavapai Nation to accept Proposition 202 Tribal Gaming Funds in the amount of \$20,000.

2. A Budget Transfer, of up to \$10,000, from the adopted Fiscal Year 2023/24 Future Grants and/or Grant Contingency budget to newly created cost centers to record the related grant activity.
3. A Budget Transfer, of up to \$10,000, from the Fiscal Year 2023/24 City Manager Division Operating Budget to newly created cost centers to record the related grant activity.

**Staff Contact(s):** Dale Wiebusch, Government Relations Director, 480-312-2683, [dwiebusch@scottsdaleaz.gov](mailto:dwiebusch@scottsdaleaz.gov)

**5. Proposition 202 Grant Funds Acceptance (Ak-Chin Indian Community and Maricopa County Community Colleges District Foundation)**

**Request:** Adopt **Resolution No. 12995** to authorize:

1. Agreement No. 2023-199-COS with the Ak-Chin Indian Community and the Maricopa County Community Colleges District Foundation to accept Proposition 202 Tribal Gaming Funds in the amount of \$50,000.
2. A Budget Transfer, of up to \$30,000, from the adopted Fiscal Year 2023/24 Future Grants and/or Grant Contingency budget to newly created cost centers to record the related grant activity.
3. A Budget Transfer, of up to \$20,000, from the Fiscal Year 2023/24 City Manager Division Operating Budget to newly created cost centers to record the related grant activity.

**Staff Contact(s):** Dale Wiebusch, Government Relations Director, 480-312-2683, [dwiebusch@scottsdaleaz.gov](mailto:dwiebusch@scottsdaleaz.gov)

**6. Proposition 202 Grant Funds Acceptance (Ak-Chin Indian Community and Sounds of Autism)**

**Request:** Adopt **Resolution No. 12996** to authorize:

1. Agreement No. 2023-200-COS with the Ak-Chin Indian Community and Sounds of Autism to accept Proposition 202 Tribal Gaming Funds in the amount of \$9,950.
2. A Budget Transfer, of up to \$9,950, from the adopted Fiscal Year 2023/24 Future Grants and/or Grant Contingency budget to newly created cost centers to record the related grant activity.

**Staff Contact(s):** Dale Wiebusch, Government Relations Director, 480-312-2683, [dwiebusch@scottsdaleaz.gov](mailto:dwiebusch@scottsdaleaz.gov)

**7. Crime Lab Forensic Services Grant**

**Request:** Adopt **Resolution No. 13000** to authorize:

1. Agreement No. 2023-202-COS with the Arizona Criminal Justice Commission to accept a grant, in the amount of \$100,000, related to Crime Lab Forensic Services.
2. The City Manager, or designee, to execute Agreement No. 2023-202-COS.
3. A Budget Transfer, of up to \$100,000, from the adopted Fiscal Year 2023/24 Future Grants Budget and/or Grant Contingency Budget to a newly created cost center to record the related grant activity.

**Staff Contact(s):** Jeff Walther, Chief of Police, 480-312-1900, [jwalther@scottsdaleaz.gov](mailto:jwalther@scottsdaleaz.gov)

**8. Audit Committee Recommendation for the McDowell Sonoran Preserve Commission Sunset Review**

**Request:** Accept the Audit Committee's recommendation and authorize the continuation of the McDowell Sonoran Preserve Commission.

**Staff Contact(s):** Lai Cluff, Acting City Auditor, 480-312-7851, [lcluff@scottsdaleaz.gov](mailto:lcluff@scottsdaleaz.gov)

**9. Monthly Financial Report**

**Request:** Accept the Fiscal Year 2023/24 Monthly Financial Report as of October 2023.

**Staff Contact(s):** Ana Lia Johnson, Interim Budget Director, 480-312-7893,  
[anjohnson@scottsdaleaz.gov](mailto:anjohnson@scottsdaleaz.gov)

**MOTION AND VOTE – CONSENT AGENDA**

There was no public comment on the Consent Agenda items.

Councilwoman Littlefield made a motion to approve Consent Agenda Items 1 through 9, except Item 1 [Fire Station 612 and Well 160 Municipal Use Master Site Plan (3-UP-2023)] and Item 3 [Parking Lease Agreement and Sublease Agreement] which were moved to the Regular Agenda. Vice Mayor Whitehead seconded the motion, which carried 7/0, with Mayor Ortega; Vice Mayor Whitehead; and Councilmembers Caputi, Durham, Graham, Janik, and Littlefield voting in the affirmative.

**REGULAR AGENDA**

**1. Fire Station 612 and Well 160 Municipal Use Master Site Plan (3-UP-2023)**

**Request:** Find that the conditional use permit criteria have been met and adopt

**Resolution No. 12989** approving a Municipal Use Master Site Plan for a new fire station and well site on a ±4.6-acre site with Planned Community District, Industrial Park (P-C I-1) zoning.

**Location:** 18455 N. Hayden Road

**Staff Contact(s):** Erin Perreault, Planning, Economic Development, and Tourism Executive Director, 480-312-7093, [eperreault@scottsdaleaz.gov](mailto:eperreault@scottsdaleaz.gov)

Principal Planner Greg Bloemberg and Fire Chief Tom Shannon gave a PowerPoint presentation (attached) on the proposed Fire Station 612 and Well 160 Municipal Use Master Site Plan.

There was no public comment on this item.

**MOTION AND VOTE – ITEM 1**

Mayor Ortega made a motion to adopt Resolution No. 12989 approving a Municipal Use Master Site Plan for a new fire station and well site on a ±4.6-acre site with Planned Community District, Industrial Park (P-C I-1) zoning. Councilwoman Caputi seconded the motion, which carried 7/0, with Mayor Ortega; Vice Mayor Whitehead; and Councilmembers Caputi, Durham, Graham, Janik, and Littlefield voting in the affirmative.

**3. Parking Lease Agreement and Sublease Agreement**

**Request:** Adopt **Resolution No. 12992** to authorize:

1. Agreement No. 2023-195-COS with HonorHealth for the use of land for parking at Drinkwater Boulevard and Second Street.
2. Sublease Agreement No. 2023-196-COS with Scottsdale Arts for the use of land for parking at Drinkwater Boulevard and Second Street.
3. The Community Services Assistant Executive Director overseeing the Parks and Recreation Department, or designee, to execute any other documents and take such other actions as necessary to carry out the intent of this Resolution.

**Staff Contact(s):** Nick Molinari, Community Services Assistant Executive Director, 480-312-1011, [nmolinar@scottsdaleaz.gov](mailto:nmolinar@scottsdaleaz.gov)

Community Services Assistant Executive Director Nick Molinari gave a presentation on the proposed Parking Lease Agreement and Sublease Agreement with HonorHealth and Scottsdale Arts for the use of land for parking at Drinkwater Boulevard and Second Street.

Mayor Ortega opened public comment on this item.

