

**SUMMARIZED MINUTES  
SCOTTSDALE CITY COUNCIL AND  
BUDGET REVIEW COMMISSION  
JOINT MEETING  
TUESDAY, APRIL 7, 2009**



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

**CALL TO ORDER**

Mayor W.J. "Jim" Lane called to order a Joint Meeting of the Scottsdale City Council and Budget Review Commission at 6:57 P.M. on Tuesday, April 7, 2009 in the City Hall Kiva.

**ROLL CALL**

City Council Present: Mayor W.J. "Jim" Lane  
Vice Mayor Ron McCullagh  
Councilmembers Lisa Borowsky, Wayne Ecton,  
Suzanne Klapp, Robert Littlefield, and Tony Nelssen

Budget Review  
Commission Present: Vice Chair David N. Smith  
Commissioners Bob Berlese, Eric Borowsky,  
Martha Ecton, Michael Foster, and Donna Reagan

Also Present: City Manager John C. Little  
City Attorney Deborah Robberson  
City Clerk Carolyn Jagger

Absent: Budget Review Commission Chair Lou Schmitt

**1. Overview of City Manager's Organizational Restructuring and 2009/10 Budget Strategies**

**Request:** Joint meeting with the City Council and Budget Review Commission. Present and discuss the City Manager's proposed organizational restructuring and 2009/10 budget strategies.

**Staff Contact(s):** Scott McCarty, Assistant Financial Services General Manager, 480-312-7582, [smccarty@scottsdaleaz.gov](mailto:smccarty@scottsdaleaz.gov); and Art Rullo, Budget Director, 480-312-2435, [arullo@scottsdaleaz.gov](mailto:arullo@scottsdaleaz.gov)

**NOTE:** IN ACCORDANCE WITH PROVISIONS OF THE ARIZONA REVISED STATUTES THE SUMMARIZED MINUTES OF CITY COUNCIL MEETINGS ARE NOT VERBATIM TRANSCRIPTS. THESE MINUTES ARE INTENDED TO BE AN ACCURATE REFLECTION OF ACTION TAKEN BY THE CITY COUNCIL. DIGITAL RECORDINGS OF CITY COUNCIL MEETINGS ARE ON FILE IN THE CITY CLERK'S OFFICE.

City Manager John C. Little gave a PowerPoint presentation (attached) outlining the proposed restructuring of the City's organization.

Mayor Lane opened public testimony.

**Michael Kelly**, Scottsdale resident, spoke of the importance of the General Plan and suggested that the Budget Review Commissioners become familiar with the elements of the Plan.

Mayor Lane closed public testimony.

#### Discussion:

- Council asked which department(s) would assume the responsibility for administering the City's trails system and the Preserve. City Manager Little explained that the Preserve is divided into two components, and that operations and management of the Preserve will be assigned to the Community Services Department. Acquisition of land for the Preserve will be delegated to the Strategic Resources Group. Oversight of the City's trails system will be tasked to the Community Services Department. Mr. Little added that the Purchasing Department will remain with Financial Services. Environmental Initiatives personnel will be positioned within the Planning, Neighborhoods and Transportation Department; however, the Executive Committee will explore the possibility of managing the environmental initiatives effort as a portfolio project.
- In response to Council questioning, Mr. Little identified Planning, Neighborhoods and Transportation Managing Director David Richert as the person responsible for implementation of the General Plan provisions in all projects. He explained that the Executive Committee will create a work plan for implementing and updating the General Plan, and it will be the responsibility of senior staff to know the provisions of, and their role in, implementing the General Plan.
- Mr. Little reported that, presently, there are 2,800 City employees. Through early retirement incentives, attrition, and staff reduction, there will be approximately 204 positions eliminated, resulting in 2,600 City employees by September 2009. The 204 positions include positions in the Charter Offices, and represent approximately a 7% reduction in personnel. Mr. Little explained that 40% of the personnel who are retiring are from the managerial, professional, supervisory, or technical job categories. With the elimination of these positions, the resulting organization structure will be less hierarchal. He said staff will cross-train, become more effective, and will be better able to respond to future needs of the residents.
- Some Councilmembers questioned the need for further staff reductions to decrease budget deficits. Mr. Little replied that many budget reduction strategies will be considered, including modification of employee benefits and compensation, personnel reductions, continued reorganization, accounting changes, deferral of capital projects, and any or all of the strategies combined. He said personnel staffing levels will be reduced where it is prudent to do so, but it is important to maintain appropriate service levels for the City's residents.
- Council asked for clarification as to the responsibility and operation of the Executive Committee. Mr. Little said that the Executive Committee will consist of the Division Managing Directors, who will be entrusted to work collaboratively in making day-to-day operating decisions. He explained that the structure depends on trust, clear

communication, clear lines of responsibility and accountability, and adhering to the City's core values. Mr. Little noted that the positions on the Executive Committee are designed to have people move in and out of them after extended periods of time once they gain broader organizational experience. He cited the example of having Chief William McDonald replacing Chief Alan Rodbell on the Executive Committee in the Public Safety position after a two to three-year period. Mr. Little stressed that succession planning is an important component to the model.

