SCOTTSDALE CITY COUNCIL
REGULAR MEETING AND WORK STUDY SESSION MINUTES
TUESDAY, JANUARY 13, 2026

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

CALL TO ORDER

Mayor Lisa Borowsky called to order a Regular Meeting and Work Study Session of the Scottsdale City Council at 5:05 P.M. on Tuesday, January 13, 2026 in the City Hall Kiva Forum.

ROLL CALL

Mayor Borowsky asked City Clerk Ben Lane to conduct the roll call.

Present:	Mayor Lisa Borowsky; Vice Mayor Adam Kwasman; and Councilmembers Jan Dubauskas, Barry Graham, Kathy Littlefield, Maryann McAllen, and Solange Whitehead
Also Present:	City Manager Greg Caton, Interim City Attorney Luis Santaella, City Treasurer Sonia Andrews, Acting City Auditor Lai Cluff, and City Clerk Ben Lane

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Councilwoman Dubauskas.

INVOCATION

Councilwoman Whitehead introduced Pastor Jackie Parks, with the South Scottsdale Presbyterian Church, to give the invocation.

MAYOR'S REPORT

Mayor Borowsky noted the passing of former Attorney General Mark Brnovich and expressed her condolences to his family.

Mayor Borowsky thanked residents for attending the January 7, 2026 Special Meeting related to the Old Town and Downtown Scottsdale.

Mayor Borowsky announced the creation of the Mayor's Ad Hoc Downtown Scottsdale Task Force. This 15-member group will focus on key issues like parking, marketing, tourism, and the Downtown

Character Area Plan. Members will represent Historic Old Town, Fifth Avenue, the Entertainment District, and the Arts District, and will include merchants, property owners, and tourism leaders. She indicated that anyone interested in serving should contact the Mayor's Office.

PRESENTATION/INFORMATION UPDATES

- **Employee Recognition Program**
  The City Council will recognize employees with 20 or more years of service as of January 2026.
  Presenter(s): Holly Peralta, Communications and Public Affairs Interim Senior Director
  Note: The Council may make comments or ask questions to the presenter(s); however, no Council action will be taken.

Communications and Public Affairs Interim Senior Director Holly Peralta gave a PowerPoint presentation (attached) which recognized City of Scottsdale employees with 20 or more years of services as of January 2026.

MINUTES

Request: Approve the following Council meeting minutes from October 2025:

a. **Work Study Session Minutes of October 7, 2025**
b. **Regular Meeting Minutes of October 7, 2025**
c. **Special Meeting Minutes of October 21, 2025**
d. **Regular Meeting and Work Study Session Minutes of October 21, 2025**

MOTION AND VOTE - MINUTES

Councilwoman Whitehead made a motion to approve the Work Study Session Minutes of October 7, 2025; the Regular Meeting Minutes of October 7, 2025; the Special Meeting Minutes of October 21, 2025; and the Regular Meeting and Work Study Session Minutes of October 21, 2025. Councilwoman McAllen seconded the motion, which carried 7/0, with Mayor Borowsky; Vice Mayor Kwasman; and Councilmembers Dubauskas, Graham, Littlefield, McAllen, and Whitehead voting in the affirmative.

MOTION AND VOTE – SUSPEND THE RULES OF COUNCIL PROCEDURE

Councilwoman Whitehead made a motion to suspend the Rules of Council Procedure to allow for Non-Agendized Public Comment to be at the beginning of the meeting instead of the end. Councilwoman McAllen seconded the motion, which failed 3/4, with Mayor Borowsky and Councilmembers McAllen and Whitehead voting in the affirmative and Vice Mayor Kwasman and Councilmembers Dubauskas, Graham and Littlefield dissenting.

CONSENT AGENDA

1. **Pistoleros Parrilla Liquor License (82-LL-2025)**
   Request: Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses & Control for a location and owner transfer of a Series 6 (Bar) State liquor license for a new location and owner.
   Location: 4333 N. Civic Center Plaza
   Staff Contact(s): Tim Curtis, Current Planning Director, 480-312-4210, tcurtis@scottsdaleaz.gov

2. **Sinclair Dino Mart Liquor License (87-LL-2025)**
Request: Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses & Control for a new Series 10 (Beer and Wine Store) State liquor license for an existing location with a new owner.
Location: 304 N. Hayden Road
Staff Contact(s): Tim Curtis, Current Planning Director, 480-312-4210, tcurtis@scottsdaleaz.gov

3. **Johnny Chews Liquor License (89-LL-2025)**
Request: Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses & Control for a location and owner transfer of a Series 7 (Beer and Wine Bar) State liquor license for an existing location with a new owner.
Location: 7320 E. Scottsdale Mall
Staff Contact(s): Tim Curtis, Current Planning Director, 480-312-4210, tcurtis@scottsdaleaz.gov

4. **Craft Kitchen Café Liquor License (90-LL-2025)**
Request: Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses & Control for a new Series 12 (Restaurant) State liquor license for an existing location with a new owner.
Location: 15600 N. Hayden Road, Building B
Staff Contact(s): Tim Curtis, Current Planning Director, 480-312-4210, tcurtis@scottsdaleaz.gov

5. **Ari and Lloyd American Bistro Liquor License (91-LL-2025)**
Request: Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses & Control for a new Series 12 (Restaurant) State liquor license for a new location and owner.
Location: 7107 E. 6th Avenue
Staff Contact(s): Tim Curtis, Current Planning Director, 480-312-4210, tcurtis@scottsdaleaz.gov

6. **Din Tai Fung Liquor License (92-LL-2025)**
Request: Consider forwarding a recommendation of approval to the Arizona Department of Liquor Licenses & Control for a new Series 12 (Restaurant) State liquor license for a new location and owner.
Location: 7014 E. Camelback Road, #0608
Staff Contact(s): Tim Curtis, Current Planning Director, 480-312-4210, tcurtis@scottsdaleaz.gov

7. **On-Call Park Planning Architectural Services for Citywide Transportation and Infrastructure Projects Contracts**
Request: Adopt **Resolution No. 13571** authorizing:
    1. The following contracts for two years with the option to extend for three additional one-year periods, in an amount not to exceed $3,000,000 for the initial two-year term of each contract, for park planning architectural services on an on-call basis for transportation and infrastructure projects throughout the City:
        a. Contract No. 2026-001-COS with Dig Studio, Inc.
        b. Contract No. 2026-002-COS with Kimley-Horn and Associates, Inc.
        c. Contract No. 2026-003-COS with WERK, LLC

2. The City Manager, or designee, to execute any other documents and take such other actions as necessary to carry out the intent of this Resolution.

