



**CITY OF SCOTTSDALE  
BUDGET REVIEW COMMISSION**

**THURSDAY, APRIL 23, 2009**

**CITY HALL, KIVA FORUM  
3939 NORTH DRINKWATER BLVD  
SCOTTSDALE, AZ 85251**

**PRESENT:** Louis Schmitt, Chair  
David N. Smith, Vice-Chair  
Eric Borowsky  
Martha Ecton  
Michael Foster  
Bob Berlese

**ABSENT:** Donna Reagan

**STAFF:** Scott McCarty, Financial Services General Manager  
John Little, City Manager  
Sylvia Dlott, Sr. Budget Analyst  
Monica Staats, Sr. Budget Analyst  
Judy McIlroy, Sr. Budget Analyst  
Neal Shearer, Assistant City Manager  
Bill Murphy, Parks and Rec Director  
David Richert, Planning and Development Services General Manager  
Michael Clack, Chief Development Officer  
Connie Padian, Chief Planning and Administration Officer  
Dave Meinhart, Transportation Planning and Transit Director  
Raun Keagy, Director, Neighborhood Services and Preservation  
Mary O'Connor, Transportation General Manager  
Dan Worth, Municipal Services General Manager  
Marshall Brown, Water Resource General Manager  
John Ralston, Enterprise Finance Manager

**Call to Order/Roll Call**

Chair Schmitt called the Budget Review Commission meeting to order at 5:00 p.m. A formal roll call was conducted, confirming the presence of Commissioners as noted above.

## Commissioner Comments

Commissioner Ecton discussed her previous suggestion that the City needs to have a "Plan B", in the event that economic conditions decline beyond current forecasts. She reiterated this is essential in order to ensure the City's future financial health.

Commissioner Borowsky thanked staff for responding to his questions from the last Commission meeting.

## New Business

### 1. RESPONSES TO OUTSTANDING ITEMS FROM 04/20/09 MEETING – SCOTT McCARTY, FINANCIAL SERVICES GENERAL MANAGER/CFO

Financial Services General Manager and CFO Scott McCarty explained the City uses six components to balance the proposed budget:

- Sources
  - Revenues
  - Transfers In
  - Unreserved Fund Balance
- Uses
  - Service and Programs
  - Debt Service/Contracts Payable
  - Transfers Out to CIP

Mr. McCarty explained in a recent meeting with the bond rating agency Fitch Ratings, they were extremely impressed with the proposed budget, forecasts, and the fact that the City is not using its 10 percent reserve to balance next year's budget.

Key points regarding this issue include:

- Projections for FY 2008/2009 included a 10 percent drop in revenues.
- FY 2009/2010 General Fund revenue projections indicate another 4 percent drop.

Mr. McCarty stated sales tax is the biggest revenue for the City, and the budget has allowed for a 14 percent drop in sales tax. Sales tax has actually dropped 16 percent; however, other revenues are performing better than projected, which has equalized forecasted revenues.

Commissioner Borowsky said the degree of forecasting accuracy is impressive. He asked what reserves are available in the case that the forecast is wrong. Mr. McCarty said there are several ways the City can respond to a change in forecast. Staff would look at the root cause of the change and determine whether it is a temporary or permanent reduction to base revenues. Solutions could include managing through the particular issue, strategic action, and depending upon the severity, options such as adjustments to capital program funding, operating contingency plans, or taking action against the 10 percent reserve.

Commissioner Borowsky suggested discussions be held regarding which funds the City could borrow money from if the need arises. Mr. McCarty explained the General Fund is the only area with unrestricted funds; in no other case can the City take money to supplement General Fund operations, because all other funds are restricted. Commissioner Borowsky asked whether that is a statutory restriction or a City policy. Mr. McCarty indicated it depends on the circumstances. For example,

Preserve funds are restricted and would require a public vote to change. Other revenues are controlled by state and federal restrictions.

Vice Chair Smith asked whether the bond rating agency was informed that the City was taking money out of the CIP fund to balance the budget. Mr. McCarty said that was discussed, and they understand that is the place a city would logically go to for funds before going to the reserves. Bond rating agencies are in favor of any actions taken to protect the reserve; they do not see slowing down CIPs over a five-year period as a drastic step.