French Thompson, Scottsdale resident, spoke in support of the agreements, but expressed concerns about the long-term shortage of permanent parking.

Bob Pejman, Scottsdale resident, spoke in support of the agreements and discussed the need for additional permanent parking.

Mayor Ortega closed public comment on this item.

### **MOTION AND VOTE – ITEM 3**

Mayor Ortega made a motion to adopt Resolution No. 12992 authorizing:

1. Agreement No. 2023-195-COS with HonorHealth for the use of land for parking at Drinkwater Boulevard and Second Street.
2. Sublease Agreement No. 2023-196-COS with Scottsdale Arts for the use of land for parking at Drinkwater Boulevard and Second Street.
3. The Community Services Assistant Executive Director overseeing the Parks and Recreation Department, or designee, to execute any other documents and take such other actions as necessary to carry out the intent of this Resolution.

Vice Mayor Whitehead seconded the motion, which carried 7/0, with Mayor Ortega; Vice Mayor Whitehead; and Councilmembers Caputi, Durham, Graham, Janik, and Littlefield voting in the affirmative.

### **10. Fiscal Year (FY) 2022/23 Annual Financial Audit**

**Request:** Accept the FY 2022/23 annual financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co., P.C., and accept the staff report of compliance with Arizona Revised Statutes §41-1494.

**Presenter(s):** Lai Cluff, Acting City Auditor and Brittney Williams, Heinfeld, Meech & Co., P.C.

**Staff Contact(s):** Lai Cluff, Acting City Auditor, 480-312-7851, [lcluff@scottsdaleaz.gov](mailto:lcluff@scottsdaleaz.gov)

Acting City Auditor Lai Cluff and Brittney Williams, with Heinfeld, Meech & Co., P.C., gave a PowerPoint presentation (attached) on the proposed Fiscal Year (FY) 2022/23 Annual Financial Audit report.

There was no public comment on this item.

### **MOTION AND VOTE – ITEM 10**

Councilwoman Littlefield made a motion to accept the FY 2022/23 Annual Financial Audit reports submitted by the City's external auditors, Heinfeld, Meech & Co., P.C., and accept the staff report of compliance with Arizona Revised Statutes §41-1494. Vice Mayor Whitehead seconded the motion, which carried 7/0, with Mayor Ortega; Vice Mayor Whitehead; and Councilmembers Caputi, Durham, Graham, Janik, and Littlefield voting in the affirmative.

## PUBLIC COMMENT

No public comments were received.

## CITIZEN PETITIONS

### 11. 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 agendaize 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):** Ben Lane, City Clerk, 480-312-2411, [blane@scottsdaleaz.gov](mailto:blane@scottsdaleaz.gov)

No citizen petitions were received.

## WORK STUDY SESSION

## PUBLIC COMMENT

No public comments were received.

### 1. Fiscal Year End 2023 Financial Report and Permanent Base Adjustment Update

**Request:** Presentation, discussion, and possible direction to staff regarding the Fiscal Year End 2023 Financial Report and Permanent Base Adjustment.

**Presenter(s):** Sonia Andrews, City Treasurer

**Staff Contact(s):** Anna Henthorn, Accounting Director, 480-312-7805, [ahenthorn@scottsdaleaz.gov](mailto:ahenthorn@scottsdaleaz.gov)

City Treasurer Sonia Andrews gave a PowerPoint presentation (attached) on the Fiscal Year End 2023 Financial Report and Permanent Base Adjustment Update.

There was Council consensus on the following items:

- Establish a financial policy requiring the Council to review the Permanent Base Adjustment regularly and periodically.
- Develop a working guide on future resources needed for maintaining the level of service expected by Scottsdale residents and businesses while remaining in compliance with State-imposed expenditure limitations.

Councilmembers made the following observations and suggestions:

- Concern that due to State imposed expenditure limitation, the City will not be able to continue paying down Public Safety Retirement System debt.
- Concern that due to State imposed expenditure limitation, the City only has six percent expenditure capacity remaining.
- The scope of services offered by the City has broadened over time.
- The Permanent Base Adjustment issue boils down to a matter of local control and whether the State or City determines how funding is spent.
- When discussing population estimates that are factored into the annual adjustment for the State expenditure limitation, in addition to visitors not being counted, neither are “snowbirds” or individuals who own a primary residence in another state but spend the winter and spring months in Scottsdale.

- Provide expenditures as a percentage of the expenditure limitation beyond the last five years.
- Provide expenditures as spending per capita over a set number of years.
- An email from former City Treasurer David Smith was read into the meeting record.
- Seeking voter approval to increase the Permanent Base Adjustment while also seeking voter approval on a separate tax measure may cause confusion.
- The current Permanent Base Adjustment is obsolete as it is over 15 years old and should have been reviewed more regularly as is done in other cities.

## **MAYOR AND COUNCIL ITEMS**

### **12. Periodic Review of the Permanent Base Adjustment Discussion and Possible Action at Future Council Meeting**

**Request:** At the request of Mayor Ortega, direct the City Manager and City Treasurer to agendaize an item for a future meeting to discuss and potentially take action on establishing a new financial policy requiring the Council to regularly and periodically review the Permanent Base Adjustment.

**NOTE:** Item 12 was considered after Work Study Item 1 was heard per a request from Mayor Ortega.

### **MOTION AND VOTE – ITEM 12**

Mayor Ortega made a motion to direct the City Manager and City Treasurer to agendaize an item for the January 23, 2024 City Council Meeting to discuss and potentially act on establishing a new financial policy requiring the Council to regularly and periodically review the Permanent Base Adjustment. Councilwoman Janik seconded the motion, which carried 7/0, with Mayor Ortega; Vice Mayor Whitehead; and Councilmembers Caputi, Durham, Graham, Janik, and Littlefield voting in the affirmative.

### **MOTION AND VOTE – ADJOURNMENT**

Councilwoman Littlefield made a motion to adjourn the Regular Meeting and Work Study Session. Councilmember Graham seconded the motion, which carried 7/0, with Mayor Ortega; Vice Mayor Whitehead; and Councilmembers Caputi, Durham, Graham, Janik, and Littlefield voting in the affirmative.

### **ADJOURNMENT**

Mayor Ortega adjourned the Regular Meeting and Work Study Session at 7:12 P.M.

### **SUBMITTED BY:**



**Ben Lane, City Clerk**

Officially approved by the City Council on January 23, 2024

## C E R T I F I C A T E

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Regular Meeting and Work Study Session of the City Council of Scottsdale, Arizona, held on the 5<sup>th</sup> day of December 2023.