Staff Contact(s): Alison Tymkiw, City Engineer and Transportation and Infrastructure Senior Director, 480-312-7760, atymkiw@scottsdaleaz.gov

8. On-Call Structural Design Services Contract Extensions

Request: Adopt **Resolution No. 13573** authorizing:

1. The following one-year contract extensions, in an amount not to exceed $750,000 per contract, for on-call structural design services:
   a. Contract No. 2024-002-COS-A1 with Caruso Turley Scott, Inc.
   b. Contract No. 2024-003-COS-A1 with GFT Infrastructure, Inc. (formerly Gannet Fleming, Inc.)
   c. Contract No. 2024-004-COS-A1 with Kimley-Horn and Associates, Inc.
   d. Contract No. 2024-005-COS-A1 with Point Engineers, LLC
2. The City Manager, or designee, to execute any other documents and take such other actions as necessary to carry out the intent of this Resolution.

Staff Contact(s): Alison Tymkiw, City Engineer and Transportation and Infrastructure Senior Director, 480-312-7760, atymkiw@scottsdaleaz.gov

9. Fire Station 601 Ambulance Annex Preconstruction Phase Services Contract

Request: Adopt **Resolution No. 13575** authorizing:

1. Construction Manager at Risk (CMAR) Contract No. 2026-005-COS with CORE Construction, Inc., in an amount not to exceed $74,240, to provide preconstruction services for the Fire Station 601 Ambulance Annex.
2. The City Manager, or designee, to execute any other documents and take such other actions as necessary to carry out the intent of this Resolution.

Location: 1901 N. Miller Road

Staff Contact(s): Alison Tymkiw, City Engineer and Transportation and Infrastructure Senior Director, 480-312-7760, atymkiw@scottsdaleaz.gov

10. Vegetation Management and Wildland Fire Fuel Reduction Services Contract Extensions

Request: Adopt **Resolution No. 13570** authorizing the following one-year contract extensions, in an amount not to exceed $2,000,000 per contract, for vegetation management and wildland fire fuel reduction services in and around the City on an as-needed basis:

1. Contract No. 2024-019-COS-A1 with ArborWorks Arizona, LLC
2. Contract No. 2024-020-COS-A1 with Artistic Land Management, Inc.
3. Contract No. 2024-021-COS-A1 with Birrueta Reforestation, Inc.

Staff Contact(s): Alison Tymkiw, City Engineer and Transportation and Infrastructure Senior Director, 480-312-7760, atymkiw@scottsdaleaz.gov

11. The Thunderbirds WestWorld Parking and Event Agreement

Request: Adopt **Resolution No. 13579** authorizing Contract No. 2026-014-COS, a Westworld Parking and Event Agreement with The Thunderbirds for temporary parking for the Waste Management (WM) Phoenix Open golf tournament and related activities at the Tournament Players Club (TPC) golf course and establishing a fee per paid attendee for access and parking.

Staff Contact(s): Chris Walsh, Deputy Parks & Recreation Director, 480-312-2551, cwalsh@scottsdaleaz.gov and Will Lofdahl, WestWorld General Manager, 480-312-6807, wlofdahl@scottsdaleaz.gov

12. Audit Committee Recommendation for the Human Services Advisory Commission Sunset Review
Request: Accept the Audit Committee's recommendation and authorize the continuation of the Human Services Advisory Commission.
Staff Contact(s): Lai Cluff, Acting City Auditor, 480-312-7851, lcluff@scottsdaleaz.gov

13. Audit Committee Recommendation for the Transportation Commission Sunset Review
Request: Accept the Audit Committee's recommendation and authorize the continuation of the Transportation Commission.
Staff Contact(s): Lai Cluff, Acting City Auditor, 480-312-7851, lcluff@scottsdaleaz.gov

14. Audit Committee Recommendation for the Transportation Commission's Paths and Trails Subcommittee Sunset Review
Request: Accept the Audit Committee's recommendation and authorize the continuation of the Transportation Commission's Paths and Trails Subcommittee.
Staff Contact(s): Lai Cluff, Acting City Auditor, 480-312-7851, lcluff@scottsdaleaz.gov

15. Scottsdale Cares Voluntary Utility Billing Donation Program Code Amendment
Request: Adopt **Ordinance No. 4699** amending Chapter 2, Article IV, Division 1, Section 2-138 of the Scottsdale Revised Code, relating to the voluntary utility billing donation program known as Scottsdale Cares, to $2.00 per meter, per month billed.
Staff Contact(s): Mary Witkofski, Interim Human Services Director, 480-312-2479, mwitkofski@scottsdaleaz.gov

16. Budget Review Commission Code Amendment
Request: Adopt **Ordinance No. 4700** amending Chapter 2, Article V, Division 17, Section 2-383 of the Scottsdale Revised Code, relating to the duties of the Budget Review Commission.
Staff Contact(s): Sonia Andrews, City Treasurer, 480-312-2364, sandrews@scottsdaleaz.gov

17. Monthly Financial Report
Request: Accept the Fiscal Year 2025/26 Monthly Financial Report as of October 2025.
Staff Contact(s): Scott Selin, Budget Department Director, 480-312-2603, sselin@scottsdaleaz.gov

PUBLIC COMMENT – CONSENT AGENDA

Mayor Borowsky opened public comment on the Consent Agenda items.

Roger Lurie, Scottsdale resident, spoke in support of Item 15 [Scottsdale Cares Voluntary Utility Billing Donation Program Code Amendment].

Neal Shearer, Scottsdale resident, spoke in support of Item 15 [Scottsdale Cares Voluntary Utility Billing Donation Program Code Amendment].