In response to an inquiry by Vice Chair Smith, Mr. McCarty explained bed tax numbers are absolute.

Vice Chair Smith expressed concern regarding whether the City has any room for error since all cushions have been removed. He noted that revenues are off 11 percent from the FY 2008/2009 adopted budget. He agreed that Commissioner Ecton's suggestion for a Plan B would be prudent.

City Manager John Little noted there are many nuances to the financial reporting that requires staff to go deeper into some of the reports. Mr. McCarty's projections are reliable and conservative. Last year when the City was faced with a \$45 million deficit, the experience and dedication of staff yielded a \$45 million savings out of the budget. Defining non-essential services is difficult, since that means something different to each individual. He noted in the case of a financial catastrophe, the City still has \$27 million in reserve funds. The proposed budget does not impact core services, maintains employee morale, and does not impact the City's bond rating. Each department has done a line item review of every program and service, and staff is confident they are presenting a responsible budget from a strategic standpoint.

Commissioner Foster asked how much of CIP funds could be transferred out, if needed. Mr. McCarty said another \$5 to \$6 million could be transferred out without impacting projects. That would leave a \$5 million contingency within the CIP. There is a \$70 million projected cash balance at the end of FY 2008/2009. Commissioner Foster noted there are no other sources of revenue, other than raising taxes or fees.

In response to an inquiry by Commissioner Foster, Mr. McCarty noted the City would always have the option of returning the \$9 million to the CIP fund if total revenues exceeded \$245 million. If revenues were less than \$245 million, services and programs could be cut or additional funds could be transferred out of the CIP fund. City Council would be responsible for approving any service or program cuts.

Mr. McCarty clarified that the CIP being referred to is the General Government CIP, which has nothing to do with water, wastewater, or transportation.

Chair Schmitt noted that in his recent experience, forecasts are showing a very long flat period at a very low level in terms of the economy. He asked for clarification regarding the City's last data point, and when the forecast will be final. Mr. McCarty explained that information is already locked. The City's revenue trends differ from the private sector. Stabilizing factors such as property taxes and income taxes allow for a greater predictability.

### **DIVISION BUDGET REVIEW**

**Staff presentation and Commission discussion of the City's Proposed FY 2009/10 Budget by division. The following budgets will be reviewed:**

- 1. Community Services – Bill Murphy, Parks and Recreation Director, (480) 312-7954, [Bmurphy@scottsdaleaz.gov](mailto:Bmurphy@scottsdaleaz.gov)**

Parks and Recreation Director Bill Murphy reviewed the departments within the division:

- Human Services
  - Two senior centers
  - Two community centers
  - Youth and Family Services
  - Community Assistance Office
- Library
  - Civic Center Branch Library
  - Mustang Library
  - Palomino Library
  - Arabian Library
- Parks and Recreation
  - 43 parks covering 945 acres
    - Four aquatics centers
    - Four fitness centers
    - Five community centers
    - Two tennis centers
    - 60 athletic fields
    - Two skate parks
    - Eight urban lakes
    - Two neighborhood equestrian facilities
    - Three off-leash parks
    - Specialty parks
  - Scottsdale Sports Complex
  - Scottsdale Stadium
- Maintenance
  - Civic Center
  - Downtown
  - 345 acres of medians
  - Preserve maintenance and operation

The main mission of Community Services is to preserve Scottsdale's quality of life.

Mr. Murphy noted the operating budget for FY 2009/2010 is \$51.5 million. The division has reduced its budget by \$4.6 million from FY 2008/2009. \$3.5 million in savings was achieved by eliminating 55.76 FTEs, and \$1.1 million was reduced by eliminating certain contractual services and commodities.

Community Services is funded by grants and special revenue funding. The grants budget increased \$2.7 million, and the special revenue fund increased \$258,000 over the last year.

Thirty-four employees have taken advantage of the retirement incentive, and 25 vacant positions will not be filled. The loss of these positions will have a major impact on daily operations. The goal of the restructuring is to have the least impact on service levels to citizens.