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

**DATED** this 23<sup>rd</sup> day of January 2024.



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**Ben Lane, City Clerk**



# Fire Station 612 And Well 160 MUMSP 3-UP-2023

City Council  
December 5, 2023

Coordinator: Greg Bloemberg

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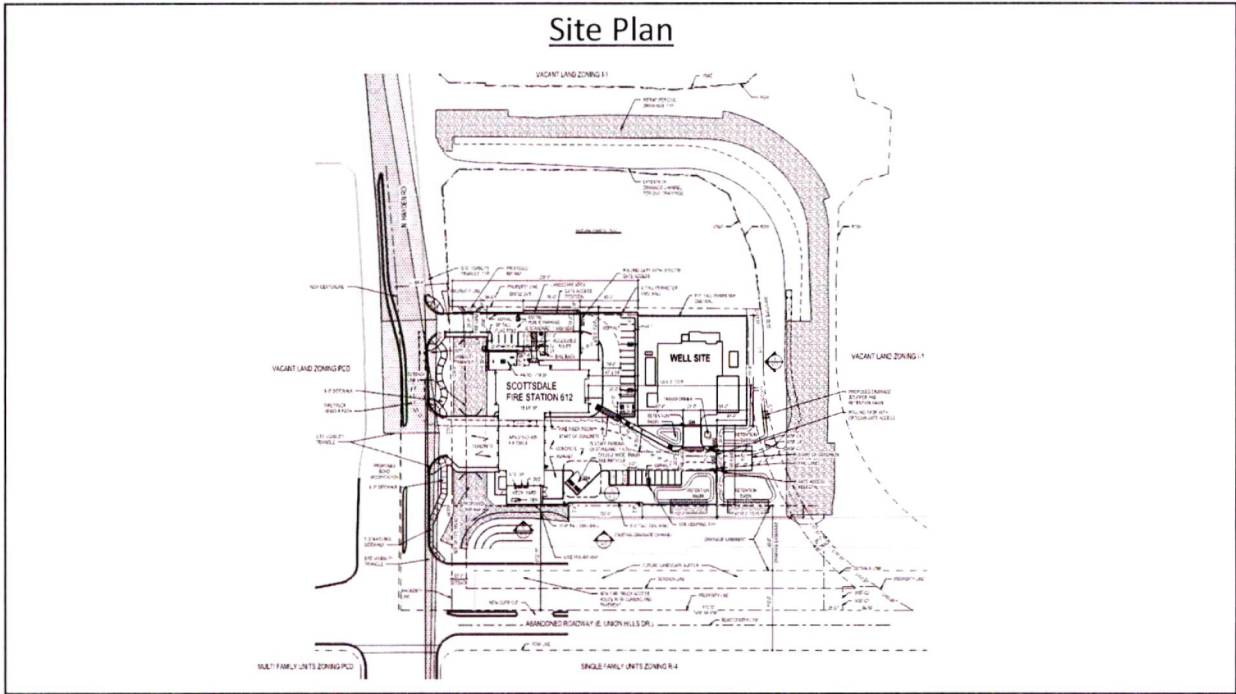
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### Request Summary

- DRB, PC and CC actions required for MUMSP's on sites greater than one acre
- Request is for approval of the site plan only.
- Overall project design subject to DRB approval
- Fire Station and Aquifer Storage and Recovery Well Site
- Complies with all applicable I-1 development standards
- Public comment received

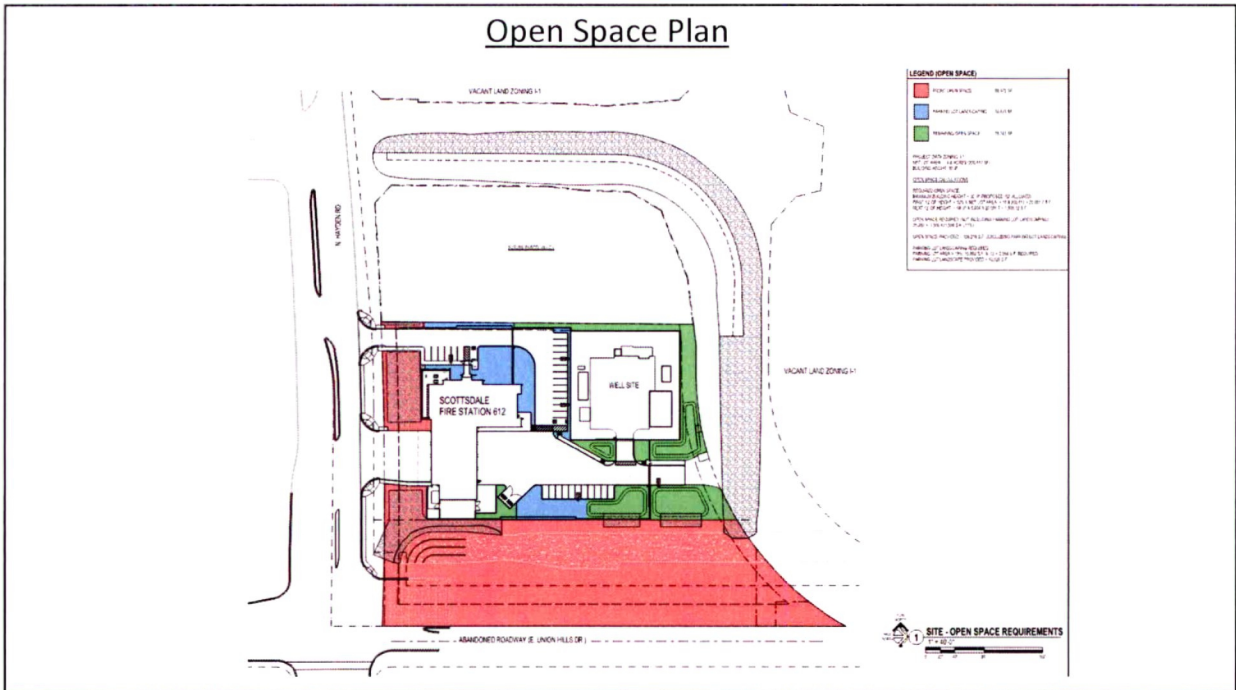
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## Site Plan



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## Open Space Plan



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## **Other Boards and Commissions**

- 10/19/2023 – DRB recommended approval (7-0)
- 11/8/2023 – PC recommended approval (7-0)

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## **Fire Station 612 And Well 160 MUMSP 3-UP-2023**

**City Council  
December 5, 2023**

**Coordinator: Greg Bloemberg**

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# FY 2022/23 Annual Financial Audit

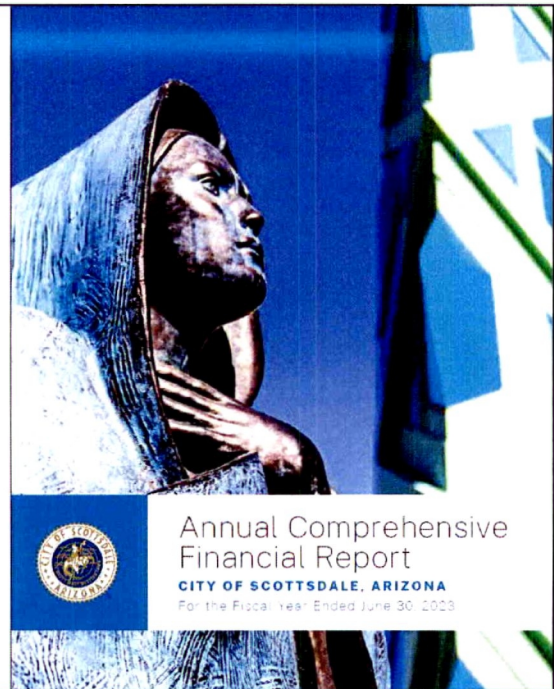
City Council Meeting – December 5, 2023

Lai Cluff, Acting City Auditor  
Brittney Williams, CPA, Heinfeld, Meech & Co., P.C.