Mayor Borowsky closed public comment on the Consent Agenda items.

MOTION AND VOTE – CONSENT AGENDA

Councilwoman Whitehead made a motion to approve Consent Agenda Items 1 through 17. Councilwoman McAllen seconded the motion, which carried 7/0, with Mayor Borowsky; Vice Mayor Kwasman; and Councilmembers Dubauskas, Graham, Littlefield, McAllen, and Whitehead voting in the affirmative.

REGULAR AGENDA

18. Fiscal Year (FY) 2024/25 Annual Financial Audit

Request: Accept the FY 2024/25 annual financial audit reports submitted by the City's external auditor, Heinfeld, Meech & Co., P.C.
Presenter(s): Lai Cluff, Acting City Auditor and Brittney Williams, Heinfeld, Meech & Co., P.C.
Staff Contact(s): Lai Cluff, Acting City Auditor, 480-312-7851, lcluff@scottsdaleaz.gov

Acting City Auditor Lai Cluff and Brittney Williams, with Heinfeld, Meech & Co., P.C., gave a PowerPoint presentation (attached) on the Fiscal Year 2024/25 Annual Financial Audit.

PUBLIC COMMENT – ITEM 18

There was no public comment on this item.

MOTION AND VOTE – ITEM 18

Councilwoman Whitehead made a motion to accept the Fiscal Year 2024/25 annual financial audit reports submitted by the City's external auditor, Heinfeld, Meech & Co., P.C. Councilwoman Littlefield seconded the motion, which carried 7/0, with Mayor Borowsky; Vice Mayor Kwasman; and Councilmembers Dubauskas, Graham, Littlefield, McAllen, and Whitehead voting in the affirmative.

19. 2026 State Legislative Session Update

Request: Presentation, discussion, and possible direction or action to City staff and the City's state lobbying services contractor, who will provide an overview of the legislative environment, state budget outlook, and major policy issues expected to be considered by the State Legislature.
Presenter(s): Sara Sparman, Government Relations Manager and Dr. Marc Osborn, Kutak Rock LLP
Staff Contact(s): Sara Sparman, Government Relations Manager, 480-312-2511, ssparman@scottsdaleaz.gov

Government Relations Manager Sara Sparman and Dr. Marc Osborn with Kutak Rock LLP gave a PowerPoint presentation (attached) on the 2026 State Legislative Session.

PUBLIC COMMENT – ITEM 19

There was no public comment on this item.

Councilmembers made the following observations and suggestions:

- The last legislative session was a difficult year for matters related to local control.
- There are a significant number of bills that have been introduced.

- The new short-term rental legislation is concerning.
- Housing preemption legislation is concerning.
- Look at possibly doing city budgeting based on past year's revenue and expenditures factoring in inflation and population growth as this approach was discussed in past State Legislative sessions.

20. Proposed Amendments to the Rules of Council Procedure
Request: Adopt **Resolution No. 13584** amending the 2026 Rules of Council Procedure.
Presenter(s): Luis Santaella, Interim City Attorney and Ben Lane, City Clerk
Staff Contact(s): Luis Santaella, Interim City Attorney, 480-312-7771, lsantaella@scottsdaleaz.gov and Ben Lane, City Clerk, 480-312-2411, blane@scottsdaleaz.gov

Interim City Attorney Luis Santaella and City Clerk Ben Lane gave a PowerPoint presentation (attached) on the Proposed Amendments to the Rules of Council Procedure.

PUBLIC COMMENT – ITEM 20

Mayor Borowsky opened public comment on this item.

Steve Sutton, Scottsdale resident, spoke in opposition to the Proposed Amendments to the Rules of Council Procedure.

Dan Ishac, Scottsdale resident, spoke in opposition to the Proposed Amendments to the Rules of Council Procedure.

Mayor Borowsky closed public comment on this item.

MOTION NO. 1 – ITEM 20

Councilwoman Whitehead made a motion to deny Resolution No. 13584 amending the 2026 Rules of Council Procedure and postpone the item to a future Work Study Session. Councilwoman McAllen seconded the motion. Councilwoman Whitehead withdrew her motion.

MOTION NO. 2 – ITEM 20

Councilwoman Whitehead made a motion to continue Resolution No. 13584 until the City Council can convene a Work Study Session to discuss the matter further. Councilwoman McAllen seconded the motion.

ALTERNATE MOTION AND VOTE – ITEM 20

Councilman Graham made an alternate motion to adopt Resolution No. 13584. Vice Mayor Kwaman seconded the motion, which carried 4/3, with Vice Mayor Kwasman and Councilmembers Dubauskas, Graham and Littlefield voting in the affirmative and Mayor Borowsky and Councilmembers McAllen and Whitehead dissenting.

PUBLIC COMMENT

Dee Logan, with the Old Town Farmer's Market, expressed appreciation to the Councilmembers and City staff for their support and discussed concerns regarding outreach for the relocation of the Old Town Farmer's Market.

Melissa Kemp, Scottsdale resident, discussed the repealing of the Sustainability Plan and moving public comment to the end of City Council meetings.

Dan Ishac, Scottsdale resident, discussed lack of data points in staff presentations and research, expressed concerns related to the updated Council Rules of Procedure, and stated that Scottsdale should not aspire to emulate other Valley cities.

Carl Frasor, Scottsdale resident, discussed concerns regarding the Public Safety Personnel Retirement System Boards.

Pat Lowman, Scottsdale resident, discussed concerns regarding the sign-up process for public comment and moving public comment to the end of City Council meetings.

Linda Milhaven, former Scottsdale Councilmember, discussed the need for the City Council to cooperate, collaborate, be transparent and forthcoming.

Steve Sutton, Scottsdale resident, discussed concerns regarding removing the use of audio-visual equipment during public comment and an upcoming parking garage Citizen Petition.

CITIZEN PETITIONS

21. Receipt of Citizen Petitions

Request: Accept and acknowledge receipt of citizen petitions. Any member of the Council may make a motion, to be voted on by the Council, to: (1) Direct the City Manager to agendize the petition for further discussion; (2) direct the City Manager to investigate the matter and prepare a written response to the Council, with a copy to the petitioner; or (3) take no action.

