

Budget Review Commission Report

*City Council Work Study Meeting
May 5, 2026*



Budget Review Commission Members

Daniel Schweiker (Chair)
Mark Stephens (Vice Chair)
Carla
Sklyer Badenoch
Bob Lettieri
Brad Newman
Randy Pullen

Ordinance No. 4700

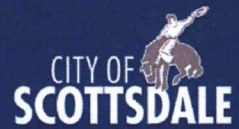
Sec. 2-383 Purpose, Powers and Duties of BRC

- Advisory to Council
- Primary purpose of BRC is to review and make recommendations on the Proposed Budget for the following fiscal year prepared by staff
- BRC may also review additional budget areas as directed by Council (requires approval and direction from Council)

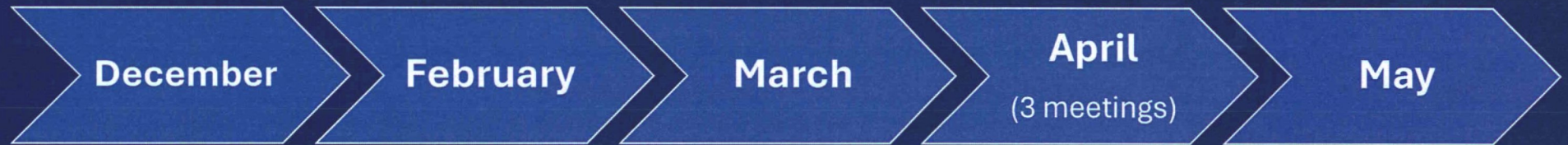
Council Direction and Suggestions to BRC (Based on Nov 17 Council Workstudy)

- Examine financial trends and ratios, comparison to peer cities
- Review budget variances
- Review the Proposed FY26/27 Budget and CIP prepared by staff
- Bring forward budget topics for consideration, focusing on major issues and larger costs
- Identify focused approach and specific scope of work for review

BRC Discussions and Reviews (December through April)



BRC Review Timeline



- Financial Ratios
- Revenue Trends
- Budget Variances

- Preliminary Capital Improvement Plan (CIP)

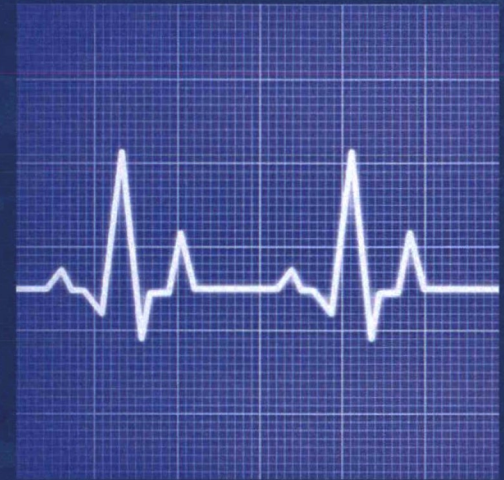
- General Fund Revenue Forecasts
- Budget Variances

- Proposed FY26/27 Operating Budget

- Report to Council

Review of Financial Conditions Report

Reviewed financial ratios and trends from 2007 to 2025
and comparison to peer cities



- Some Observations:
 - City budget is structurally balanced
 - City is focused on structural balance and financial sustainability
 - City compares well generally to peer cities
 - Scottsdale is very dependent on sales tax and tourism

Review of Quarterly Budget Variances

Reviewed budget variances for major funds for quarters ended September 2025 and December 2025

**Budget
VS
Actual**

- Some Observations:
 - New ERP system created typical conversion challenges
 - There were no material unexplained differences
 - Valuable learning tool for Commissioners

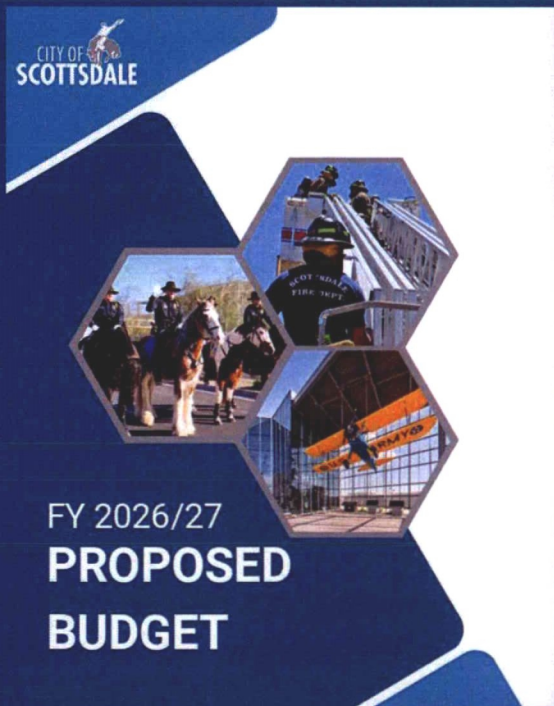
Review of Major Revenue Trends and Projections