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## Background

- Charter requires City Council to designate CPAs to perform an independent audit of City's annual financial statements
- Financial reports are produced by the City Treasurer's office. The City Auditor administers the audit contract with the CPA firm.
- Audit Committee received the FY 2022/23 financial audit reports at its November 13<sup>th</sup> meeting



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# Summary of Financial Audit Reports

## Annual Comprehensive Financial Report

*Unmodified opinion* – financial statements are fairly presented in all material respects

## Component Units' Financial Reports

- Community Facilities Districts (5 CFDs)
- Municipal Property Corporation (MPC)

*Unmodified opinions on each*



City of Scottsdale, Arizona

Independent Auditor's Report

Honorable Mayor and Members of the City Council  
City of Scottsdale, Arizona

**Report on Audit of Financial Statements**

**Opinion**  
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**  
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Scottsdale, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Change in Accounting Principle**  
As described in Note 1, the City implemented the provisions of GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, Statement No. 99, Omnibus 2022, and Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**  
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt about the City's ability to continue as a going concern.

City of Scottsdale, Arizona  
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# Related Communications

## Communication to Governance – for City and each Component Unit

Addresses key points such as:

- Accounting practices, significant estimates - **no issues**
- Audit adjustments or disagreements with management - **no issues**
- Other similar matters - **no issues**



City of Scottsdale, Arizona

October 27, 2023

To the Honorable Mayor and Members of the City Council  
City of Scottsdale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information City of Scottsdale, Arizona (City) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit:

**Qualitative Aspects of Accounting Practices**  
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Scottsdale, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, Statement No. 99, Omnibus 2022, and Statement No. 100, Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62, for the year ended June 30, 2023. GASB Statement No. 94 increases the usefulness of the financial statements by requiring the recognition of certain assets and liabilities for Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The City analysis of contracts and agreements in effect at the beginning of the year resulted in changes to beginning balances reported in the financial statements due to the implementation of this standard.

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## Federal Funding/Compliance Reports

### Single Audit Report

#### Report on Internal Control and Compliance based on the Financial Statement audit

- No material weaknesses identified during the audit



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Honorable Mayor and Members of the City Council  
City of Scottsdale, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Scottsdale, Arizona, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements, and have issued our report thereon dated October 26, 2023.

**Report on Internal Control Over Financial Reporting**  
In planning and performing our audit of the financial statements, we considered City of Scottsdale, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scottsdale, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, mistatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

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## Federal Funding/Compliance Reports

### Single Audit Report (cont'd):

#### Report on Compliance, Internal Control and Expenditures of Federal Awards

- No material weaknesses
- Significant deficiencies found related to noncompliance with reporting requirements

#### Schedule of Expenditures of Federal Awards

- Unmodified opinion
- FY 2022/23 totaled \$35,903,076



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HeinfieldMeech.com

**Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

Honorable Mayor and Members of the City Council  
City of Scottsdale, Arizona

**Report on Compliance for Each Major Federal Program**  
**Opinion on Each Major Federal Program**  
We have audited City of Scottsdale, Arizona's compliance with the types of compliance requirements identified as subject to the audit in the OMB Compliance Supplement that could have a direct and material effect on each of City of Scottsdale, Arizona's major federal programs for the year ended June 30, 2023. City of Scottsdale, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Scottsdale, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

**Basic for Opinion on Each Major Federal Program**  
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Scottsdale, Arizona and to meet other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Scottsdale, Arizona's compliance with the compliance requirements referred to above.

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## Other funding/compliance reports

### State funding/compliance report

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

### Other reports to be completed in January or February 2024

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



Heinfield Meech & Co. P.C.  
Scottsdale, Arizona

#### Independent Accountant's Report

Honorable Mayor and Members of the City Council  
City of Scottsdale, Arizona

We have examined the City of Scottsdale, Arizona's (City) compliance as to whether highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City, were used solely for authorized transportation purposes during the fiscal year ended June 30, 2023. Management is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Scottsdale, Arizona, complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2023.

*Heinfield Meech & Co. P.C.*

Heinfield Meech & Co. P.C.  
Scottsdale, Arizona  
October 26, 2023

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## Additional compliance requirements established in 2021

ARS §9-481. Audits of cities and towns; posting; budget; accepting audit results

- Subsection H: "Within ninety days after completing [the annual financial audit, the CPA who performed the audit shall] present the audit results and any findings to the governing body in a regular meeting without the use of a consent agenda, and the governing body shall demonstrate compliance with section 41-1494."


