

SCOTTSDALE CITY COUNCIL
WORK STUDY SESSION MINUTES
TUESDAY, APRIL 17, 2018



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

CALL TO ORDER

Mayor W.J. "Jim" Lane called to order a Work Study Session of the Scottsdale City Council at 4:01 P.M. on Tuesday, April 17, 2018, in the City Hall Kiva.

ROLL CALL

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

Mayor's Report

Mayor Lane read a proclamation in honor of Volunteer Appreciation Week and recognized former Mayor Bill Schrader for 51 years of volunteer service to the City, and Betty Ames, 2017 William P. Schrader Volunteer Impact honoree.

PUBLIC COMMENT - Fred Leeder and George Ertel spoke in opposition to any transportation capital projects related to Via Linda roundabouts.

- Proposed Fiscal Year 2018/19 Operating Budget and Capital Improvement Plan**
Request: Presentation, discussion, and possible direction to staff regarding the proposed FY 2018/19 Operating Budget and Capital Improvement Plan.
Presenter(s): Judy Doyle, Budget Director; Dave Lipinski, City Engineer
Staff Contact(s): Judy Doyle, Budget Director, 480-312-2603, jdoyle@scottsdaleaz.gov

Budget Director Judy Doyle gave a PowerPoint presentation (attached) on the proposed Fiscal Year 2018/19 Operating Budget.

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.

City Engineer Dave Lipinski gave a PowerPoint presentation (attached) on the proposed Fiscal Year 2018/19 Capital Improvement Plan.

Council provided the following direction on the proposed Fiscal Year 2018/19 Operating Budget and Capital Improvement Plan:

- Do not use the 2% property tax allowance from previous fiscal years as allowed by state law.
- Defer support for funding the classification and compensation study findings until Council reviews and discusses the study.
- Defer support for using unreserved funds for pension liabilities pending discussion of the pension liability study.
- Take a closer look at sales tax reform, including coming back with recommendations for using a Council subcommittee to study the issue.

ADJOURNMENT

The Work Study Session adjourned at 5:38 P.M.

SUBMITTED BY:



Carolyn Jagger
City Clerk

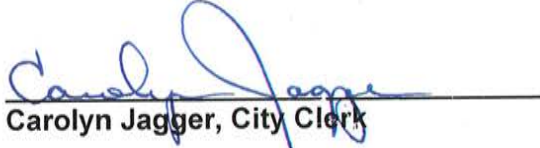
Officially approved by the City Council on May 22, 2018

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Work Study of the City Council of Scottsdale, Arizona held on the 17th day of April 2018.

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

DATED this 22nd day of May 2018.



Carolyn Jagger, City Clerk

Item 1

Work Study

**Proposed FY 2018/19
Operating & Capital
Budget Overview**

April 17, 2018

City Council Work Study Session

Operating Budget Overview

Judy Doyle, Budget Director

CIP Budget Overview

Dave Lipinski, City Engineer

Simply Better Service for a World-Class Community



**Value
Scottsdale's
Unique Lifestyle
and Character**



**Advance
Transportation**



**Seek
Sustainability**



**Support
Economic
Vitality**



**Preserve
Meaningful
Open Space**



**Enhance
Neighborhoods**

Mayor and City Council Priorities



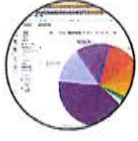
Revitalize McDowell
Road corridor through
ongoing work with residents,
businesses & SkySong