Additional reductions have been made in the following areas:

- Administrative and operational costs for training, professional subscriptions, mileage reimbursement, office supplies, and minor equipment.
- Organizational processes such as requiring lifeguards possess their WSI training, eliminating training from the budget.
- \$361,000 reduction by eliminating new software purchase for the libraries' online computer systems.
- 20% reduction in library newspaper and magazine subscriptions.
- 20% reduction in library new item purchases.
- Maintenance and enhancement reductions in parks and medians.
- Reductions in equipment replacement.
- Reduction and elimination of targeted programs:
  - Eliminate a district track meet
  - Eliminating summer sports camps
  - Eliminate one summer recreational program
  - Eliminate intersession programs
  - Eliminate middle school track meets
  - Reduce 50 percent of the excursion field trips
  - Eliminate basketball tournament
  - Eliminate adult summer flag football season
- Elimination of 12 special events:
  - Starlight Sleepover
  - Wet 'n' Wild Water Day
  - Paiute Holiday Carnival
  - Fishing Expo
  - Two Movies in the Park
  - Minnesota Outreach Holiday Event
  - Four family events
  - International Club Event
- Leisure Education class reductions
- Reduced partnership funding by 50 percent.
- Reduction of facility hours at low use times.

Human Services reductions will include a \$300,000 reduction in the Special Revenue Fund, due to unspent emergency human service funds where requests have not been received for several years. In addition, Affordable Housing funds will be deferred.

The City has agreed to share sports field maintenance costs with the Scottsdale School District.

In regard to fees and charges the following adjustments are recommended, which were discussed at a prior Commission meeting.

Mr. Murphy suggested that the intergovernmental agreement between Desert Mountain High School and the City for Palomino Library be dissolved. It has the lowest use by the general public of all City libraries. The majority of the use is school-related. Ending this arrangement will allow the City to eliminate 13 FTEs and save over \$536,000 annually. The operating funds and existing equipment and materials from Palomino Library would be transferred to support the operation of the new Appaloosa Library scheduled to open in November 2009. All City libraries will be affected by the reorganization in order to provide existing positions for the operation of the Appaloosa Library. Hours of service will not be reduced at any other location.

Facilities Management will be moving to Public Works as part of the reorganization.

Volunteers are an integral part of Community Services. Contributions and commitments range from a few hours for special events, to those helping out with regular hours consistently for many years. Last year volunteers contributed 179,500 hours of service, which equates to 86.29 FTEs.

Grant awards totaling \$10.9 million are used to supplement the budget. Each year the Community Services Division receives grant funding from federal, state, local, and regional agencies.

Mr. Murphy noted that the City is still growing, requiring additional facilities and increased workloads. CIP additions for FY 2009/2010 include:

- Appaloosa Library
- Grayhawk Community Park Phase I
- Troon North Park Phase I
- Preserve Gateway
- Additional 37 acres of medians and rights-of-way

The Community Services Division interacts with four boards and commissions:

- Parks and Recreation Commission
- Human Services Commission
- Library Board
- McDowell Sonoran Preserve Commission

Mr. Murphy noted the City faces many challenges in order to absorb the new facilities with reduced staff and fewer resources.

Vice Chair Smith asked for clarification regarding the status of the grants. Mr. Murphy said the grants have already been received.

Vice Chair Smith asked if the primary savings in the proposed budget are related to the reduction of staff. Mr. Murphy explained it is a combination of staff, contractual, and commodity reductions.

In response to an inquiry from Commissioner Berlese, Mr. Murphy indicated there are currently 820 total positions in Community Services. Coordinators and managers are considered working supervisors. The manager to employee ratio is 1:20.

Commissioner Berlese asked for clarification regarding the \$200,000 increase for the Appaloosa Library. Mr. Murphy indicated that number is for utility costs.

Commissioner Berlese asked for more information regarding staffing the new facilities. Mr. Murphy stated Grayhawk Park will have two staff members. There are currently three employees in the Preserve, and two of those employees will be housed at the Gateway. Troon North is conceptual at this point, but will probably use staff either from Pinnacle Peak or another northern park.

Chair Schmitt opened public comment.