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## **Requested Actions**

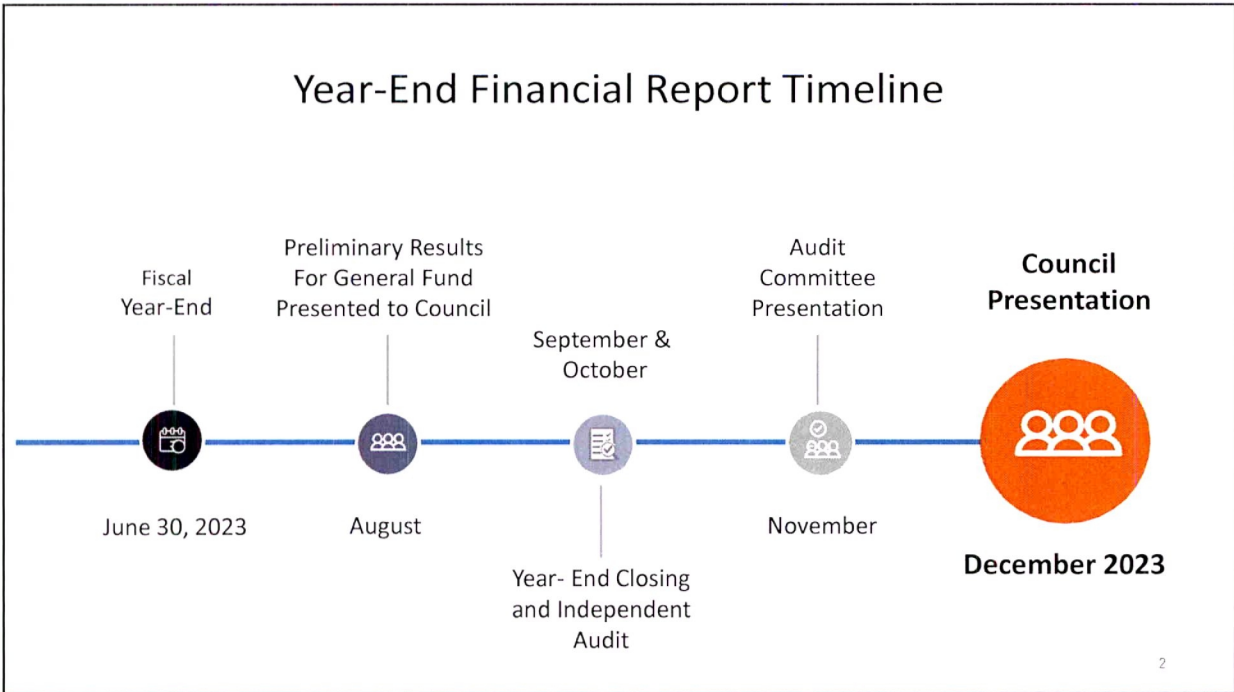
1. Accept the FY 2022/23 financial audit reports submitted by the City's external auditors, Heinfeld, Meech & Co. P.C.
2. Accept the staff report on the City's compliance with ARS §41-1494

*Fiscal Year 2022/23*  
**Year-End Financial Report**  
*City Council Meeting, December 5, 2023*



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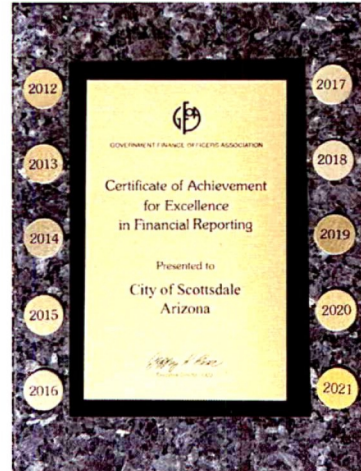
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## FY2023 – 51<sup>st</sup> Consecutive Year for GFOA Excellence in Financial Reporting Award

### Thank you to our Accounting Team!

Anna Henthorn – Accounting Director  
Sarah Delgado – Accounting Manager

Hank Dabibi – Senior Accountant  
Aleesa Coleman – Senior Accountant



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## Presentation Outline

- Part 1 - Highlights from FY2022/23 Audited Financial Report
- Part 2 - State Imposed Expenditure Limitation

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## Highlights from FY2022/23 Audited Financial Report

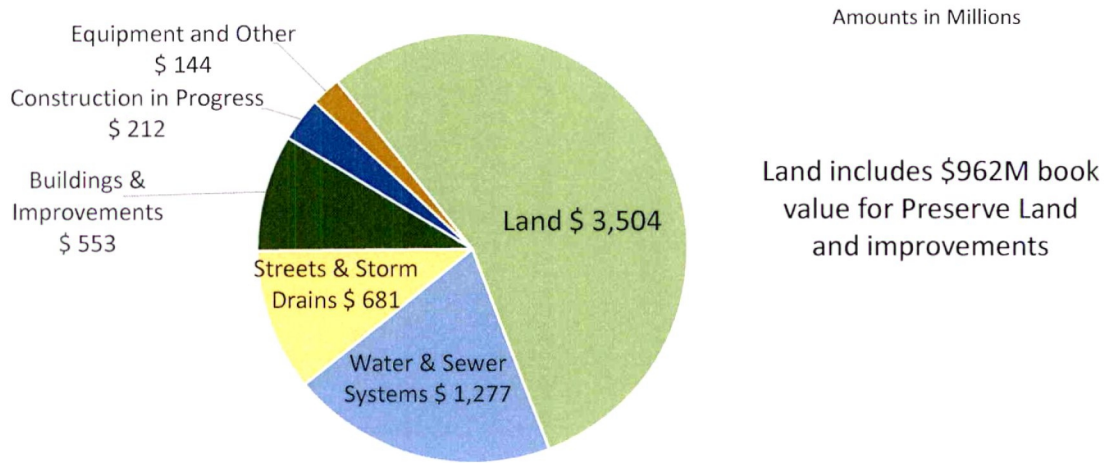
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## Balance Sheet Improved in FY2022/23 Assets Increased over Liabilities

(Amounts in Millions)	Prior Year		Change	
	6/30/22	6/30/23		
Cash & Investments	\$ 823.1	\$ 999.8	\$ 176.7	21%
Capital Assets, net of depreciation	6,207.1	6,370.7	163.6	3%
Other Assets	582.9	516.9	(66.0)	-11%
<b>TOTAL ASSETS</b>	<b>\$ 7,613.1</b>	<b>\$ 7,887.4</b>	<b>\$ 274.3</b>	<b>4%</b>
Net Pension Liabilities	309.6	362.5	52.9	17%
Bonds, Loans and Other Payables	922.2	899.2	(23.0)	-2%
Other Liabilities	301.6	299.8	(1.8)	-1%
<b>TOTAL LIABILITIES</b>	<b>\$ 1,533.4</b>	<b>\$ 1,561.5</b>	<b>\$ 28.1</b>	<b>2%</b>

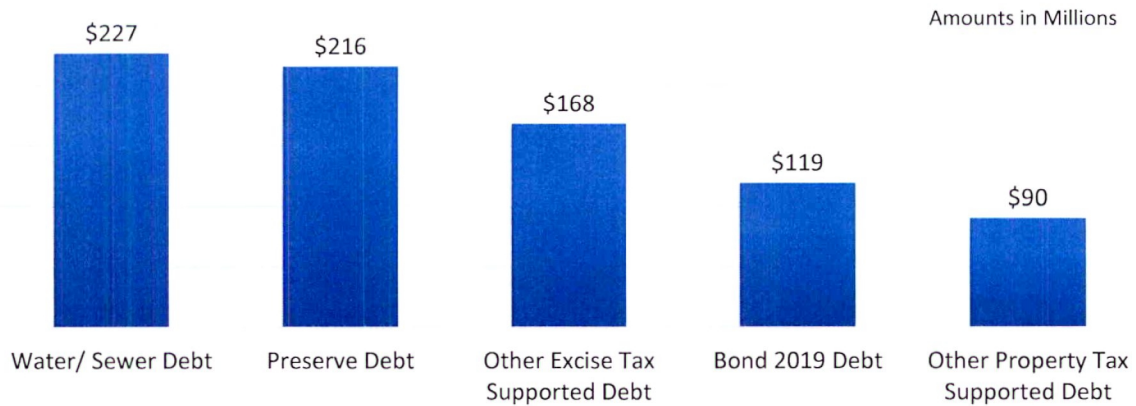
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## Net Book Value of Capital Assets at 6/30/23 \$6,370.7 Million



