

*City of Scottsdale State of the City 2010  
Mayor W.J. "Jim" Lane  
Delivered at the Scottsdale Center for the Performing Arts  
February 18, 2010*

The state of our city in 2010 is excellent.

Yes, you heard me clearly: Excellent.

In any other year, a statement like that would bring some polite applause. For many years, Scottsdale enjoyed healthy economic growth, plentiful jobs, booming retail sales and budget surpluses.

Not in 2009. After the tribulations of the past year, in the deepest recession in Scottsdale's history, "excellent" might seem a little optimistic.

And so, I have my work cut out for me in tonight's address. When I reach the end--not too long from now-- I think you'll agree that I am truly being realistic about the state of the city.

I hope you'll see why Scottsdale is stronger and more resilient today than it was a year ago. You'll see why in Scottsdale, optimism and realism, as they said in the Old West, can share the same horse.

Your city is in excellent shape today for four reasons:

- First, your City Council in 2009 avoided the trap of focusing on short-term survival during last year's budget crisis. Instead, we made fundamental fiscal and operational changes that put the city on a more solid financial footing.
- Second, we saw substantial investment in our community by the private sector. We stepped up our efforts to assure Scottsdale attracts business.
- Third, the strong headwinds of a budget crisis did not slow our progress on initiatives to maintain and enhance Scottsdale's unparalleled quality of life.
- Fourth, we strengthened our commitment to get citizens and businesses involved in tackling city challenges, and in making city government transparent and accountable.

Those actions are strengthening our community in interconnected ways. When Microsoft decided to open its first retail store, it had the pick of the world's great cities. Microsoft chose Scottsdale.

Yes, the Windows store at Fashion Square made international headlines. It also became part of our community, one of us.

The strength of that relationship was illustrated when Microsoft made donations to the YMCA, to Goodwill, and to the Fresh Start Women's organization worth more than \$1 million dollars.

With us today is store manager Cheryl Hibbard. I want to welcome her to Scottsdale and thank her and Microsoft for this outstanding gift to our community.

We made changes in city government during the past year. Some of the changes were painful.

We made changes so that the thing we treasure most would remain unchanged – Scottsdale's quality of life.

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Many of the changes during the past year focused on process – how the city staff is organized, how we budget, and how we get citizens involved.

In 2010, we'll see our investment in these areas begin to pay off. We'll see how a better process yields better results.

This has already happened with respect to the **city's financial management**.

During my inaugural last year, I asked fellow Council members to support the return of a standing Budget Review Commission.

A majority of the Council agreed. Every Council member appointed a well-qualified commissioner.

We faced a gap of about \$60 million dollars between revenues and expenditures. Some ineffective one-time maneuvers to close the gap were proposed.

One proposal was to prop up government spending levels with one-time available funds meant for construction projects– the bricks and mortar of city government.

In the end, however, this Council rejected efforts to borrow from the future to spend excessively today.

Instead, we made the tough choices that many Scottsdale families have to make in the face of declining income.

We reduced Scottsdale's operating costs and challenged city management to find ways to sustain services at lower costs.

As a result, we kept \$9 million in our capital budget to meet infrastructure needs. We retained emergency reserves of almost \$30 million.

Because of these very difficult choices, the city reduced its workforce, streamlined its management structure, and found hundreds of other ways to save.

Those efforts continue today. Hats off to the City's employees for staying strong and responding to the call for more efficiency in a dedicated and professional manner.

By the way, in the process of passing a fiscally prudent budget, we reduced the city's combined property tax rate by five cents. We also passed the smallest increase in five years for water and sewer fees.

The state and many of the cities around the Valley are struggling because their revenues are falling below projections. Scottsdale's budget so far--with half the fiscal year done -- is on target.

I also would be remiss if I did not recognize the core management team, the charter officers who report directly to the Council. You may have heard---there were some changes this year.

But as with the budget, we have emerged from this process in a stronger position now than we were a year ago.

We made a significant financial process reform last year, one that I advocated for many years as a City Councilman.

This change is one that the City Charter legally defines and requires--We appointed an independent treasurer who reports directly to the City Council.

We also ensured that the Treasurer will have the resources he needs to do the job.

These changes assure the Council and our citizens both of unfettered financial advice and direct accountability to the Council.

Incorporating an independent treasurer into Scottsdale's city government confirms to taxpayers and ratepayers that their interests will always be a priority.

We have seen other changes that give me even more confidence that our response to the recession has made our city's financial system better able to handle economic ups and downs.