Anticipate and plan for future
transportation needs



Provide strategic support of
**tourism and
visitor events**



Prepare and adopt **fiscally
sustainable** operating
and capital budgets



Carry out the comprehensive
**economic
development** strategy

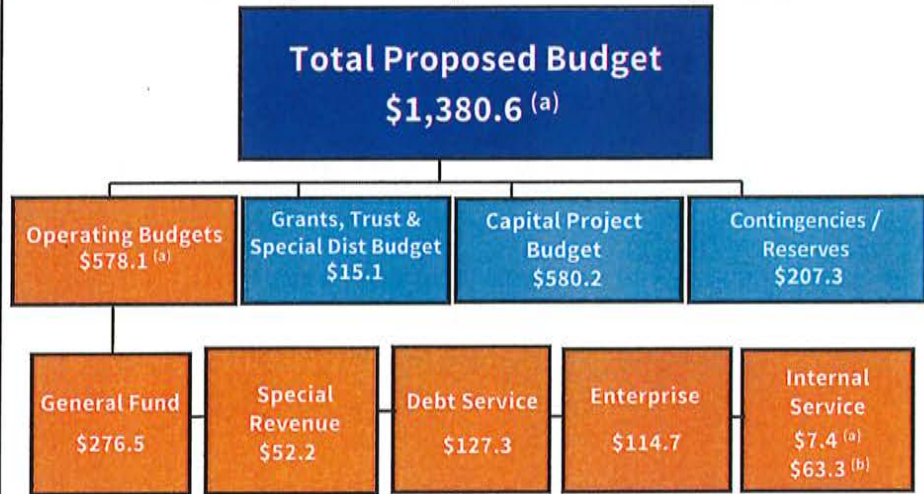


Reinvest in a
high performance
organization and work
culture

FY 2018/19 Proposed Budget

- Structurally Balanced Budget
- Maintains Strong Reserves
- Incorporates Priorities
- Incorporates CIP Subcommittee's Direction

FY 2018/19 Proposed Budget (\$ millions)



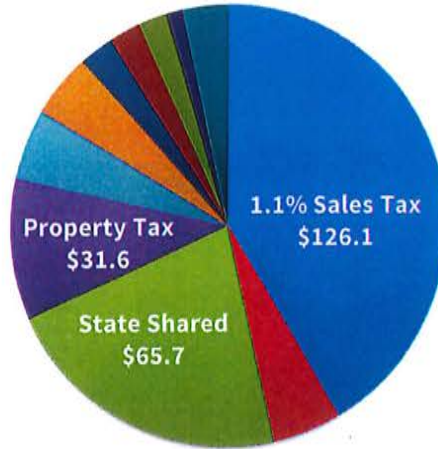
(a) Includes Internal Service Funds offset (reduction) of \$55.9 million

(b) Budget prior to Internal Service Funds offsets of \$55.9 million

Rounding differences may occur.

Operating Budget Overview

FY 18/19 General Fund Sources - \$304.0 million



■ Taxes Other
 ■ Building Permit Fees & Charges
 ■ Charges For Service
■ License Permits & Fees
 ■ Fines Fees Forfeitures
 ■ Indirect/Direct Cost Allocations
■ Interest Earnings
 ■ Transfers In

General Fund Sources Overview

From FY 17/18 Adopted Budget -
+ \$21.4 million

Sales Tax - \$5.4 million

State Shared - \$2.5 million

Stromwater Fee - \$2.2 million

Interest Earnings - \$2.0 million

APS Raintree Utility Imp. (one-time) - \$1.9 million

Fire Department **Charges for Services** - \$0.8 million

Transfers In - \$1.1 million

Property Tax - \$4.4 million

- \$3.5 million - 2% statutory adj. FY 11/12 – FY 16/17
- \$0.5 million – 2% statutory adjustment FY 18/19
- \$0.3 million – new construction