Staff Contact(s): Ben Lane, City Clerk, 480-312-2411, blane@scottsdaleaz.gov

No citizen petitions were received.

MAYOR AND COUNCIL

22. Agendize Presentation, Discussion and Possible Action on the Old Town Scottsdale Advertising, Marketing and Public Relations Services Contract

Request: At the request of Councilwoman Whitehead, direct the City Manager and City Treasurer to agendize the Old Town Scottsdale Advertising, Marketing, and Public Relations Services Contract No. 2025-192-COS and Resolution No. 13562 for a presentation, discussion, and possible action by the City Council.

Note: The only possible Council action to be taken on Item No. 22 is: (1) Direct the City Manager or responsible Charter Officer to agendize the item for a future meeting; (2) Direct the City Manager or responsible Charter Officer to investigate the matter and prepare a written response to the Council; or (3) Take no action.

PUBLIC COMMENT – ITEM 22

There was no public comment on this item.

MOTION NO. 1 – ITEM 22

Councilwoman Whitehead made a motion to direct the City Manager or responsible Charter Officer to agendize the item for a future meeting. Councilwoman McAllen seconded the motion.

ALTERNATE MOTION AND VOTE – ITEM 22

Councilman Graham made an alternate motion to take no action. Councilwoman Dubauskas seconded the motion, which carried 4/3, with Vice Mayor Kwasman and Councilmembers Dubauskas, Graham and Littlefield voting in the affirmative and Mayor Borowsky and Councilmembers McAllen and Whitehead dissenting.

WORK STUDY SESSION

PUBLIC COMMENT – WORK STUDY SESSION

There was no public comment on this item.

1. **Fiscal Year End 2024/25 Annual Financial Report**
   Requests: Presentation, discussion, and possible direction to staff regarding the Fiscal Yer End 2024/25 Financial Report.
   Presenter(s): Sonia Andrews, City Treasurer
   Staff Contact(s): Sonia Andrews, City Treasurer, 480-312-2364, sandrews@scottsdaleaz.gov

City Treasurer Sonia Andrews gave a PowerPoint presentation (attached) on the Fiscal Year End 2024/25 Annual Financial Report.

There were no Council observations, suggestions, or direction on this item.

MOTION AND VOTE – ADJOURNMENT

Councilwoman Whitehead made a motion to adjourn the Regular Meeting and Work Study Session. Councilwoman McAllen seconded the motion, which carried 7/0, by voice vote, with Mayor Borowsky; Vice Mayor Kwasman; and Councilmembers Dubauskas, Graham, Littlefield, McAllen, and Whitehead voting in the affirmative.

ADJOURNMENT

Mayor Borowsky adjourned the Regular Meeting at 7:45 P.M.

SUBMITTED BY:

Ben Lane

Ben Lane, City Clerk

Officially approved by the City Council on ______________________________

CERTIFICATE

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Regular Meeting and Work Study Session of the City Council of Scottsdale, Arizona, held on the 13th day of January 2026.

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

DATED this 3rd day of March 2026.

Ben Lane, City Clerk

January Service Anniversaries

20 Years of Service
Christopher Colemere
Laura Roberts

25 Years of Service
David Alvarado
Paul Hruby
Ed Murrell

30 Years of Service
Chris Lechner
Burke Magee

CITY OF SCOTTSDALE

PRESENTATION/
INFORMATION UPDATES

ITEM 18

CITY OF SCOTTSDALE

FY 2024/25 Annual Financial Audit

City Council Meeting – January 13, 2026

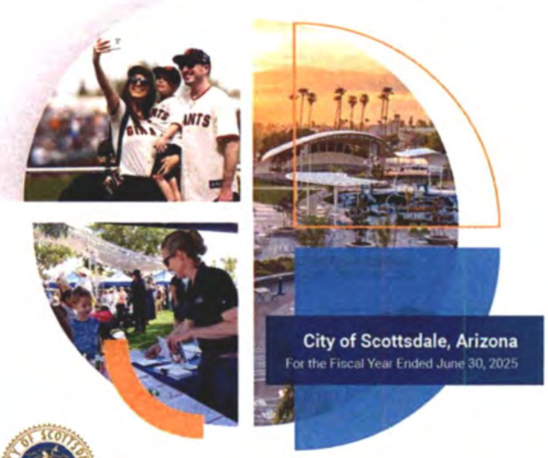
Lai Cluff, Acting City Auditor

Brittney Williams, CPA, Heinfeld, Meech & Co., P.C.

Background

- Charter requires City Council to designate CPAs to perform an independent audit of City's annual financial statements.
- Council assigned financial audit contract responsibility to City Auditor.
- Audit Committee received the FY 2024/25 financial audit reports at its December 12th meeting.

ANNUAL COMPREHENSIVE FINANCIAL REPORT



Summary of Financial Audit Reports

Annual Comprehensive Financial Report

Unmodified opinion – financial statements are fairly presented in all material respects.

Component Units' Financial Reports

- Community Facilities Districts

  (4 CFDs: DC Ranch, McDowell Mountain Ranch, Via Linda Road, Waterfront)

- Municipal Property Corporation (MPC)

➢ *Unmodified opinions on each*

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HeinfeldMeech

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Scottsdale, Arizona

Report on Audit of Financial Statements

Opinions
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona (City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Scottsdale, Arizona, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Scottsdale, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle
As described in Note 1 to the financial statements, the City implemented the provisions of GASB Statement No. 101, Compensated Absences, for the year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

City of Scottsdale, Arizona
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Related Communications

Communication to Governance – for City and each Component Unit

Addresses key points such as:

- Accounting practices, significant estimates – *no issues*
- Audit adjustments or disagreements with management – *no issues*
- Other similar matters - *no issues*