**Melinda Scheckner**, 12302 E. Appaloosa Place, said losing the Palomino Library would be a terrible blow to northeast Scottsdale. She indicated it is not a convenience; rather, it is the only option in the community for library access. She asked the City to reconsider closing this resource.

**Joan Freund**, Vice Chair, Library Advisory Board, 11277 E. Paradise Lane, read a statement prepared by the Board indicating the closure of the Palomino Library is an unwelcome but necessary step to prevent further reductions in staff and services to library customers. The existing libraries, as well as

the opening of the Appaloosa Library, should provide customers with more selection and services than they currently enjoy.

**Jim Workman**, Grounds Maintenance Supervisor, Scottsdale Schools, 9405 E. Kalil Drive, spoke about the positive partnership between Scottsdale schools and the City in supporting sports fields at schools. The schools will do what they can to keep these facilities in the best shape that they can. He asked the City to consider continuing to fund the IGA to the greatest extent possible.

**Christine Gillette**, 10873 N. 127<sup>th</sup> Place, spoke in opposition to the closure of Palomino Library. She stated students should be considered a part of the general public, and suggested the City negotiate a better deal with the schools in order to keep it open.

**Gwen Cioffi**, 11203 E. Mercer Lane, agreed that many more students utilize the Palomino Library than the general public; however, she asked the City to reconsider its closure due to the many benefits it provides all nearby residents.

**Kathleen Hemmingson**, Chair, Human Services Commission, 6849 E. Edgemont, asked that no additional cuts be made for the next budget year. Times of economic stress are when the demands for human services are the greatest, and the City has seen an increase in requests for assistance.

**Jeannie Alspaugh**, Vice Chair, Parks & Recreation Commission, 7136 N. Via de Alegria, spoke in support of the Community Services proposed budget. She discussed City-sponsored events that she believes are important to citizens.

**Jim Duchene**, Parks and Recreation Commissioner, 10474 E. Raintree Drive, spoke in support of the recommended budget. He noted that parks and recreation usage is increasing as the economy takes a downturn. He indicated cuts are necessary, and each department must share in the burden; however, additional cuts would be detrimental to the City.

**Stan Koczka**, 10362 E. Saltillo Drive, indicated he supports the proposed budget cuts. He thanked City staff and all the volunteers for their hard work.

Chair Schmitt stated there were two written comments: One in opposition to closing Palomino Library, and one in support of the proposed budget.

**Teesha Bond**, 12035 N. 91<sup>st</sup> Way, indicated a number of properties in her community back up to Cactus Road from 90<sup>th</sup> Street to 91<sup>st</sup> Way, and the Cactus Road construction has led to the back of these homes being visible to passersby, resulting in a lack of privacy. She asked the Commission to consider budgeting for an increase in the height of the wall to resolve privacy and sound issues. She also asked that the City paint the wall fronting Cactus Road due to construction damage.

Commissioner Ecton noted that the Commission would like the opportunity to ask questions of Mr. Murphy regarding his presentation. Chair Schmitt said he would arrange for him to return for questioning.

**2. Planning, Neighborhoods and Transportation - David Richert, Planning & Development Services General Manager, (480) 312-2890, [Drichert@scottsdaleaz.gov](mailto:Drichert@scottsdaleaz.gov)**

Planning and Development Services General Manager David Richert stated the proposed budget recommends a 24 percent reduction in FTEs, which is very close to the amount of reduction in the fees collected by the City on a monthly basis. He noted it is important not to cut staff too deeply in this area, in order to be able to respond to demand when needed. The ratio of management to staff is currently 1:10, after FTE eliminations.

Planning proposed adjustments include:

- Reduce staff through attrition and retirements
- Reduce consultant contracts
- Allocate appropriate personnel costs to the CIP
- Consolidation of staff in existing facilities
- Reduction of City publications
- Postponement of City-sponsored public events
- Elimination of the intern program

Neighborhoods eliminations:

- Eliminate funding for LINKS contract
- Suspend neighborhood enhancement partnership
- Suspend Rock The House Program
- Reduce the number of outreach staff
- Eliminate services at the Granite Reef Neighborhood Resource Center

Transportation proposed budget adjustments include:

- Modifying and eliminating transit routes
- Personnel costs allocated to the CIP
- Reduce staffing approximately 10 percent
- Reduce use of consultants

Proposed Planning enhancements:

- Rapid Response Team
- Shorter Review Times
- Enhance public involvement and notification process
- Utilizing staff resources for research and analysis
- Cross training throughout the division
- Develop a Drainage Master Plan

In regard to the cycle time on development permits, Chair Schmitt noted that reducing the time from 30 to 20 days is a major accomplishment. He asked if there are plans to take it further. Mike Clack explained staff is constantly looking for ways to reduce turnaround times.