Since last fall, the Budget Review Commission and City Council have been formally accepting monthly updates from the Financial Management Division.

Your elected officials have a better advance warning system if we face new or unexpected challenges.

The information quality is much improved, and I would like to applaud the person I tasked with leading that effort, Chairman Lou Schmitt.

As a result of these changes, we also have remained in what has become a very exclusive club--we are among a handful of cities with the highest possible bond ratings from all three major rating services.

And that brings me to a word of caution.

We are in relatively good shape financially because we made difficult decisions last year. The fact is, we don't hold all the cards.

The state is in deep financial trouble. Scottsdale relies on Arizona for about \$50 million dollars in shared revenues.

Our state representatives have told us that cuts in shared revenues would be difficult, if not impossible, because of established constitutional restrictions.

Yet the state may be tempted to test the limits and try to cut our revenue share.

We can't be complacent. Scottsdale citizens already contribute a disproportionate share of taxes that are shared with all cities.

We'll continue to insist that we receive a fair return.

Meanwhile, we will continue to focus on the more important side of the revenue equation in Scottsdale---**our ability to attract, sustain, and grow the businesses** that produce new jobs, new tax revenue, and the innovations that drive our 21<sup>st</sup> Century economy.

It is a testament to the underlying strength of Scottsdale's economy that the private sector continued major investment in our city during the recession.

I discussed the Windows store earlier. It is just one of many great additions to Scottsdale Fashion Square, including Arizona's first Barney's New York store, along with a host of other new retailers.

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Scottsdale's reputation as a shopping destination got another boost last March when the first stores and offices at the Scottsdale Quarter opened.

SkySong is beginning to deliver on its potential as an economic engine along the McDowell Road corridor.

SkySong is now generating more than \$36 million dollars in direct annual payroll.

More investment is on the way.

I recently had a conversation with Dr. Alan Nelson, executive director of ASU's Biodesign Institute.

The Biodesign Institute exemplifies what I see as a major part of Scottsdale's future---biomedical research and development.

Dr. Nelson shared with me that the Institute is close to being awarded a \$10 million dollar grant to build wet labs.

Just as exciting is the new partnership emerging between the Institute and Scottsdale Healthcare, Scottsdale's major employer.

Scottsdale Healthcare and the Institute would share faculty and facilities to grow research capabilities for developing advanced lung cancer screening. I would like to thank Dr. Nelson and the Biodesign Institute for their work here in Scottsdale.

Scottsdale welcomed a new solar corporation, Stirling Energy Systems, this past year.

Stirling Energy Systems is a pioneer in the design and development of Concentrated Solar Power solutions. Their expanded Global Headquarters will house 140 employees.

NightHawk Radiology, an innovator in professional radiology solutions, relocated its corporate headquarters to Scottsdale, creating 75 high-wage jobs and making a \$1 million dollar capital investment.

General Dynamics C4 Systems, a McDowell Road Corridor anchor, was awarded over \$300 million dollars in contracts from our nation's military branches.

The local search website company Yelp recently announced it is opening an office in Scottsdale. That company plans to hire more than 200 people for their new location by the end of this year.

NewPath Networks is investing \$50 million dollars in wireless technology here in Scottsdale, and that technology will in turn produce almost two-thirds of a million dollars annually in fee revenue to the City.

Go Daddy, the website and domain name powerhouse, expanded its facility by 21,000 square feet and added 100 new jobs.

These were good news corporate events this last year.

Meanwhile, the greater Scottsdale Airpark area continues to be an economic focal point for our city.

More than 1,200 businesses call the Airpark home. They generate roughly 42,000 jobs – about one of every four jobs in our city.

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Speaking of jobs, the city's largest employer, Scottsdale Healthcare, has some exciting plans.

Keep an eye on its Shea campus where recently approved expansion plans will be coming to life this year.

I would like to name and thank every business in Scottsdale tonight, whether they have expanded or simply found a way to stay afloat during the recession.

But I promised earlier that I would reach the end of this speech...soon.

So, if you are an entrepreneur who has invested with confidence in our city, thank you. Keep the faith.

The City will work to protect your investment in Scottsdale.

At the beginning of 2010 there is no better place in Arizona to do business.

The state of our city is excellent.

For city government, the path of least resistance in 2009 would have been to focus exclusively on the city's budget issues and hit the "pause" button for nearly everything else.

Business owners and homeowners who had to put many of their own plans on hold would understand.

That's not what happened.

**In 2009, we completed projects** and initiated projects that will give us a leg up in the recovery and in the long-term.