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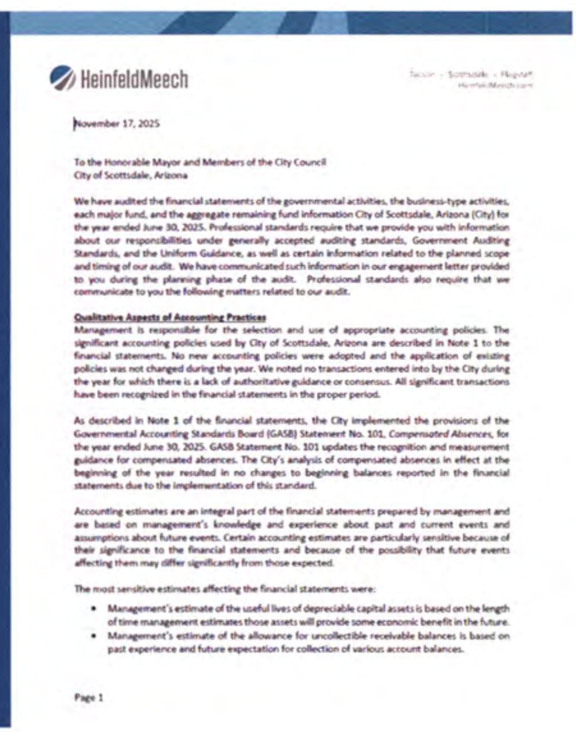

HeinfeldMeech

November 17, 2025

To the Honorable Mayor and Members of the City Council
City of Scottsdale, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information City of Scottsdale, Arizona (City) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter provided to you during the planning phase of the audit. Professional standards also require that we communicate to you the following matters related to our audit.

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Scottsdale, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

As described in Note 1 of the financial statements, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, for the year ended June 30, 2025. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences. The City's analysis of compensated absences in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time management estimates those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

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Federal Funding/Compliance Reports

Single Audit Report:

Report on Internal Control and Compliance based on the Financial Statement audit

- No significant deficiencies, material weaknesses or issues related to noncompliance.

Completion of the Single Audit anticipated late January/ February 2026.

HeinfeldMeech

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Members of the City Council
City of Scottsdale, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Scottsdale, Arizona, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City of Scottsdale, Arizona's basic financial statements, and have issued our report thereon dated November 17, 2025. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered City of Scottsdale, Arizona's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Scottsdale, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Scottsdale, Arizona's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Other funding/compliance reports

State funding/compliance report

- **Highway User Revenue Fund (HURF) uses -** City complied with state requirements

Other reports to be completed in February/ March 2026:

- **HUD-required financial schedule –** (federal)
- **Annual Expenditure Limitation Report –** (state)

HeinfeldMeech

Independent Accountant's Report

Honorable Mayor and Members of the City Council
City of Scottsdale, Arizona

We have examined the City of Scottsdale, Arizona's (City) compliance as to whether highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City, were used solely for authorized transportation purposes during the fiscal year ended June 30, 2025. Management is responsible for the City's compliance with those specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City of Scottsdale, Arizona complied, in all material respects, with the aforementioned requirements for the fiscal year ended June 30, 2025.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
November 17, 2025

Requested Action

Accept the FY 2024/25 financial audit reports as submitted by the City's external financial auditors, Heinfeld, Meech & Co. P.C.

ITEM 19

2026 Legislative Session Preview

KUTAKROCK

kutakrock.com

57^{th} Arizona State Legislature Reconvenes

- Session convened on January 12, 2026: The 57th Legislature's Second Regular Session began with Governor Hobbs' State of the State address.
- Governor's priorities: K–12 education, infrastructure, public safety, water policy, and modernizing state government.
- Challenging fiscal backdrop: Softening revenues and General Fund pressure will constrain policy ambitions and drive difficult budget negotiations.
- Election-year dynamics: The 2026 election cycle will heavily influence legislative decision-making, making the session both politically charged and consequential.

Arizona Budget Update

- Tight FY 2027 outlook: JLBC projects $17.38B in revenues and $17.31B in spending, leaving only a $68M surplus with little margin for new initiatives or economic shocks.
- Limited flexibility: Education, Medicaid, and other formula-driven costs dominate the budget, constraining discretionary spending.
- Agencies have been instructed by the Governor to cap FY 2027 General Fund requests at 2% above FY 2026 levels
- High bar for new policies: Any major policy changes will require offsets or new sustainable revenue, making disciplined prioritization essential.

2026 Major Issues

- **Extremely tight FY 2027 budget:** Projected $68M balance leaves little room for new spending or error.
- **Infrastructure & capital backlog:** Water, technology, and other capital needs face funding shortfalls and likely delays.
- **Education funding pressure:** K–12 and higher ed compete for scarce dollars; Prop. 123, ESA growth, AEL limits, teacher shortages, and facilities remain key issues.
- **Medicaid (AHCCCS) risk:** Potential spending reductions, federal uncertainty, and higher administrative costs strain the budget.
- **Water, natural resources & resilience:** Long-term drought, groundwater, and climate-related infrastructure needs compete with limited funds.
- **State workforce & operations costs:** Rising employee, health, cybersecurity, and compliance costs absorb budget capacity.
- **Tax policy & economic competitiveness**: Little appetite for tax cuts amid warnings the state cannot afford revenue losses.

2026 Major Issues

- **Housing affordability:** Renewed push for state preemption of local zoning and planning to increase housing supply.
- **Wildfire & insurance market stress:** Rising premiums and nonrenewals drive debates over mitigation and insurance regulation.
- **Election reform:** Legislature must again fix primary election timelines and will debate broader election-law changes.
- **Water policy implementation:** Ag-to-Urban groundwater program rollout, rural groundwater protections, and Colorado River negotiations.
- **State land trust reform:** Potential constitutional changes to trust distributions and land-management flexibility.
- **Border security:** Likely push for tougher enforcement bills, with expected gubernatorial vetoes.
- **Divided government:** Election-year politics heighten partisanship, limiting major bipartisan outcomes.