Chair Schmitt said for engineers Scottsdale has been difficult to deal with, especially when integrating across engineering disciplines. He noted that the reorganization has placed everyone in one group, and indicated he hopes this will make things easier.

Commissioner Berlese indicated in 1984 a One-Stop Shop was implemented with a five-day turnaround, and asked what happened to that program. Mr. Clack indicated some plans are approved within one hour, depending on the size and complexity. Some of the more difficult approvals must be completed within a seven-day turnaround time, including weekends.

In response to an inquiry by Commissioner Berlese, Mr. Clack noted that with the exception of inspectors, all review staff work at One Civic Center.

Commissioner Ecton asked what the division is doing to cooperate with the Fire Department in meeting the national fire code. Mr. Clack indicated staff works very closely with the Fire Department in this regard. There is constant communication to ensure no mixed signals are sent to the public. Commissioner Ecton suggested a communication system be put in place to avoid future issues.

Neighborhoods enhancements include:

- Enhanced communication and coordination
- Accurate and consistent neighborhood contact
- Consolidation of public outreach

Transportation enhancements:

- Retooling CAB connection programs
- Reducing staff requirements
- Improve web information
- Major Airport planning activities
- Implementation of the Barricade Management Ordinance

Current CIP projects are as follows:

- Scottsdale Road north of the 101 / Frank Lloyd Wright to Thompson Peak
- Pima Road
- Gateway to the Preserve amenities
- Thomas Road bike lanes and sidewalks
- South Scottsdale Road drainage corridor
- North community access area
- Upper Camelback Wash and Indian School drainage area

Staffed Division Commissions and Boards:

- Board of Adjustment
- Building Advisory Board of Appeals
- Housing Board
- Planning Commission
- Transportation Commission
- Airport Advisory Board
- Development Review Board

Mr. Richert discussed Division initiatives, and indicated the General Plan must be updated by 2011 so a vote can occur in 2012. The City is required to update this plan every 10 years, and it is important to vector the entire community in the same direction. The goal is to make sure that the neighborhoods, businesses, and property owners know the direction the City is taking.

In regard to Community Area Plans, the southern and Airpark plans are ripe for redevelopment and improvements. Neighborhood Area Plans generally increase property values and enhance quality of life in communities.

Mr. Richert discussed the importance of leveraging Prop. 400 regional funding and completion of the American Recovery and Reinvestment Act projects.

Commissioner Berlese asked if the fee for expedited reviews is still in place. Mr. Richert indicated that it is; however, they have not had to use it in four years since reorganization has improved turnaround times.

In response to an inquiry by Commissioner Berlese, Connie Padian explained the City currently has three fee reduction programs in place in order to attract new business. This program expires July 1<sup>st</sup>, 2009, and the City must consider whether to extend it.

Vice Chair Smith asked for clarification regarding employee distribution within the division. There are 85 employees in Development Services, 20 in Transportation, 13 in Neighborhoods, and 176 in the Planning Department; 49 of those FTEs are set to be eliminated.

Commissioner Ecton asked if the City will be allowed to re-install photo radar on the Loop 101. Transportation Planning and Transit Director Dave Meinhart indicated that is now under the jurisdiction of the State of Arizona. Transportation General Manager Mary O'Connor said Council has asked staff not to intervene in the Loop 101 discussions. Staff is focusing on protecting the current arterial photo enforcement program.

Commissioner Ecton asked for clarification regarding subsidies for bus services. Ms. O'Connor indicated it varies by route. Newer route subsidies are as low as 10 to 15 percent. The most productive routes receive 25 to 30 percent subsidies.