The list is too long for a short speech, so I'll focus on just a few.

We completed more than \$180 million dollars in capital projects in the past year and opened four major facilities – the Gateway Access Area to the McDowell Sonoran Preserve, the Grayhawk Community Park, the McKellips Service Center for public safety and the Appaloosa Library.

Two fire stations are also set to be under construction soon.

Of course, we're sitting in one of the centerpieces of our community investments.

Take just a moment to look around ... Isn't this a beautiful building ... ?

The city and the Scottsdale Cultural Council reopened this renovated Scottsdale Center for the Performing Arts in October.

I think it turned out great.

We are honoring the city's commitment to build to LEED standards, especially when there are long-term savings for taxpayers by investing in energy efficient technologies.

Our new downtown fire station was the first city building this spring to receive the highest rating – platinum – in the LEED rating system.

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In addition, efforts are underway to outfit city buildings with solar-generated electrical power.

For the first time, we adopted a strategic plan for land purchases for our McDowell Sonoran Preserve.

By using funds restricted by voters for Preserve land purchases, along with State Growing Smarter grant funds, we took the first step toward plan implementation by purchasing 400 acres from the state.

We saved millions of dollars for future preserve purchases by using the grant funds.

We propose to acquire about 2,000 additional acres of state land later this year, with more state matching funds.

We aim to hit a major milestone in 2010 – the acquisition of 18,000 of the 36,000 acres targeted for the McDowell Sonoran Preserve.

We'll be at the half-way point in acquiring an area larger than the City of San Francisco and equivalent in size to Bryce Canyon National Park.

This year, instead of retrenching, we moved forward with regional projects that clearly are of mutual benefit to Scottsdale and its neighbors.

We completed an agreement with the Salt River Pima-Maricopa Indian Community to provide \$100 million dollars in drainage and road improvements along Pima Road.

This significant agreement followed an announcement by the Salt River community that they will build a state-of-the-art, \$100 million dollar spring training complex on our border.

The Arizona Diamondbacks and Colorado Rockies will be there for the 2011 spring season.

We are already blessed to have one of the most popular and successful Cactus League teams, the San Francisco Giants, call Scottsdale home.

This new baseball complex will expand the league and solidify the Northeast Valley as THE place to go for spring training baseball.

With us tonight is Diane Enos, president of the Salt River Pima-Maricopa Indian Community.

I would like to thank President Enos for her leadership in helping to expand Cactus League baseball and her community's partnership with Scottsdale in improving drainage and traffic management along our common border.

Working together, we can accomplish great things.

That extends to other areas of our community. We are partnering with the Salt River Community, Tempe, and Phoenix to master plan the future of Papago Park.

In fact, Scottsdale is working with our neighbors to annex the area of the Park that includes the Papago Buttes, so they can be preserved in their natural state for generations to come.

You will certainly hear more about this effort to preserve and revitalize the McDowell corridor in the months ahead.

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One of the major themes of my inaugural speech last year was the need for the city to **reach out to more citizens and involve them in boards, commissions and task forces**. Scottsdale has a tremendous reserve of talent and experience among our citizenry.

While our budget and our city government downsized in 2009, we up-sized our commitment to a government that is open, accountable, and listening to its citizens.

I have spoken previously about some of the results that we saw last year because of the involvement of a new Budget Review Commission.

Several other boards and task forces began work in 2009, as well.

I proposed and the Council agreed to establish The McDowell Road/South Scottsdale Economic Development Task Force after a McDowell road economic summit that I called last year. I would like to thank Tom Sadvary, who I chose to lead this Task Force, for his leadership.

The task force recently delivered their redevelopment recommendations for the McDowell Road corridor, including ways to promote area investment and revitalization. The Council heard their thoughts on how to market the corridor as a place to live and work.

Under the leadership of Chairman Steve Twist, the City Charter Review Task Force is doing some much-needed and important work, thoroughly reviewing the city's charter – which is the “constitution” for our local government.

They have already made well-founded recommendations for changes that will put the election back in the hands of the voters rather than the non-voters. The Council unanimously decided to put those proposals before the voters on March 9<sup>th</sup>, and I urge their adoption.

The Airport Advisory Commission has been working to update Airport operating policies to partner more effectively with existing businesses and events as well as to attract new economic activity.

Updated policies also will reduce the Airport's environmental impact, making it a better neighbor.

Finally, we established the CityCable 11 Programming Commission to advise on operating procedures for our municipal cable station.

The Commission also seeks ways to produce more quality community programming, and I would like to thank Chairman Lamar Whitmer, who I appointed to head this important commission.