2026 Anticipated Issues – Impacting Scottsdale

- **Accessory Dwelling Units (ADUs)**
  - State-mandated ADU allowances and limits on local standards
  - Local flexibility on fire safety, including sprinklers
  - Infrastructure capacity, neighborhood compatibility, and STR use
- **Affordable Housing & Housing Supply**
  - State proposals to expand housing supply and zoning preemption
  - One-size-fits-all mandates that erode local planning authority
- **Local Control & Zoning Authority**
  - Continued state preemption of municipal land-use and design review
- **Short-Term Rentals (STRs)**
  - Limited local authority under current state law
- **Public Safety & Technology**
  - Potential legislation regulating Automated License Plate Readers (ALPRs)
  - Photo radar bills

2026 Anticipated Issues – Impacting Scottsdale

- **Fiscal Stability & Revenue**
  - Local taxing and fee-setting authority
  - Unfunded mandates and diversion of state-shared revenues
  - Public Notice Publishing Bills
  - Impacts from the One Big Beautiful Bill Act
- **Transportation & Infrastructure**
  - Transportation planning and funding
  - Infrastructure investments
- **Water & Environmental Policy**
  - Water sustainability and long-term resource planning

Key Session Dates & Deadlines

January 2026

- **Monday, 1/12 – Legislative Session Begins**
- **Thursday 1/15 – House 7-bill Introduction Limit Begins at 5:00 p.m.**
- **Tuesday 1/20 – Senate Bill Request Deadline (5:00 p.m.)**

February 2026

- **Monday, 2/2 – Senate Bill Introduction Deadline (5:00 p.m.)**
- **Friday 2/6 – House Bill Intro Set Preparation Deadline (5:00 p.m.)**
- **Monday 2/9 – House Bill Introduction Deadline (5:00 p.m.)**
- **Friday 2/20 – Last Day to Hear Senate Bills in Senate Committees / Last Day to Hear House Bills in House Committees**

March 2026

- **Friday 3/27– Last Day to Hear Senate Bills in House Committees / Last Day to Hear House Bills in Senate Committees**

April 2026

- **Friday 4/17 – Last Day for Conference Committees (By House and Senate Rule)**
- **Saturday 4/25 – Saturday of the week of the 100th Day of Session (Target Sine Die Date)**

ITEM 20

1

Proposed Amendments to Rules of Council Procedure

City Council Meeting | January 13, 2026

Luis Santaella, Interim City Attorney
Ben Lane, City Clerk

CITY OF SCOTTSDALE

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Background

- Council Rules first adopted in September 2011
- Amended seven times since initial adoption
- Traditionally, possible changes have been reviewed with each new Council
- Will discuss each major change and request direction on possible changes
- Proposed changes noted in green font and ~~strikethrough~~

CITY OF SCOTTSDALE

Council Rule 5.11 – Meetings (NEW)

5.11 If the City Clerk has notice at least two (2) business days in advance of a Council Meeting that a quorum of the Council cannot attend a Council Meeting, the City Clerk, with the concurrence of the City Manager, shall inform the full City Council that the Meeting is being cancelled and will post a meeting cancellation notice. Councilmembers who cannot attend shall notify the Clerk by email.

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Reasons for Requested Change

- Practice already done by City's Boards and Commissions
- Provides advance notice to public
- Resource savings
- Reduces polling requests

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Council Rule 6 – Agenda

6.1 Regularly-scheduled Council Meeting agenda items are listed in the following order:

15. Work Study Session Items

16. Councilmembers' Reports (information only with no discussion).

1~~6~~7. Adjournment

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Reasons for Requested Change

- Provides an opportunity for each councilmember to note items of interest
- Practice done by other cities and towns
- Would be optional for each councilmember
- Would occur at end of the meeting

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Request

Adopt Resolution No. 13584 amending the 2026 Rules of Council Procedure.

CITY OF SCOTTSDALE

WORK STUDY

FY 2024/25
Year-End Financial Report

City Council | January 13, 2026

Sonia Andrews, City Treasurer/Chief Financial Officer

CITY OF SCOTTSDALE

Year End Financial Report Timeline

June 30, 2025
Fiscal
Year-End

September
General Fund
Preliminary Results
Presented to Council

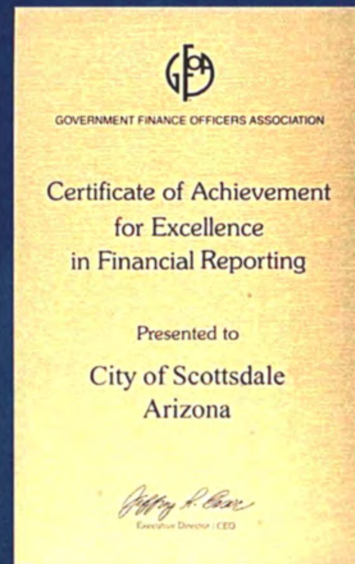
August – October
Year- End Closing and
Independent Audit

November
Audit Committee
Presentation

January
Council
Presentation

CITY OF SCOTTSDALE

52nd Consecutive Year for GFOA Excellence in Financial Reporting Award


GOVERNMENT FINANCE OFFICERS ASSOCIATION

Certificate of Achievement
for Excellence
in Financial Reporting

Presented to

City of Scottsdale
Arizona

Executive Director / CEO

CITY OF SCOTTSDALE

Year-End Presentation Highlights

- FY24/25 Operating Results
- 6/30/25 Balance Sheet and Financial Trends
- Report on State Imposed Expenditure Limitation (Policy No. 1.06)

CITY OF SCOTTSDALE

Operating Results

Fiscal Year 2024/25 Year-End Presentation

CITY OF SCOTTSDALE

General Fund Operating Results FY 2024-25

General Fund

In millions	FY23/24	FY24/25	Chng*	% Chng
Revenues	456	467	11	2%
Expenditures	(376)	(383)	7	2%
Other Sources and (Uses)	(60)	(27)	(33)	-55%
Net Change in Fund Balance	20	57		

- Revenues increased from sales taxes, fees and charges and unrealized investment gains offset by decrease in state shared taxes
- Other sources (uses) decreased due to lower transfers out to capital projects

CITY OF SCOTTSDALE

* Increases shown as positive amounts and decreases shown as negative amounts.