Commissioner Ecton asked whether there is a plan to extend trolley route wait times. Ms. O'Connor said staff is proposing to take the Downtown trolley route to the same frequency as the neighborhood trolley route, which is at a 20-minute frequency. Commissioner Ecton asked if there was a plan to correct the trolley wait signs. Ms. O'Connor said they would be updated based on the new routes.

Commissioner Foster discussed the intern program, and asked whether it might be prudent to keep and even expand the program during these economic times. Mr. Richert said the concern is the length of the program, and the ability to provide jobs for individuals in the program after the internship is complete.

Chair Schmitt opened public comment.

**Michael Kelly**, 8973 N. 84<sup>th</sup> Way, discussed the General Plan, noting that Scottsdale is far ahead of other Arizona cities in this regard. He said there is no more critical function in any organization than its core planners. He asked the Commission to recognize that the work they do pays off for the City far into the future, and that they are critical employees.

**3. Public Works and Water Resources – Dan Worth, Municipal Services General Manager, (480)312-5555, [Dworth@scottsdaleaz.gov](mailto:Dworth@scottsdaleaz.gov) and Marshall Brown, Water Resources General Manager, (480) 312-5683, [Mbrown@scottsdaleaz.gov](mailto:Mbrown@scottsdaleaz.gov)**

Municipal Services General Manager Dan Worth stated the core function of this group is to build, operate, and maintain the City's physical infrastructure including streets, buildings, City-owned utilities, water, wastewater, storm water, and major capital equipment. It also provides traditional public works services.

Mr. Worth discussed funding sources, which he listed as follows:

- General Fund (Facilities Management)
- Special Program Revenue Fund (Transportation)
- Enterprise Fund (Water Resources/Solid Waste)
- Internal Service Fund (Fleet)

- Capital Projects Management

There has been a net reduction of 27 FTEs, approximately five percent across the division.

The primary functions provided by the Public Works organization are as follows:

- Capital Projects Management Group
  - Project Management
  - Construction Administration and Inspection
  - Design
  - Real Property Group
  - 47 FTEs
- Streets Group
  - Maintenance of asphalt and concrete
  - Maintain storm drain structures
  - Maintain dirt roads/shoulders
  - Maintain alleys
  - Traffic Operations
  - Environment compliance
  - 61 FTEs
  - \$17 million budget
    - \$7.2 million in asphalt maintenance contracts
    - \$1.6 dust control contract
    - \$1 million annual electric costs
- Facilities Management Group
  - 53 FTEs
  - \$18.7 million budget
  - Building operation and maintenance
  - \$1.5 million in custodial contracts
  - \$5.8 million for utilities
- Solid Waste Management
  - 89 FTEs
  - \$16.6 million budget
  - Residential and commercial solid waste collection
  - \$3.5 million solid waste disposal contract
  - \$800,000 transfer services contract
  - \$350,000 commodities (containers)
- Fleet Management
  - Acquisition and disposition of vehicles
  - 48 FTEs
  - \$13.9 million budget
  - \$920,000 in repair contracts
  - Solid waste vehicle support
  - Construction/fire equipment support
  - Commodities
  - \$3.1 million fuel budget
  - \$3 million parts budget

Mr. Worth stated the supervisor to employee ratio varies from division to division; it varies from approximately 1:6 to 1:11.

Chair Schmitt asked whether a flood control engineer was retained in the core engineering staff. Mr. Worth stated the supervisor of the in-house engineering staff is a registered civil engineer who has experience with stormwater improvement projects.

In response to an inquiry by Commissioner Foster, Mr. Worth indicated the Stormwater Management Division has engineers on staff that review private development stormwater plans. Due to the reorganization, that element is transferring to the Planning, Neighborhoods, and Transportation Services Department.

Mr. Worth discussed adjustments made to the current year budget in his division:

- Fuel consumption - less than \$4 million spent of the \$5 million budgeted in FY '08/'09.
  - Implemented technology changes to reduce fuel consumption
  - Satellite fuel facility construction
  - Operational changes to reduce consumption

Mr. Worth stated the fuel savings is being reinvested in a satellite fuel facility and an upgraded fuel management system.