Reviewed major General Fund revenue historical trends and projections

- Some Observations:
 - Scottsdale is highly dependent on sales tax and tourism
 - Revenues can be threatened by State and Federal actions (e.g. OBBBA conformity possibility)
 - Projected sales tax revenue increase of 3% in-line with expected GDP growth and inflation



Review of Proposed FY26/27 Budget and 5 Year CIP



- Reviewed CIP projects proposed and City Manager's new CIP methodology
 - Concerns that substantial water and sewer needs are not reflected in 5-year CIP
 - Concerns that new 5-year CIP methodology limits assessment of funding needs and fiscal sustainability
- Reviewed Operating Budget by Fund on April 10, 16 and 23

Recommendations on Proposed FY2026/27 Budget and CIP



Public Comments and Discussions

Public Comments Received

- Public commenters specifically requested that the Bartlett Dam and APRW projects be reinstated into the 5-year CIP
 - City Manager added \$100M in CIP funding in FY27/28 to provide for water sources and supply projects, which will be defined when studies are complete
- Consideration for loss of federal funding for certain Human Services programs
 - City provided memo on various housing federal funds and risks

BRC Recommendations on Proposed FY26/27 Budget and 5-Year CIP

1. Include feasibility study for Granite Reef Senior Center in the CIP
2. Evaluate restoring APRW project in CIP once cost studies are complete
3. Report on financial sustainability of the 5-year CIP in-light of methodology change to exclude project completion costs when projects are not fully scoped
4. Evaluate sufficiency of \$2M additional PSPRS contributions for Fire and if additional contributions are needed for Police and Fire after the 2026 actuarial reports are released in December

Proposed Future Areas of Focus for BRC
(Requires Approval and Direction from Council)



Proposed Future Areas of Focus for BRC

1. Sales Tax Structure Review

Evaluate alignment of sales tax rates to city needs

2. 2004 Preserve Tax Repurpose

Evaluate prior to the FY28/29 budget cycle, the possibility of repurposing the 2004 0.15% Preserve tax for other city needs

3. 2019 Bond Program Review

Review uncommitted bond funds with current needs



Note: detail descriptions of each proposed area contained in appendix

Proposed Future Areas of Focus for BRC

4. Federal Funding Cuts Contingency Plan

Develop contingency plan for reduction in federal funding for vulnerable citizens and impact to General Fund

5. Aging Facilities – Adequate Funding

Review aging facilities and ensure adequate funding for FY27/28 budget



Note: detail descriptions of each proposed area contained in appendix

Next Steps

Council Resolution or Motion to Direct BRC on Proposed Future
Areas of Focus

Appendix

(Detail Description of Proposed Future Areas of Focus for BRC)

Description on Proposed Future Areas of Focus for BRC

1. Sales Tax Structure Review

- Voter-mandated sales tax revenue categories have aged and may not align proportionally with actual spending needs across the city
- Request staff evaluate the gap between mandated revenues/allocations and real demand—identifying trapped surpluses and structural deficits.
- Recommend areas where the sales tax structure should be realigned proportionally to fund major community priorities.

No new or incremental taxes proposed—overall sales tax burden remains unchanged. And any structural change would require a voter referendum.

Description on Proposed Future Areas of Focus for BRC

2. 2004 Preserve Tax - Repurpose

- Prior to the FY28/29 Budget Cycle, request staff to evaluate for review and recommendation to BRC and Council 1) the payoff the McDowell Sonoran Preserve debt when it becomes eligible and 2) the repurposing of the 0.15% sales tax that expires in 2034 to major road/water/drainage maintenance programs to renew city's infrastructure backbone.

No new or incremental taxes proposed—overall sales tax burden is constrained to remain unchanged in this evaluation. And any repurpose would require a voter referendum.

Description on Proposed Future Areas of Focus for BRC

3. 2019 Bond Program Review

- Various voter-approved bond projects have not be implemented due to COVID delays and limited annual capital project bandwidth
- Are these projects still relevant to voter and city needs?
- Staff is requested to evaluate the completion status of 2019 bond projects and recommend potential changes that better reflect updated city priorities and funding realities.

No new or incremental taxes proposed—overall sales tax burden is constrained to remain unchanged in this evaluation. And any restructure would require a voter referendum.

Description on Proposed Future Areas of Focus for BRC

4. Federal Funding Cuts – Contingency Plan

- Develop realistic contingency plan for most vulnerable residents, especially seniors and determine impact of reduction in federal funding and resulting impact on General Fund, especially impact of federal funding cuts on Paiute Community Center

5. Aging Facilities – Adequate Funding

- Identify and take a closer look at aging facilities over the summer to ensure adequate funding for the FY2027/28 budget