1.10% Sales Tax

Adptd 17/18	Frcst 17/18	Category	Propsd 18/19	\$ Chng Fav/ (Unfav) vs. Frcst	% Chng Fav/ (Unfav) vs. Frcst	Frcst 19/20	Frcst 20/21	Frcst 21/22	Frcst 22/23
\$22.3	\$22.4	Misc. Retail Stores	23.5	\$1.1	4.9%	\$24.7	\$25.9	\$27.2	\$28.6
10.4	10.5	Major Dept stores	10.6	0.1	1.0%	10.8	11.1	11.3	11.5
12.1	12.3	Other Activity	12.8	0.6	4.5%	13.4	14.0	14.6	15.3
8.3	7.6	Food Stores	7.6	0.1	1.0%	7.7	7.8	7.9	7.9
15.6	18.0	Automotive	18.1	0.1	0.6%	18.0	17.8	17.8	17.8
7.0	7.3	Hotel/Motel	7.6	0.3	4.0%	7.8	8.0	8.0	8.0
11.9	11.3	Dining/Ent	11.7	0.3	3.0%	12.1	12.6	13.1	13.7
11.2	10.4	Construction	10.3	(0.1)	(1.0%)	10.4	10.5	10.6	10.7
16.4	17.8	Rentals	18.7	0.9	5.0%	19.5	20.2	21.0	21.9
5.6	5.2	Utilities	5.1	(0.1)	(2.0%)	5.1	5.1	5.1	5.1
\$120.7	\$122.8	Total	\$126.1	\$3.3	2.7%	\$129.5	\$133.1	\$136.7	\$140.6

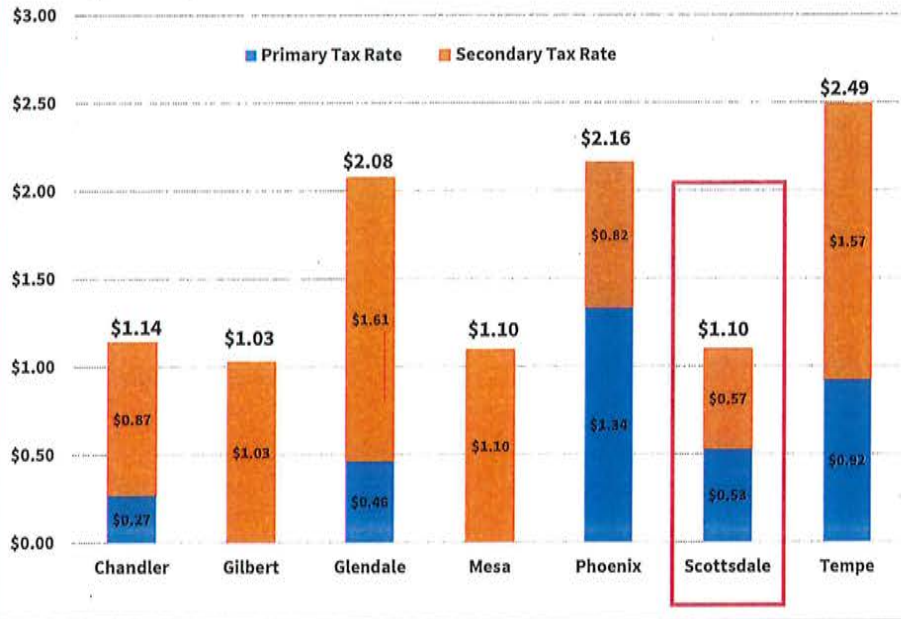
Rounding differences may occur.

Sales Tax Rate Comparison

City	Rate
Gilbert	1.50%
Chandler	1.50%
Scottsdale *	1.65% (1.30%)
Mesa	1.75%
Tempe	1.80%
Phoenix *	2.30% (1.90%)
Glendale	2.90%

* Have temporary taxes that expire.

Property Tax Rate Comparison



Property Tax (\$ millions)

Apvd 17/18	Revenue	Proposed 18/19			Frst 19/20	Frst 20/21	Frst 21/22	Frst 22/23
		Amt	\$ Chng	% Chng				
\$26.4	Property Tax - Primary:							
	Prior Year Base	\$26.7	\$0.3	1.1%	\$27.0	\$27.3	\$27.6	\$27.9
0.3	New Construction	0.3	-	-	0.3	0.3	0.3	0.3
\$26.7	Subtotal	\$27.0	\$0.3	1.1%	\$27.3	\$27.6	\$27.9	\$28.2
	Statutory Adjustments:							
n/a	2%/yr. Allowance	0.5	0.5	nm	1.0	1.5	2.1	2.8
0.5	2%/yr. Allowance (FY 17/18)	0.5	-	-	0.6	0.6	0.7	0.7
n/a	2%/yr. Allowance (prior 6 yrs.)	3.5	3.5	nm	3.6	3.6	3.7	3.8
1.0	Tort Recovery (Risk Fund)	0.3	(0.7)	(69.4%)	0.3	0.3	0.3	0.3
\$28.2	Total Primary Levy	\$31.9	\$3.7	12.9%	\$32.7	\$33.7	\$34.7	\$35.7
	Property Tax - Secondary							
34.2	GO Debt Service	35.2	1.0	2.9%	33.2	31.3	27.0	27.0
(0.6)	Use of Reserve	(1.0)	(0.4)	58.3%	-	-	-	-
\$33.6	Total Secondary Levy	\$34.2	\$0.6	2.0%	\$33.2	\$31.3	\$27.0	\$27.0
\$61.8	Total Levy	\$66.1	\$4.3	6.9%	\$65.9	\$65.0	\$61.7	\$62.7