Breakdown of General Fund Revenues and Expenses

In millions	FY23/24	FY24/25	Chng*	% Chng
Sales Tax	193	197	4	2%
State Shared Revenues	114	103	(11)	(10%)
Property Tax	37	37	-	-
Fees and Charges	98	108	10	10%
Net Increase in Fair Value of Investments	14	22	8	57%
Total Revenues	456	467	11	2%
Public Safety	(203)	(212)	9	4%
Community Services	(48)	(53)	5	10%
Other City Services	(73)	(78)	5	7%
General Government	(38)	(39)	1	3%
Capital Outlay	(14)	(1)	(13)	-93%
Total Expenditures	376	383	7	2%

CITY OF SCOTTSDALE

* Increases shown as positive amounts and decreases shown as negative amounts.

Other Governmental Funds** Operating Results FY 2024-25

Capital Projects Funds**

In millions	FY23/24	FY24/25	Chng*	% Chng
Revenues	45	68	23	51%
G.O Bond Issuance	-	107	107	100%
Transfers In (Out)	127	80	(47)	(37%)
Capital Expenditures	(173)	(149)	(24)	(14%)
Net Change in Fund Balance	(1)	106		

- Revenues increased due to receipt of additional grants and regional transportation funds
- Lower transfers in from General Fund and other funds
- Expenditures decreased with completion of projects and timing of other projects

CITY OF SCOTTSDALE

* Increases shown as positive amounts and decreases shown as negative amounts
**Excludes Water/Sewer, Airport and Solid Waste capital projects

Other Governmental Funds** Operating Results FY 2024-25

Other Restricted Funds

In millions	FY23/24	FY24/25	Chng*	% Chng
Revenues and Other Sources	302	311	9	3%
Expenditures and Other Uses	(289)	(276)	(13)	(4%)
Net Change in Fund Balance	13	35		

- Restricted revenues include restricted taxes, transient lodging tax, and other restricted revenues
- Expenditures decreased due to lower debt service

CITY OF SCOTTSDALE

* Increases shown as positive amounts and decreases shown as negative amounts
**Excludes Water/Sewer, Airport and Solid Waste capital projects

Enterprise Funds Operating Results FY 2024-25

Enterprise Funds

In millions	FY23/24	FY24/25	Chng*	% Chng
Revenues	247	271	24	10%
Expenditures	(216)	(208)	(8)	-4%
Non-Operating Activity	40	29	(11)	-27%
Change in Net Position	70	91		

- Revenue increase reflects higher water/sewer revenues
- Operating expenditure increases were offset by an increase in the sewer fund's equity in joint venture
- Other sources decreased due to lower developer contributions

CITY OF SCOTTSDALE

* Increases shown as positive amounts and decreases shown as negative amounts.

Balance Sheet and Financial Trends

Fiscal Year 2024/25 Year-End Presentation

CITY OF SCOTTSDALE

Balance Sheet

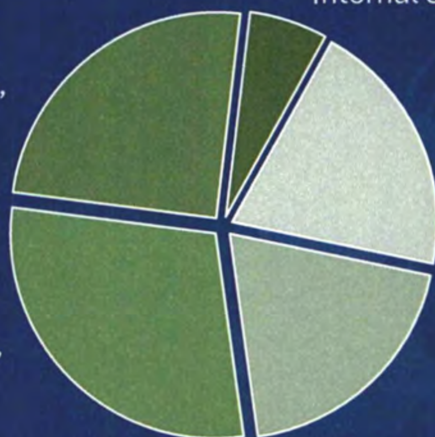
- Increase in assets and liabilities due to operating surpluses, unspent new bond proceeds, increase in capital assets and decrease in pension and other liabilities.

(in millions)	6/30/24	6/30/25	Change	% Change
Assets				
Cash & Investments	1,096	1,336	240	22%
Capital Assets, Net	6,602	6,743	141	2%
Other Assets	497	537	40	8%
Total Assets	8,195	8,616	421	5%
Liabilities				
Bonds, Loans and Other Debt	802	931	129	16%
Net Pension Liability	352	336	(16)	-5%
Other Liabilities	326	276	(50)	-15%
Total Liabilities	1,480	1,543	63	4%