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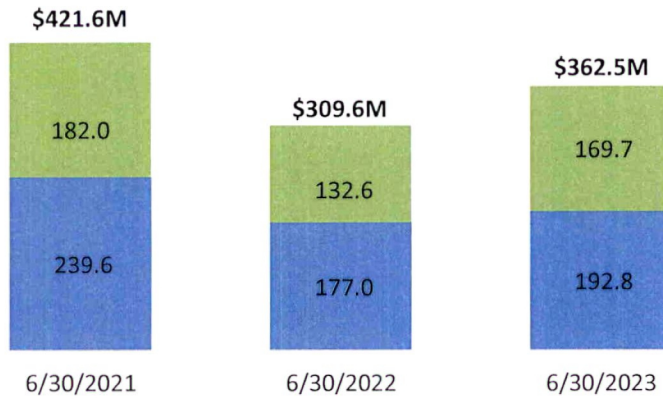
## Debt Outstanding at 6/30/23 \$820.2 Million



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## Net Pension Liabilities at 6/30/23

ASRS - Arizona State Retirement System    PSPRS - Public Safety Personnel Retirement System



- 6/30/23 Net Pension Liabilities increased mainly due to net investment and actuarial losses
- For PSPRS, net losses offset by \$40M paydown of pension liability in FY2022

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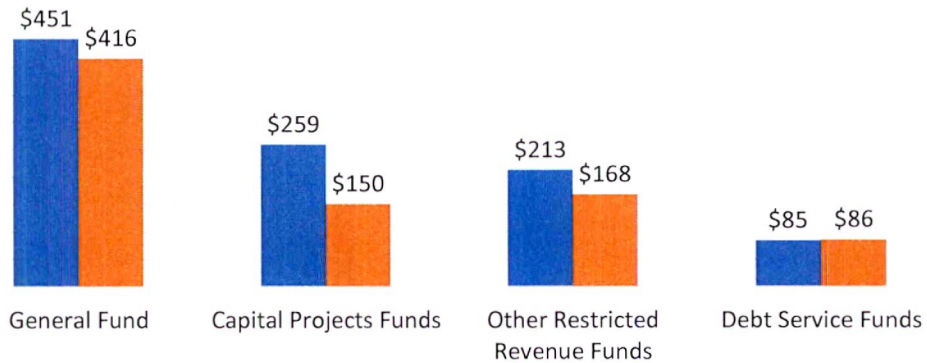
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## Total Revenues, Expenditures and Other Sources and Uses General Fund and Other Governmental Funds

FY2022/23

Amounts in Millions

Total Revenues and Other Sources    Total Expenditures and Other Uses



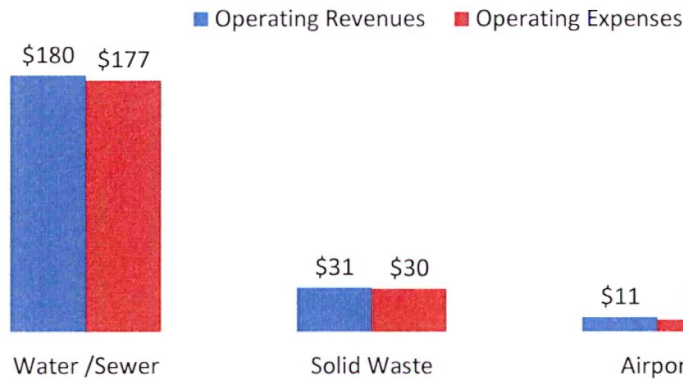
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## Operating Revenues and Expenses Enterprise Funds

**FY2022/23**

Amounts in Millions



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## We Maintained Our Policy Reserves in FY2022/23

	At 6/30/23
General Fund Stabilization and Emergency Reserves	\$80.6M
Transportation Fund Operating Reserves	\$2.5M
Enterprise Funds Operating Reserves	\$34.5M
Water and Wastewater Asset Reserves	\$46.8M
Debt Service Reserves	\$12.3M
Self-Insurance Reserves	\$23.5M

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## We Maintained Our AAA Bond Rating in FY2022/23

- ✓ Economic and revenue growth
- ✓ Strong balance sheet – cash liquidity, reserves
- ✓ Manageable debt and long-term liabilities
- ✓ Strong financial management policies and practices



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## State Imposed Expenditure Limitation

	<b>Preliminary FY2022/23</b>
State Imposed Expenditure Limitation	\$542.5 M
City's Expenditures Subject to Limitation	<u>\$512.5 M</u> 94%
Remaining Capacity	\$ 30.0 M

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## What Expenditures are Subject to the State Imposed Limitation

### The Following Items are Excluded from the State Imposed Limitation:

- Capital Improvements - infrastructure expenditures
- Expenditures funded by Grants and other Non-Local Revenues
- Debt service payments
- Highway Gas Tax funded expenditures
- Other misc. expenditures specifically exempt under state law

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## State Imposed Expenditure Limitation and Permanent Base Adjustment

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## Outline

1. What is the State Imposed Expenditure Limitation
2. What is a Permanent Base Adjustment
3. Why is a Permanent Base Adjustment needed

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## What is the State Imposed Expenditure Limitation



Imposed by State Constitution in 1979/80 to Limit Municipal Spending of Local Revenues



City's Operating Expenditures (subject to Limitation) Cannot Exceed State Imposed Limitation Regardless of Revenues Collected



**Penalty for Exceeding Limitation include State withholding State Shared Income Taxes from the City**

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## How is the State Imposed Expenditure Limitation Calculated



Based on State Formula for Services and Programs In Place in 1979/80  
**Limitation is Adjusted Annually By State for Population and Inflation Changes**



**Limitation is Not Adjusted for Increases in Services, Programs and Revenues that are Not Accounted for in Population and Inflation Adjustment**

State Provides a Process to Reset the Expenditure Limitation Base for Such Increases (called a **Permanent Base Adjustment**, requires voter approval)

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All of Our Peer cities have had one or more Permanent Base Adjustments Since 1979/80

Scottsdale has one of the Lowest Limitation among Peer Cities

City	FY23/24 Expenditure Limitation	Limitation Per Capita
Phoenix*	\$11,623,359,000	\$7,015
Mesa*	\$2,560,000,000	\$4,957
Chandler *	\$1,656,274,385	\$5,855
Surprise	\$1,478,748,668	\$9,517
Peoria	\$1,232,516,693	\$6,180
Glendale	\$730,770,870	\$2,877
Maricopa	\$644,026,349	\$9,948
Queen Creek	\$631,421,266	\$8,899
Tempe	\$624,338,073	\$3,332
Goodyear	\$622,516,993	\$5,868
Buckeye	\$595,412,188	\$5,600
<b>Scottsdale</b>	<b>\$586,300,525</b>	<b>\$2,393</b>
Avondale	\$567,836,304	\$6,150
Gilbert	\$544,824,047	\$1,963