Rounding differences may occur.

Property Tax (\$ millions)

Primary	GF Primary		Statutory Adjustment	Total GF Primary		Total Primary Levy	Primary Assessed Valuation		Primary Rate
	Levy	Growth		Levy	Tort Recovery				
Prior (FY 17/18)	\$26.4	\$0.3	\$0.5	\$27.2	\$1.0	\$28.2	\$5,698.7		\$0.4956
Proposed (FY 18/19)	\$27.2	\$0.3	\$4.1	\$31.6	\$0.3	\$31.9 12.9%	\$5,997.0 5.2%		\$0.5316 7.3%

Secondary	Debt Service	Debt Service Reserve	Total Secondary Levy	Secondary Assessed Valuation		Secondary Rate
Prior (FY 17/18)	\$34.2	(\$0.6)	\$33.6	\$5,698.7		\$0.5889
Proposed (FY 18/19)	\$35.2	(\$1.0)	\$34.2 2.0%	\$5,997.0 5.2%		\$0.5705 -3.1%

Total	Total Levy		Total Rate	
Prior (FY 17/18)	\$61.8		\$1.0845	
Proposed (FY 18/19)	\$66.1 6.8%		\$1.1021 1.6%	

Rounding differences may occur.

FY 18/19 GF Exp. by Division - \$259.5M



Charter Officers - \$26.3M * Mayor & City Council * City Court * City Attorney * City Manager * City Auditor * City Treasurer * City Clerk	Comm. & Ec. Dev. - \$24.7M * Tourism and Events * WestWorld * Planning & Dev * Aviation * Transportation * Economic Dev	Public Safety - Fire - \$40.1M * Office of Fire Chief * Operations * Professional Svcs * Fire & Life Safety
Admin Services - \$14.9M * Human Resources * Communications * Information Technology	Community Svcs. - \$36.8M * Parks & Rec * CS Planning & Admin * Human Services * Preserve Mgmt * Library Systems	Public Safety - Police - \$102.0M * Office of Police Chief * Uniformed Svcs * Investigative Svcs * Operational Svcs
Public Works - \$14.6M * Fleet Mgmt * Facilities Mgmt * Solid Waste Mgmt * Capital Proj Mgmt * Street Operations		

Does not include \$17.0M of macro division budget items.

Significant General Fund Uses Increases	GF Impact (\$ millions)
Market Adjustment (Phase 1 of 4)	\$6.0
Public Safety Retirement	\$2.0
Employer Contribution - Healthcare Costs	\$1.7
Citywide Performance Pay Program – 3% to max	\$2.1
Police Officer & Police Sergeant Compensation – performance step program	\$1.6
Firefighter, Fire Engineer & Fire Captain Compensation – performance step program	\$0.8