Commissioner Berlese asked for clarification regarding CNG fuel usage in the City. Mr. Worth stated the City owns a number of vehicles that are bi-fuel vehicles; however, usage has gone down in recent years due to lack of availability and fuel costs. Due to a contract with a CNG provider, the City does have a store of this fuel and is currently purchasing CNG solid waste vehicles.

Mr. Worth continued his presentation as follows:

- Reduce street overlays for a savings of \$1.775 million
- Eliminate alley grooming, saving \$82,000
- Reduce household hazardous waste and electronics recycling events, saving \$135,000
- Defer facility maintenance and improvements

Enhancements and efficiencies achieved within the division include:

- In-house design for capital projects
- ADOT self-certification
- Construction inspector staffing reductions via reallocation
- Combining Street Ops/Traffic Ops/ITS into one group
- SRP streetlight purchase, saving \$15,000 in maintenance costs per month
- Reduce street sweeper routes
- Additional solid waste container repair facility
- Implementing logistical space management efficiencies

Commissioner Ecton expressed concern regarding reducing street sweeper routes in the downtown area. Mr. Worth indicated those routes would not be changed.

Major CIP projects:

- New Corp Yard facilities
- New District I maintenance facilities
- South Thunderbird Maintenance Facility

The Division is pursuing the following funding:

- HERF funding
- Federal stimulus funding
- Energy efficiency block grant
- 2 percent Solid Waste Enterprise Fund proposed rate increase

Commissioner Ecton asked if the City would ever recover from the reduced solid waste increase. Mr. Worth said staff is confident that it is a sustainable reduction.

Water Resource General Manager Marshall Brown provided a background on how the operating budget for Water Resources is constructed, and water usage history. The adopted FY 2008/2009 Water Resources budget was \$64.5 million, which has since been revised to \$60 million. Three FTEs have been eliminated; however, the new treatment facility will need to be staffed, for a net gain of two FTEs in Water Resources. It costs approximately \$10 million to operate one treatment facility. Personnel services is a relatively small percentage of the overall budget.

In response to an inquiry by Commissioner Ecton, Mr. Brown said the City has multiple contracts for CAP water. The price of water is fairly fixed, with the exception of operating costs to get the water to the City.

The primary functions of Water Resources are:

- Providing drinking water and wastewater
- Groundwater recharge and recovery
- Water reclamation and distribution
- Regulatory compliance

Water Resources is divided into four departments:

- Water Operations
- Water Treatment
- Water Engineering
- Water Quality

Major budget adjustments include:

- Decreased demand
- Reduced consultant contracts
- Reduced travel/training
- Reduced maintenance supply
- 5-6 percent electrical rate increase
- Up to 35 percent increase in chemical prices
- Treatment media price increases

Mr. Brown stated a 20 million gallon a day facility is being constructed. This facility will be using new, advanced technology, and will require operators with that expertise to operate it. Five new positions are planned for that purpose.

A GAC facility was recently constructed at the CAP treatment plant, which will be run with existing staff.

Enhancements and efficiencies resulting in cost savings:

- Seasonal operation for GAC facilities
- Modified chemical feed systems to use more cost-effective chemicals
- Shifted maintenance and construction activities in-house
- Established north and south service areas to reduce travel times
- Adjusted overall sewer collection system operation
- Completed an asset management evaluation to enhance existing programs
- Consolidated workgroups

Major CIP projects:

- CAP plan expansion completion
- Sewer collection system improvements
- Advanced water treatment plant expansion
- Water distribution system improvements

Current water policy issues and initiatives:

- Water quality regulation changes
- Disinfection byproduct regulation changes
- Salinity regulation changes
- Pharmaceutical regulation changes
- Arizona American Water Company service area issue
- Superfund site
- Sale of Planet Ranch
- System optimization
- Federal stimulus funding
- Sustainability
- Proposed water and wastewater rate increases

Commissioner Ecton asked when American Waterworks would go back to taking water from their wells rather using the City's water, which has created problems at the CAP canal. Mr. Brown indicated Arizona American Water Company currently pumps their wells; however, the aquifer is interconnected. 100 percent of their demands are met with groundwater pumping, which has resulted in a reversal of the gradient.