\* Expenditure Limitation based on voter approved Home Rule Alternative

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## Scottsdale's had 2 Voter Approved Permanent Base Adjustments

### 1998 Prop 412

#### Permanent Base Adjustment for:

- Increase in public safety service levels
- Added transit and Dial-A-Ride services
- New refuse recycling program
- New operating costs of water treatment facility
- New neighborhood services
- New environmental protection

### 2006 Prop 402

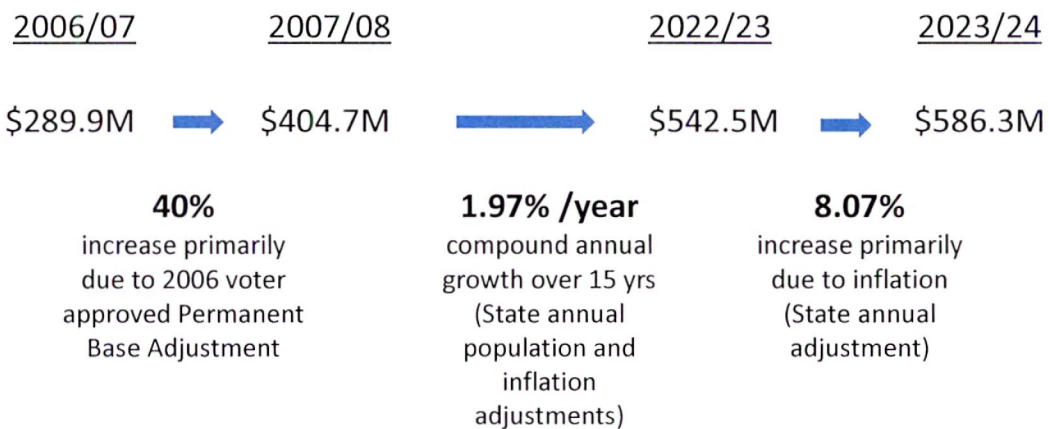
#### Permanent Base Adjustment for:

- 0.1% public safety tax approved by voters in 2004
- New Fire Department in 2005
- New operating costs of Bond 2000 projects
- New operating costs of technology projects

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## Scottsdale's State Imposed Expenditure Limitation 15+ years Since 2006 Permanent Base Adjustment



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## Significant Increase in Visitors Since 2006 Not Accounted for in Population and Inflation Adjustment

Scottsdale	2006 /07	Most Recent Data	Change
Population	220,907	244,959	11%
Total Visitors *	No comparable data	<b>8.3 million</b> (2014) <b>10.8 million</b> (2022)	<b>30%</b> (2014 to 2022)
WestWorld Attendance	<b>636,500</b>	<b>857,775</b> (2023)	<b>35%</b> (2006 to 2023)
WM Phoenix Open Attendance	<b>536,767</b>	<b>719,179</b> (2018)	<b>34%</b> (2006 to 2018)

\* Source: Compass Longwoods Visitor Profile. Total Visitors includes overnight and day visitors (defined as day trip of over 50 miles that are not routine and do not include an overnight stay)

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## Significant New Facilities Operating Costs Since 2006 Not Accounted for in Population and Inflation Adjustment

- 2010 - New Fire stations at Cactus Acres and Eldorado Park
- 2011 – New Soleri Bridge and new McCormick Stillman Railroad Museum
- 2011 – CAP water treatment facility expansion
- 2012 – WestWorld Equidome expansion
- 2013 - Advanced Water Treatment Plant expansion and new centralized Water Operational Control Center
- 2013 – Full Emergency Operations Center launched
- 2014 - New Tony Nelssen Equestrian Center, new Police special investigations building
- 2015 - New Museum of the West
- 2018 - New Thomas groundwater treatment facility
- 2018 - New Aviation center and new hangers
- 2018 - New Mustang transit center and expanded trolley and bus services
- 2021 - Regional wastewater facility and 91<sup>st</sup> treatment plant expansions
- 2021 – New fire stations 603 and 616
- 2023 – New Bell road multi use sports fields and Sports Complex, new Civic Center plaza
- 2023 - Police real time crime center expansion

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## Highlights of New Facilities and Other Infrastructure

Examples	2006 /07	2022/23	Change
Police and Fire stations	16	19	19%
City & Community facilities	2.22M sq ft	3.04M sq ft	37%
Parks maintained	937 acres	982 acres	5%
Tennis/Pickleball courts	51	72	41%
Trails	40 miles	230 miles	475%
Water mains	1,997 miles	2,152 miles	8%
Fire hydrants	10,147	11,622	15%
Sewer lines	1,350 miles	1,524 miles	13%
Storm drains	153 miles	347 miles	126%

Source: City of Scottsdale Annual Comprehensive Financial Report

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## Examples of Other Operating Cost Increases Since 2006 Not Accounted for in Population and Inflation Adjustments

Examples of Costs	2006 /07	2006/07 (in 2023 dollars)	2022/23	Change
No. of Full Time Equivalents (FTEs)	2,708.2		<b>2,638.9</b>	-3%
PSPRS pension costs	\$5.3M	\$8.0M	<b>\$27.4M</b>	243%
PSPRS Liability paydown			<b>\$10.0M</b>	100%
Water purchase costs	\$6.0M	\$9.0M	<b>\$18.3M</b>	103%
Water purchase costs per mgd*	\$197/mgd	\$296/mgd	<b>\$638/mgd</b>	116%
Tourism fund expenditures	\$7.0M	\$10.6M	<b>\$35.1M</b>	231%

\*mgd – million gallons delivered

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## Examples of New Revenues Since 2006 Not Accounted for in Population and Inflation Adjustments



2010 Bed Tax Increase from 3% to 5%



State Imposed New Taxes  
(e.g. 2018 tax on remote internet sellers and marketplace facilitators)