Full-Time Equivalent (FTE) Changes			
Division	FTEs	Description	Fund
City Attorney	1.00	Paralegal	General
City Auditor	0.50	Ex Sec to Charter Officer	General
City Treasurer	3.00	Tax Auditor, Tax Auditor Sr, Cust Service Rep	General & Enterprise
City Treasurer	-1.00	Payroll Specialist	General
Administrative Services	1.00	Database Administrator	General
C&ED	7.61	Maint Helper, Custodial Worker, Econ Dev Specialist, Public Affairs Mgr, Management Analyst Sr, and Traffic Engineer	General, Tourism, Aviation, & Transportation
C&ED	-2.00	Management Analyst and Traffic Engineer Analyst	Aviation & Transportation
Community Services	0.76	Human Services Specialist, Library Aide, Library Page, Library I, and Pool Manager Assist	General
Community Services	-0.47	Recreation Leader I & II and Library Assistant	Special Programs & General
Public Safety - Fire	8.00	Fire Engineer, Firefighter, Fire Captain, EMS Performance Improv Coord, and Equip Coord	General
Public Works	4.00	Equip Operator I & II	Enterprise
Water Resources	1.40	SCADA Systems Specialist Sr and Interns	Enterprise
Total	23.80		

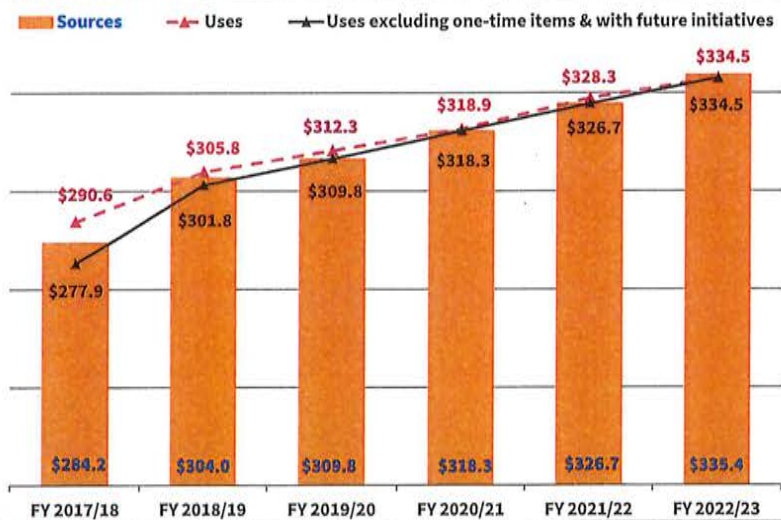
General Fund = 14.90 FTE

General Fund Forecast Summary (\$ millions)

	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
Beginning Balance	\$56.8	\$50.4	\$48.5	\$46.1	\$45.5	\$43.9
Revenues	\$274.9	\$293.8	\$299.3	\$307.6	\$315.6	\$324.2
Transfers In	\$9.3	\$10.3	\$10.5	\$10.8	\$11.1	\$11.3
Total Sources	\$284.2	\$304.0	\$309.8	\$318.3	\$326.7	\$335.4
Expenditures	\$264.3	\$276.5	\$282.3	\$290.7	\$299.7	\$305.6
Debt Service	\$15.0	\$15.1	\$15.2	\$12.5	\$12.6	\$12.7
Transfers Out	\$11.3	\$14.2	\$14.8	\$15.7	\$15.9	\$16.2
Total Uses	\$290.6	\$305.8	\$312.3	\$318.9	\$328.3	\$334.5
Ending Balance	\$50.4	\$48.5	\$46.1	\$45.5	\$43.9	\$44.8

Rounding differences may occur.

General Fund Sources vs. Uses (\$ millions)