Commissioner Ecton commented that the new pumping station is well designed.

Commissioner Foster asked how much water is lost through evaporation along the canal. Mr. Brown said although exact calculations have not been done it is significant, probably in the range of five to ten percent of the overall volume per year. There is a minimal amount of seepage; however, the concrete lining was designed to greatly minimize that.

Commissioner Borowsky noted that Water Resources was \$6.7 million under the adopted budget. He asked for clarification regarding how that money was saved. Mr. Brown explained it was a result of a combination of things, including lower demands for water, consolidation of work responsibilities, and commodities savings. Staff is proposing a \$63 million budget FY 2009/2010, which is lower than the \$64.5 million request last year. While that includes the cost increases discussed, the efficiencies put in place allows for a reduction in the total budget.

In response to an inquiry by Vice Chair Smith, Mr. Brown explained water cost fluctuations is associated with demand. The budget must always anticipate peak usage. A reserve fund specific to

water is set aside in the case of an emergency. Mr. McCarty indicated there are three reserves in the water fund: Operating Reserve \$18.5 million, reserve for repair and replacement of infrastructure of \$28 million, and a contractual obligation reserve of \$3 million.

Commissioner Foster asked for more information regarding fluctuating water usage. Mr. Brown stated weather and climate (wet/dry years) create these trends, as well as water conservation efforts and decreased tourism.

Commissioner Borowsky asked if the water reserve funds are a Scottsdale reserve or a bonding requirement reserve. Mr. McCarty explained some of these reserves are based on City-established policy. There are outstanding bond requirements also. Enterprise Finance Manager John Ralston explained the contractual reserve pertains to a number of contractual agreements the City holds, primarily with golf courses.

Public Works/Water Resources board and commission interactions:

- Environmental Quality Advisory Board
- Citizen Bond Review Commission
- Transportation Commission
- Development Review Board

Mr. Worth said his division is reviewing areas of commonality between Public Works and Water Resources to achieve additional efficiencies. In addition, overhead associated with staff reductions will be consolidated to achieve additional savings.

Commissioner Berlese discussed the importance of this division to the City. He expressed concern regarding deferring preventative maintenance, stating it will have an impact in future budget years.

Commissioner Berlese asked for an organizational chart that separates the two departments for future reference.

Commissioner Berlese asked if downtown businesses help fund enhanced services. Mr. Little indicated the Enhanced Municipal Services District achieved sunset three years ago, and there are currently no private sector contributions to enhance maintenance downtown.

Commissioner Berlese asked how much office space the City currently leases. Mr. Worth said there is not a substantial amount of leased office space; however, total leases are approximately \$400,000 a year. Alternatives are being researched to leave the City with an efficient, sustainable base of space to support all services.

Mr. Little said while many deferrals, delays, and adjustments have been made, there have been very few eliminations and staff is confident in the proposed budget. He discussed succession planning and developing organizational sustainability and its importance in successful City function.

## **Commissioner Comments**

Commissioner Ecton expressed concern regarding Community Services' proposed budget and spending. She stated there are many citizens in need, especially seniors, and Scottsdale Cares is short of money. She suggested reallocating funds in order to assist citizens who have been hurt by the economy.

Vice Chair Smith said he has a concern regarding the lack of a contingency or safety plan in the proposed budget. In addition, he indicated he shares Commissioner Ecton's concern regarding the

priorities of Community Services. He stated the City not only has an obligation to maintain the quality of services that citizens expect, but also to take care of those who have the greatest need.

Vice Chair Smith said it would be helpful for the Commission to have information regarding wages and benefits for various departments and the City as a whole. Mr. McCarty indicated staff has been working on that request; it will be provided to the Commission within a few days.

Mr. McCarty explained there is an aggregate contingency of \$32 million for the General Fund.

Several Commissioners thanked staff for their work.

### **Chairman's Comments**

Chair Schmitt thanked staff for their presentations.

### **Public Comment**

None noted.

### **Adjournment**

Being duly moved and seconded, the meeting adjourned at 9:52 p.m.

Respectfully submitted,

A/V Tronics Inc., DBA AVTranz