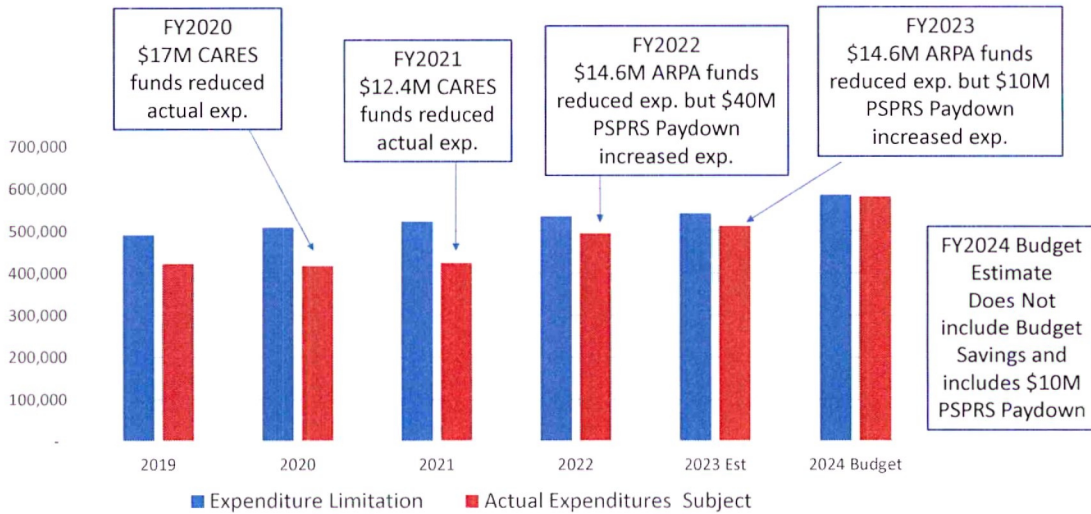


Council Approved New Fees

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### Expenditure Limitation from FY2019 to FY2024



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## Expenditure Limitation and City's Salary Adjustments from FY2019 to FY2024

	State Adjustment		Expenditure		City	
	Population	Inflation	Limitation	% Increase	Market	Merit
FY2019	1.92%	1.8%	491,373,243	3.7%		
FY2020	1.19%	-2.7%	509,102,292	3.6%	2.5% up to 4%	
FY2021	1.03%	1.8%	523,714,081	2.9%	2% up to 3%	effective Dec
FY2022	1.19%	1.1%	536,010,625	2.3%	2% up to 3%	
FY2023	-2.94%	4.3%	542,507,696	1.2%	5% up to 3%	police 5% step program
FY2024	0.59%	7.4%	586,300,525	8.1%	2% up to 5%	

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### Time to Consider Another Permanent Base Adjustment



1. 15+ years since last Permanent Base Adjustment
2. Significant increases in visitors and operating cost increases above annual state adjustments
3. City is at 94% of its Expenditure Limitation
4. Scottsdale has one of the lowest Expenditure Limitations among peer cities, yet provides a higher level of service and has the highest volume of tourists

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## A Permanent Base Adjustment Is Not a Tax Increase

### **Does Not allow City to Increase Tax Rates**

- Does Not allow City to increase Sales Tax Rate
- Does Not allow City to levy an additional Property Tax Rate

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## A Permanent Base Adjustment Is Not a Budget Override

### **Does Not allow City to Exceed Its Budget**

- Is not a temporary or permanent budget override
- Does Not allow City to spend more than its legally adopted budget

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## A Permanent Base Adjustment Is Not an Automatic Expenditure or Budget Increase

### **Does Not allow City to Automatically Increase its Expenditures or Budget**

- City expenditures cannot exceed revenue sources. City must still spend within its means.
- Council must adopt a Balanced Budget. City required by law to spend within its Balanced Budget.

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## Not Increasing State Imposed Limitation Will Have Consequences

### **City is at 94% of Expenditure Limitation for FY2022/23**

- **Cannot Spend Revenues Collected to Provide Services** - City cannot spend more than Expenditure Limitation regardless of how much revenues we collect
- **Service Cuts and Interruptions** – State Imposed Limitation should be at a level that allows city to cover annual cost increases with a balanced budget, otherwise budget reductions will have to be made to stay within Limitation even when revenues are available
- **Delay City's Financial Goals** – City will not be able to meet certain financial goals –e.g. cannot continue to pay down PSPRS liability

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## Staff Recommends Council Consider Another Permanent Base Adjustment



1. 15+ years since last Permanent Base Adjustment.
2. Significant increases in visitors and operating cost increases above annual state adjustments
3. City is at 94% of its Expenditure Limitation
4. Scottsdale has one of the lowest Expenditure Limitations among peer cities
5. A Permanent Base Adjustment is needed to reset Expenditure Limitation to provide capacity for city to continue services and meet future needs of citizens and visitors

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Scottsdale's Population hasn't been growing as fast as other cities but we provide a higher level of service and have the highest tourism activities

City	FY23/24 Expenditure Limitation	Limitation Per Capita
Phoenix*	\$11,623,359,000	\$7,015
Mesa*	\$2,560,000,000	\$4,957
Chandler *	\$1,656,274,385	\$5,855
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Avondale	\$567,836,304	\$6,150
Gilbert	\$544,824,047	\$1,963

\* Expenditure Limitation based on voter approved Home Rule Alternative

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## Important Facts About a Permanent Base Adjustment

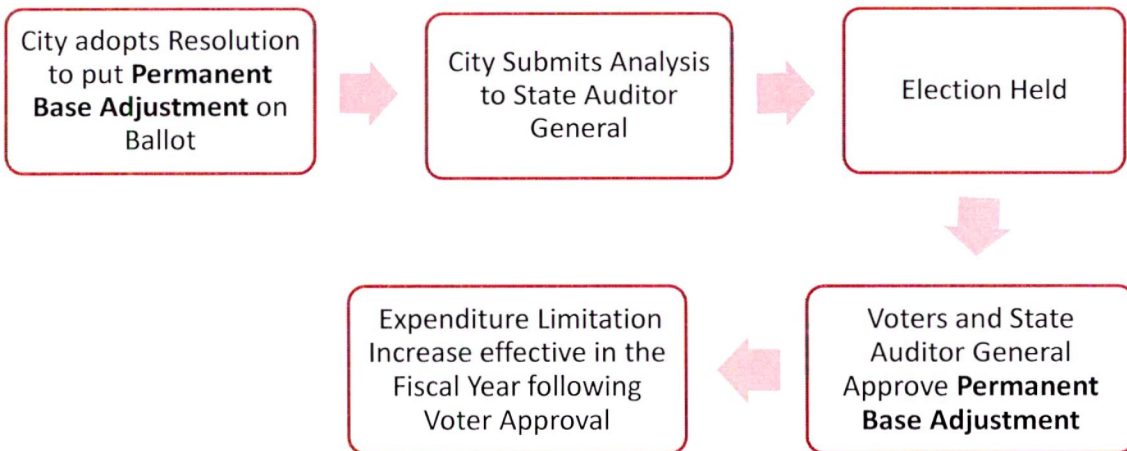


- A Permanent Base Adjustment resets State Imposed Expenditure Limitation to allow city to continue high level of services to citizens
- State Limitation should be at a level that provides capacity for city to meet future needs for next 10 years
- **Is Not a Tax Increase**
- **Does Not Change City's Sales or Property Tax Rates**
- **Is Not a Budget Override**
- **Is Not an Automatic Expenditure or Budget Increase**

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## State Process to Increase Expenditure Limitation Base



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Questions ?



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