Ending Fund Balance	\$50.4	\$48.5	\$46.1	\$45.5	\$43.9	\$44.8
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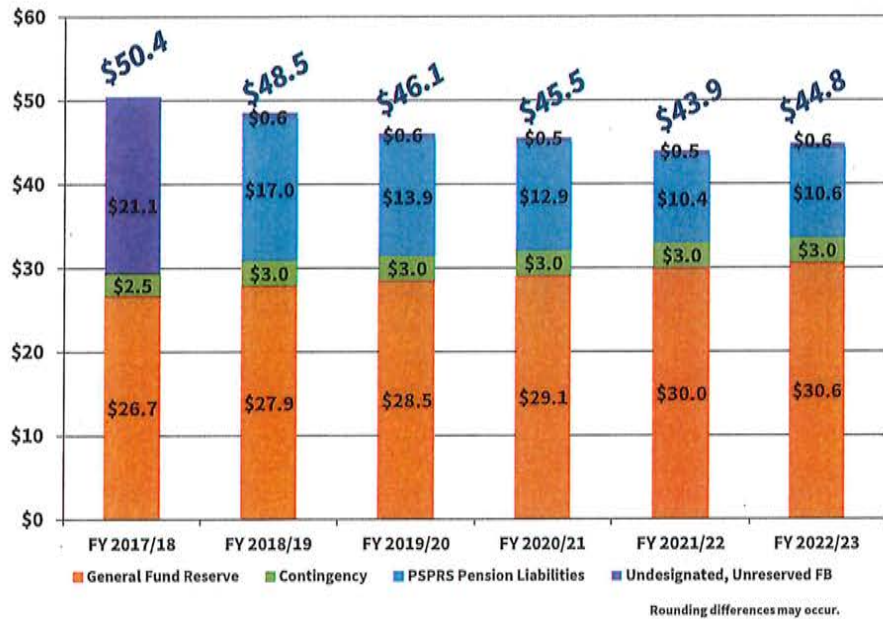
Rounding differences may occur.

Significant General Fund One-Time Uses	GF Impact (\$ millions)
APS Raintree Utility Improvement	\$1.9
Roof Re-Coatings <i>(phase 3 of 4)</i>	\$0.5
McCormick-Stillman RR Park Restroom	\$0.5
Fall Protection Mitigation <i>(phase 1 of 4)</i>	\$0.3
Playground Equipment Agua Linda Park	\$0.2
City Hall & Civic Center Library Improvements	\$0.2

FY 18/19 General Fund CIP Contribution

Food Tax <i>(financial policy #17)</i>	\$6.9
Interest Income > \$1.0M <i>(financial policy #17)</i>	\$2.6
25% Construction Sales Tax <i>(financial policy #25)</i>	\$2.3
Stormwater Fee	\$2.2
Baseball Facilities Agreement	\$0.1
Total	\$14.1 million

GF Forecast Ending Balance (\$ millions)



City Council Budget Review Schedule

- Tue., May 22** Public Hearing and Tentative Budget Adoption; Final Adoption of Rates & Fees
- Tue., June 12** Public Hearing and Final Budget Adoption; Truth in Taxation Hearing
- Tue., June 26** Public Hearing and Final Adoption of Tax Levies

SCOTTSDALE PROPERTY TAXES



State Education - \$0.48



Community College \$0.16



Maricopa County \$0.18



Special Districts \$0.07*



City Primary Tax \$0.05



City Secondary Tax \$0.06

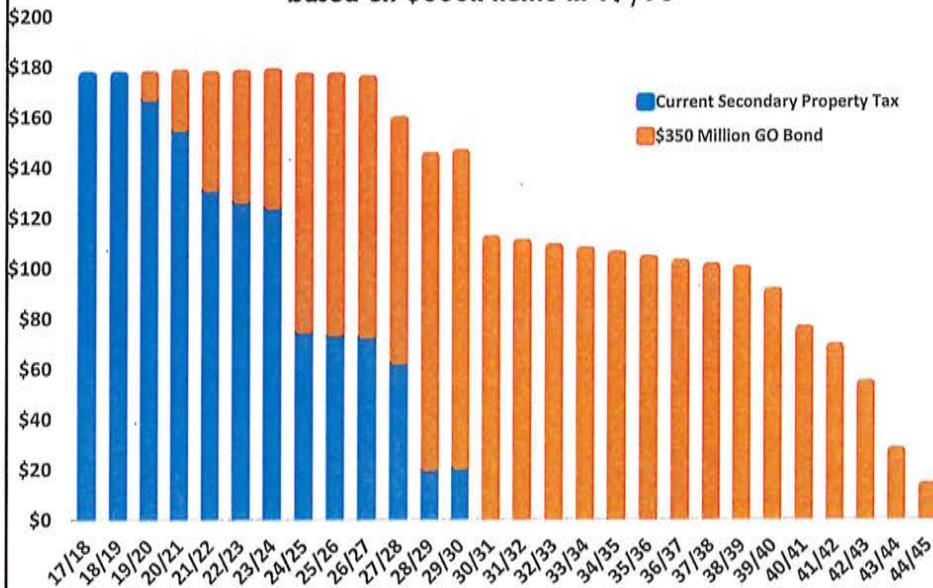
Primary property taxes are used by the City of Scottsdale to pay for city services and operational expenses and comprise about 11% of Scottsdale's proposed operating budget.