- Concern was expressed about placing the Code Enforcement Department within the purview of Economic Vitality. Mr. Little explained that he shares this concern; however, he believes successful code enforcement creates better neighborhoods and business climates. He acknowledged that it will take effective management and education to change the community's perspective on how to use code enforcement for a larger community objective.
- Councilmembers and Commissioners acknowledged the benefits of the proposed organization structure, and stated that the reorganization may result in increased efficiency of City operations by streamlining procedures and reducing redundancies.

City Manager Little continued the PowerPoint presentation (attached) on budget balancing strategies.

#### Discussion:

- Financial Services General Manager Scott McCarty reported that there will be approximately 100 participants in the early retirement incentive program. One-half of the participants will retire prior to July 1, 2009, and the remaining participants will be retired by September 18, 2009. He said that the early retirement incentive program will cost the City \$7.5M. Mr. McCarty explained that the associated program costs will be funded in FY 2008/09, and that the net savings in salary reductions will be about \$9M in FY 2009/10 and \$8M in FY 2010/11.
- In response to Council questions regarding staff costs allocated to CIP, Mr. McCarty clarified that funding for CIP administrative staff is made by reallocating \$2M from the General Fund into the capital improvement program. He said that the \$2M will be deducted from the CIP Fund on a permanent basis, and acknowledged it will reduce the capital funds available for projects.
- Council expressed concern about using funds from the CIP programs to reimburse the General Fund, and cautioned staff against continued use of this practice. Mr. McCarty explained that the proposal to transfer \$9M from the CIP Fund to the General Fund is a one-time only request that would alleviate the need for the City to use reserve funds and help preserve the City's AAA bond rating.
- A Councilmember asked the Budget Review Commission to study the issue of hiring independent legal counsel to explore the possibility of extricating the City from the obligations of the City's public pension plans, and return to the Council with a recommendation.
- City Attorney Deborah Robberson explained that pensions for government employees are constitutionally protected. She believes the law is clear that cities do not have the ability to change pension plans for current employees. The City has a joinder agreement with the Arizona State Retirement System (ASRS) that commits the City to enrolling future employees into the State's retirement system. Ms. Robberson said she will provide a written memorandum to the Council outlining her legal advice.

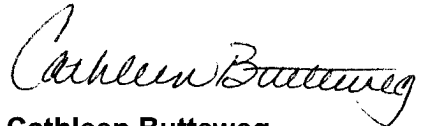
**PUBLIC COMMENT**

**Mildred Hamilton**, Scottsdale resident, stated that she has collected signatures from people who oppose closing Eldorado Pool during the winter months. She reported that the majority of the people surveyed support paying additional fees to keep the pool open during the winter.

**Adjournment**

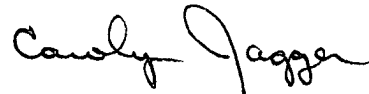
With no further business to discuss, the meeting adjourned at 9:48 p.m.

**SUBMITTED BY:**



**Cathleen Butteweg**  
Recording Secretary

**REVIEWED BY:**



**Carolyn Jagger**  
City Clerk

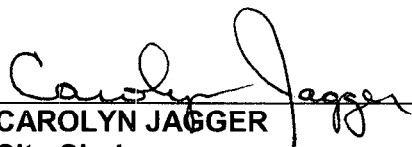
Officially approved by the City Council on May 5, 2009

## CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Joint Meeting of the City Council and Budget Review Commission of Scottsdale, Arizona held on the 7th day of April 2009.

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

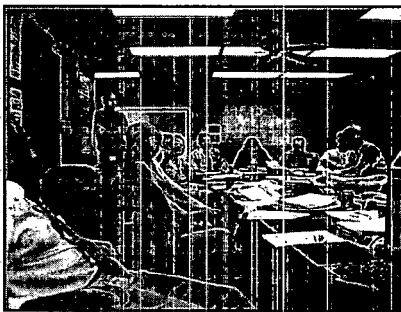
**DATED** this 5th day of May 2009.