Other existing commissions have reinvigorated themselves to recommend actions for Council to consider.

The Tourism Development Commission last fall brought forward a proposal that raises Scottsdale's transient occupancy tax rate, commonly known as our “bed tax,” from 3 percent to 5 percent.

This is a special tax paid by the hospitality industry. Half of the proceeds would go specifically to destination marketing, and the other half is intended to fund tourism-related construction projects.

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My Council colleagues and I agreed to submit the question to voters, and it is on the March 9th ballot as Proposition 200.

Nature gave us sunshine, warm weather and the incredible Sonoran Desert. That's a good starting point for tourism.

It's up to us to build on that foundation with facilities like the Soleri Bridge and the Desert Discovery Center.

The State of our city is excellent. We need to keep it that way.

I urge you to study the Propositions on the March ballot – the Charter amendments relating to elections and the bed tax proposal – and be sure to vote.

You can get involved right now in another process leading up to another important vote.

With Planning Commission guidance, we are updating our General Plan. The state's Growing Smarter law mandates that the plan is reviewed every 10 years.

We're on schedule to consider the updated plan for Council approval in 2011. It will be submitted to voters in 2012.

The General Plan is our guide to the future. It is every resident's plan.

There are many ways to get involved and to shape our community.

In the audience tonight is Firefighter Sasha Weller. Sasha recently received the Herbert R. Drinkwater Award for his exceptional volunteer efforts at Scottsdale's Paiute Neighborhood Center.

Sasha serves as a teacher, mentor and coach for teens. He plays sports with them, brings them to the firehouse for dinner, and raises money for community programs.

With Sasha tonight is Geovany Robles, a junior at Arcadia High School who has demonstrated exceptional leadership qualities in Paiute programs.

Thank you, Sasha, for your contributions, and congratulations Geovany. You both are a part of what makes Scottsdale a great community.

We can all make a difference. I invite citizens to get involved – start a neighborhood watch, attend a City Council meeting, participate in the General Plan process and other important advisory processes mentioned earlier. Vote in your elections.

I have tried to remain true to the purposes of a "State of the City" speech this year and give you a sense of where our city stands today.

We are in excellent shape.

We saw our budget crisis as an opportunity to make positive changes in our finances and operations. The proof is in the pudding.



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Our budget is on target. We have been able to maintain service levels with fewer resources. At the end of the day, our citizens are getting more value for their tax money.

The private sector is doing its part, continuing to show confidence in Scottsdale by investing and building here. In the coming year, we'll work harder to attract even more investment and more jobs.

Despite all the attention that our challenging budget demanded, we made substantial progress.

We'll step up our efforts to preserve a third of Scottsdale and keep our public facilities and infrastructure top-notch.

Finally, we are making sure you know the address of City Hall. Our government is more transparent and accountable, and more citizens are involved.

For us, legal requirements of open meetings and public records have become a baseline for openness and transparency, not a ceiling.

Today we are doing more things in public so the citizens have a better idea of what their government is doing and why.

We are also striving hard to improve the public's access to information at city hall.

Where do we go from here, now that we can see some light at the end of the tunnel?

We are going to build on our strengths.

We are going to build an inviting business climate.

What does an inviting business climate look like? I'll tell you. It is a climate of:

- Low tax
- Light and reasonable regulation
- Attractive physical environment and good demographics
- Access to capital

We need to advocate reform of the state tax laws, and agitate for a streamlining of bureaucratic process.

What's the plan?

Our strategy is to build on tourism, in our environment and in our marketing, and to renew and adapt our product on the McDowell Road corridor, in Downtown, and on the Bell Road/WestWorld corridor.

Our strategy is to target businesses and industries that are naturally attracted to Scottsdale, like solar technology companies.

Our strategy is to build on existing industry clusters. We want to attract biotechnology, solar, life sciences research and development, and professional services.

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Thomas Jefferson once explained to a friend, and I quote, that the "whole art of government consists in the art of being honest."

For this 2010 State of the City address, I aimed to be honest and strike a balance. My goal was to convince the optimists to be realistic about the work ahead. And to convince the realists that there is reason for optimism.

I hope I have done that.

Scottsdale has always been a great city because it has managed to find the balance between optimism and realism – between the ideal and the practical.

We have endured a difficult year. We have ridden a pretty tough bronco.

Sometimes, it felt like we were the cowboy on our city seal.

He's still in the saddle – and so are we. And now our balance is better than ever. We are ready for the future. Our best days lie ahead.