Secondary property taxes are restricted to pay only for debt service on voter approved general obligation bonds for such things as parks, libraries, streets, and police/fire stations.

*Excludes street lighting districts, which vary by geographical location, types of lights, and City vs. HOA ownership.



Impact of \$350M GO Bond based on \$300k home in 17/18



Capital Budget Overview

Forecasted CIP General Fund Budget FY 2018/19 - 2022/23 (\$ millions)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Beginning Cash Balance	30.2	17.2	7.0	8.1	7.8	3.0
25% Construction Sales Tax	2.4	2.3	2.4	2.4	2.4	2.4
Net Interest in excess of \$1M	0.6	2.5	3.0	3.4	3.5	3.6
Food Tax	4.6	6.9	7.0	7.1	7.2	7.2
Interest Income	0.2	0.2	0.1	0.1	0.1	0.1
City Council Approved PAYGO Mid-Year Transfer	3.0					
Total Cash on Hand	41.0	29.2	19.4	21.2	21.0	16.3
Projected Budget	34.9	18.8	11.0	13.4	20.0	6.0
Re-budget from previous year		11.2	7.7	7.4	7.4	9.5
Total Expenditure Budget	34.9	30.0	18.7	20.8	27.4	15.5
Total Estimated Expenditures	(23.7)	(22.3)	(11.2)	(13.4)	(18.0)	(8.1)
Budget remaining end of year (Total Expend. Budget – Est. Expend.)	11.2	7.7	7.4	7.4	9.5	7.4
End of Year Cash Balance (Total Cash – Total Estimated Expenditures)	17.2	7.0	8.1	7.8	3.0	8.2

Funding available for new CIP requests: \$8.2M - \$7.4M = **\$0.8M**

Forecasted CIP General Fund Budget - Revised FY 2018/19 - 2022/23 (\$ millions)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Beginning Cash Balance	30.2	17.2	7.0	13.1	17.8	18.0
25% Construction Sales Tax	2.4	2.3	2.4	2.4	2.4	2.4
Net Interest in excess of \$1M	0.6	2.5	3.0	3.4	3.5	3.6
Food Tax	4.6	6.9	7.0	7.1	7.2	7.2
Interest Income	0.2	0.2	0.1	0.1	0.1	0.1
City Council Approved PAYGO Mid-Year Transfer	3.0					
Total Cash on Hand	41.0	29.2	19.4	26.2	31.0	31.4
Projected Budget	34.9	12.6	5.9	8.3	15.0	6.0
Re-budget from previous year		11.2	1.5	1.2	1.2	3.2
Total Expenditure Budget	34.9	23.8	7.4	9.5	16.2	9.2
Total Estimated Expenditures	(23.7)	(22.3)	(6.2)	(8.4)	(12.9)	(8.1)
Budget remaining end of year (Total Expend. Budget - Est. Expend.)	11.2	1.5	1.2	1.2	3.2	1.1
End of Year Cash Balance (Total Cash - Total Estimated Expenditures)	17.2	7.0	13.1	17.8	18.0	23.3