  
CAROLYN JAGGER  
City Clerk

# Proposed restructuring of city government

*April 7, 2009*

## Developing a new organization model

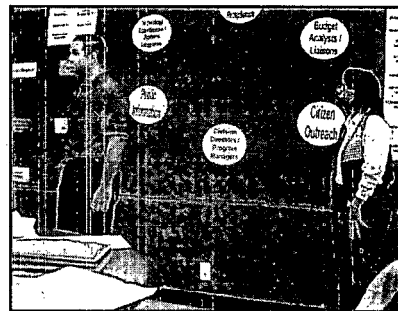


### **GOALS:**

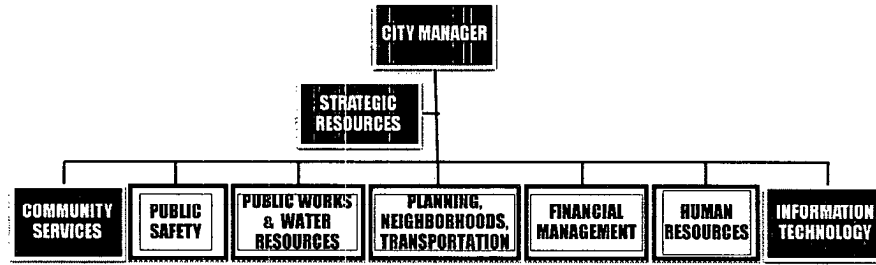
- Smaller
- More responsive to change
- More resilient

### **RESULTS:**

- Flatter organizational structure
- Consolidated work functions
- Smaller, less hierarchical
- Currently analyzing staffing and resource levels for additional savings



## Proposed new organization model



STR	PUB	PUB	PLA	FINA	HU	INFORMATION TECHNOLOGY:	
Ecd	Fire	Cap	TRA	Cus	Div	Application Development / Support	
El	Pol	Fac	Cur	Fin	Em	Enterprise Operations	
Gov		Fled	Dev	Fin	Em	Geographic Information Systems	nter
Adv		Sol	Lon		Sta	Network Security/Support	
		Stre	Nei		Wo	Project Integration / Web Services	

Transportation

## Next steps

1. **Budget Review Commission discusses new structure as part of division budget reviews and makes recommendations to City Council**
2. **City Council reviews the new structure, holds public hearings, and adopts as part of budget**
3. **After budget adoption, the City Council considers an ordinance authorizing the new structure**

# **OVERVIEW**

## **Budget Balancing Strategies**

**City Council and Budget Review  
Commission Joint Meeting**

**April 7, 2009**

## **Revenue Summary**

- Unprecedented economic climate
  - Revenues Significantly Reduced (e.g. sales tax, building permit revenues)
- Erosion of City's Revenue Base
  - Auto Dealerships
- FY 08/09 Forecast \$40M (13%) less
- FY 09/10 Forecast an additional \$25M less

## **Strategies To Date**

- Eliminated ~ 200 FTEs and contract workers:
  - 42% Professional Staff
  - 58% Hourly Staff
- Did not go forward with a 2% pay increase intended for January 1, 2009 (\$4M)
- Line item reductions such as supplies, fuel, service contracts, transit, travel and training

## **Strategies To Date** (continued):

- Reduction / Deferral of CIP Projects. No projects eliminated.
- Staff Costs Allocated to CIP
- Reduced / Deferred Maintenance
- Assigned costs to dedicated funding sources

## **Strategies To Date** (continued)

- Eliminated Redundancies resulting from new Organizational Model
- Reasonable Adjustments in Rates and Fees per Adopted Financial Policies

## **Strategies To Date** (continued)

- Limit Growth of Healthcare Costs:
  - Retirement Health Savings account allows retirees the opportunity to find coverage outside the city's plan
  - Modified retiree eligibility requirements for city healthcare coverage
    - Existing employees grandfathered up to July 1, 2012 retirement date
    - All employees hired after July 1, 2009 not eligible for healthcare coverage as retirees

**\*\*\* Revised \*\*\***  
**Remaining Strategies**

1. Low Impact Service Reductions
2. Compensation and Benefit Reductions
3. Continued Organizational Restructuring: \$3M
4. ~~\$9 M. Use of Reserves~~ Transfer In from CIP to avoid any use of \$30M. General Fund Reserve
  - Best Protects AAA Bond Rating
  - Reflects City Priorities
  - Proposed CIP remains unchanged
  - Reduces ability to add future CIP projects

**Budget Review Calendar**

*Release of City Manager's Recommended  
Budget – April 15*

**Meeting**

- |          |  |
|----------|--|
| April 20 | Division Budget Review                     |
| April 23 | Division Budget Review                     |
| April 27 | Division Budget Review                     |
| April 30 | Finalize Commission Recommendations        |
| May 5    | Commission Recommendations to City Council |
| May 19   | Public Hearing and Tentative Adoption      |
| June 2   | Public Hearing and Final Adoption          |

**OVERVIEW**  
**Budget Balancing Strategies**

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**April 7, 2009**