Funding available for new CIP requests: \$23.3M - \$1.1M = **\$22.2M**

General Fund Requests Funded

	Rank	GF Request	Running Total
C YE01 - Facilities Repair and Maintenance Program	1	4,965.6	4,965.6
T YE07 - IT - Network Infrastructure	1	430.2	5,395.8
C PD01 - Aquatics Chemical System Replacement	2	461.1	5,856.9
T YE08 - IT - Server Infrastructure	2	1,045.0	6,901.9
C TEMP2193 - Fire Station 612 Land Acquisition	3	3,000.0	9,901.9
T YE06 - Police Portable & Vehicle Radio Replacement	3	992.7	10,894.6
C TEMP1484 - National Fire Protection Assoc. Station Standards - Phase I	4	(3,000.0)	7,894.6
T TEMP2106 - Public Safety-Fire Radio Replacement	4	2,116.6	10,011.2
C TEMP2090 - Jail Dormitory	5	702.4	10,713.6
T YE03 - Crime Laboratory Equipment Replacement	5	168.4	10,882.0
C TEMP1753 - Civic Center Library - Story Time Room Expansion	6	-	10,882.0
T YE04 - Video Network Telecast/Production/Video Streaming & Kiva Equip	6	141.4	11,023.4
T TEMP1664 - Irrigation Control System	7	-	11,023.4
C TEMP1759 - Civic Center Library - Scottsdale Heritage Connection	7	(407.9)	10,615.5
T TEMP1935 - Bell & Howell Mail Postage Inserter Replacement	8	108.9	10,724.4

C = Construction
T = Technology

Forecasted CIP Transportation Sales Tax Budget FY 2018/19 - 2022/23 (\$ millions)

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Beginning Cash Balance	28.3	25.3	4.0	(3.2)	(1.1)	1.5
50% Transportation Sales Tax	10.5	10.8	11.1	11.4	11.8	12.1
City Council Approved PAYGO	-	-	2.6	-	-	-
Interest Income	0.1	0.1	0.1	0.1	0.1	0.2
City Council Approved PAYGO Mid-Year Transfer	7.4	-	-	-	-	-
Total Cash on Hand	46.3	36.2	17.8	8.2	10.8	13.8
Projected Budget	45.2	15.9	13.6	9.4	9.3	12.2
Re-budget from previous year		24.3	8.0	0.7	0.7	0.7
Total Expenditure Budget	45.2	40.2	21.7	10.1	10.0	12.9
Total Estimated Expenditures	(20.9)	(32.2)	(21.0)	(9.4)	(9.3)	(12.2)
Budget remaining end of year (Total Expend. Budget - Est. Expend.)	24.3	8.0	0.7	0.7	0.7	0.7
End of Year Cash Balance (Total Cash - Total Estimated Expenditures)	25.3	4.0	(3.2)	(1.1)	1.5	1.5

Funding available for additional CIP requests: \$1.5M - \$0.7M = \$0.8M

Transportation Sales Tax Requests Funded

	Rank	TR Request	Running Total
ALCP SC03 - Miller Road Underpass at the 101 Freeway	1	-	-
TEMP2026 - ADA Transition Plan Implementation	2	1,500.0	1,500.0
ALCP SB53 - Raintree Drive: Scottsdale Road to Hayden Road	3	33.5	1,533.5
YE29 - Pavement Overlay Program	4	6,550.0	8,083.5
GRANT TEMP1950 - Indian Bend Wash Underpass at Chaparral Road	5	931.8	9,015.3
YE23 - Traffic Signal Construction	6	300.0	9,315.3
YE19 - Roadway Capacity & Safety Improvements	7	900.0	10,215.3
YE20 - Sidewalk Improvements	8	(400.0)	9,815.3
YE28 - Bikeways Program	9	-	9,815.3
YE18 - Trail Improvement Program	10	-	9,815.3
ALCP TEMP1969 - Scottsdale Rd: Thompson Peak Pkwy to Pinnacle Peak Pkwy-Ph2	11	2,626.3	12,441.6
ALCP TEMP1970 - Scottsdale Rd: Pinnacle Peak Pkwy to Jomax Rd	12	771.0	13,212.6
GRANT TEMP1955 - Osborn Road Complete Street: Hayden Road to Scottsdale Road	13	1,477.0	14,689.6
GRANT TEMP2006 - Paving Unpaved Roads	15	2,470.5	17,160.1

ALCP = Arterial Life Cycle Program

Questions?