Source: Audited Annual Comprehensive Financial Reports

$1,336M in Cash & Investments at 6/30/25

Amounts in Millions

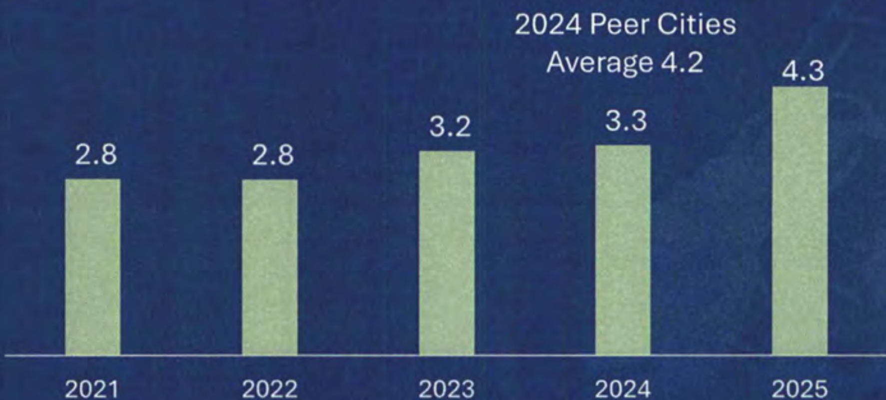


CITY OF SCOTTSDALE

Source: Audited Annual Comprehensive Financial Reports

Liquidity 5 Year Trend

Quick Ratio (cash & investments / current liabilities) at 6/30/25

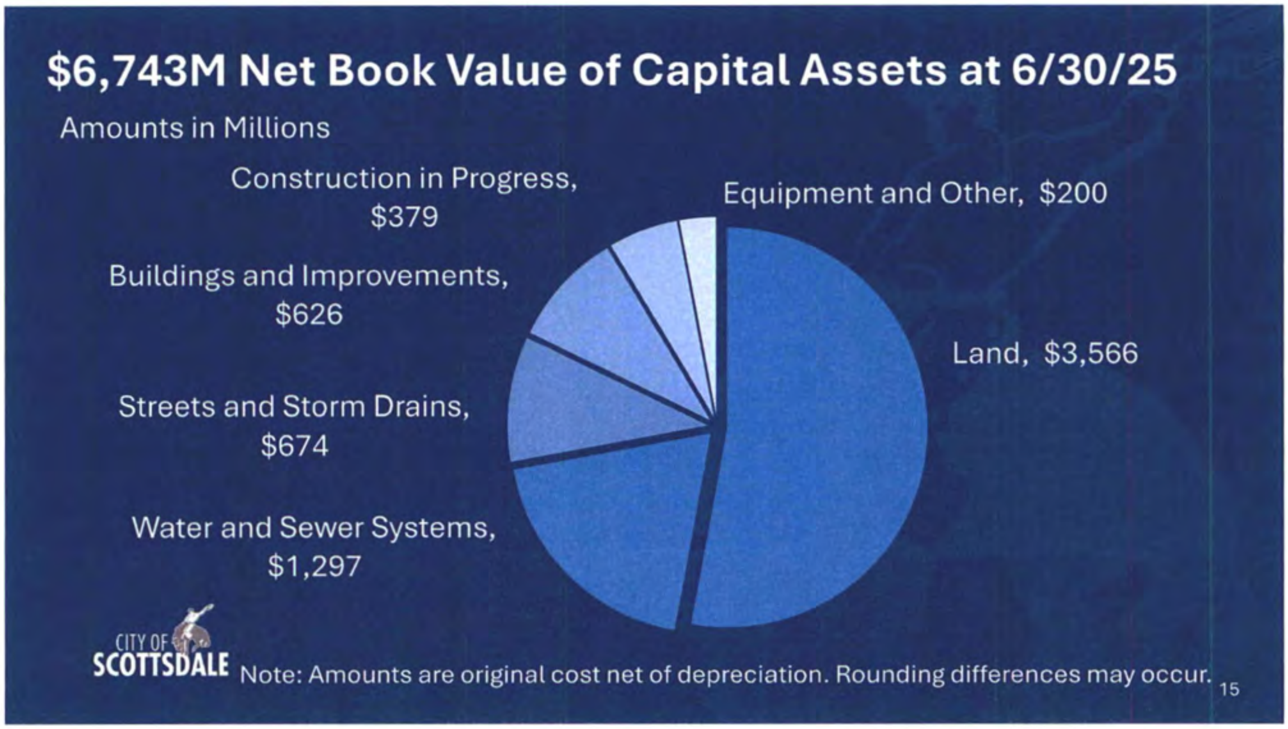


City maintains cash reserves for:

- Emergencies and unexpected events
- Economic downturns
- Self insurance programs
- Reserves for capital needs
- Maintain AAA bond ratings

CITY OF SCOTTSDALE

- Increase at 6/30/25 primarily due to unspent new bond proceeds


$6,743M Net Book Value of Capital Assets at 6/30/25
Amounts in Millions
Construction in Progress, $379
Equipment and Other, $200
Buildings and Improvements, $626
Land, $3,566
Streets and Storm Drains, $674
Water and Sewer Systems, $1,297
CITY OF SCOTTSDALE
Note: Amounts are original cost net of depreciation. Rounding differences may occur.
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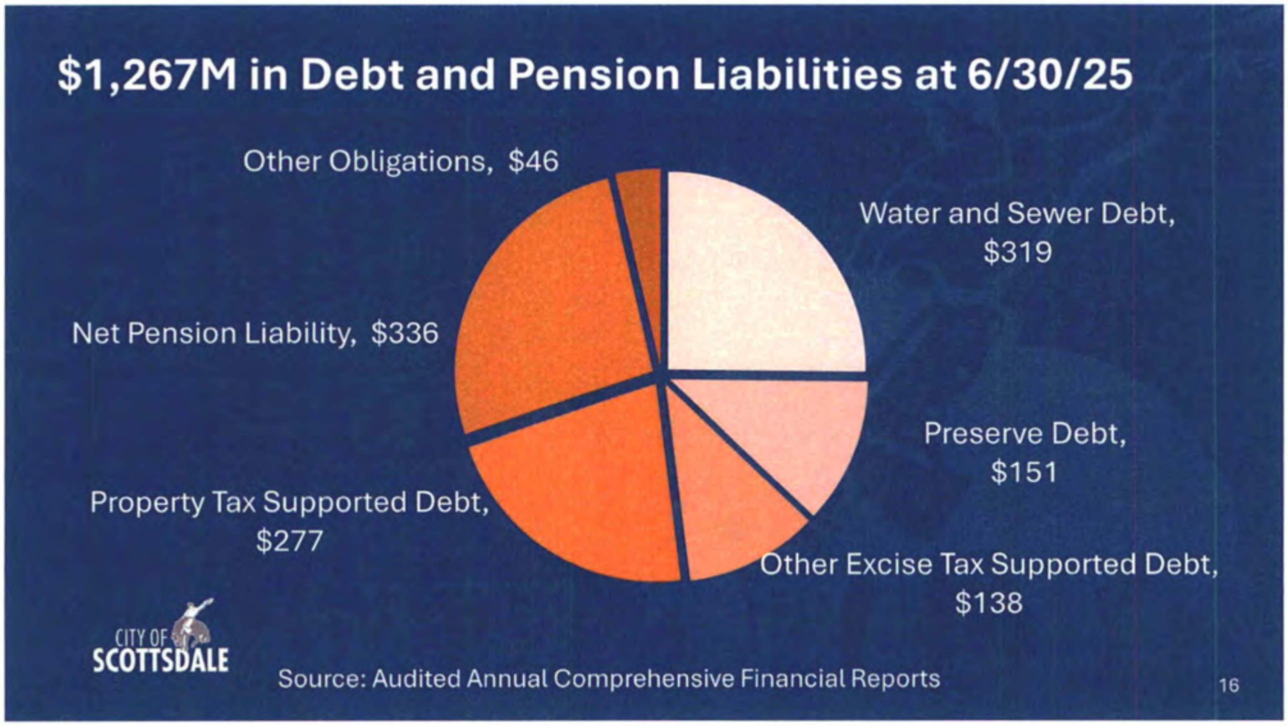
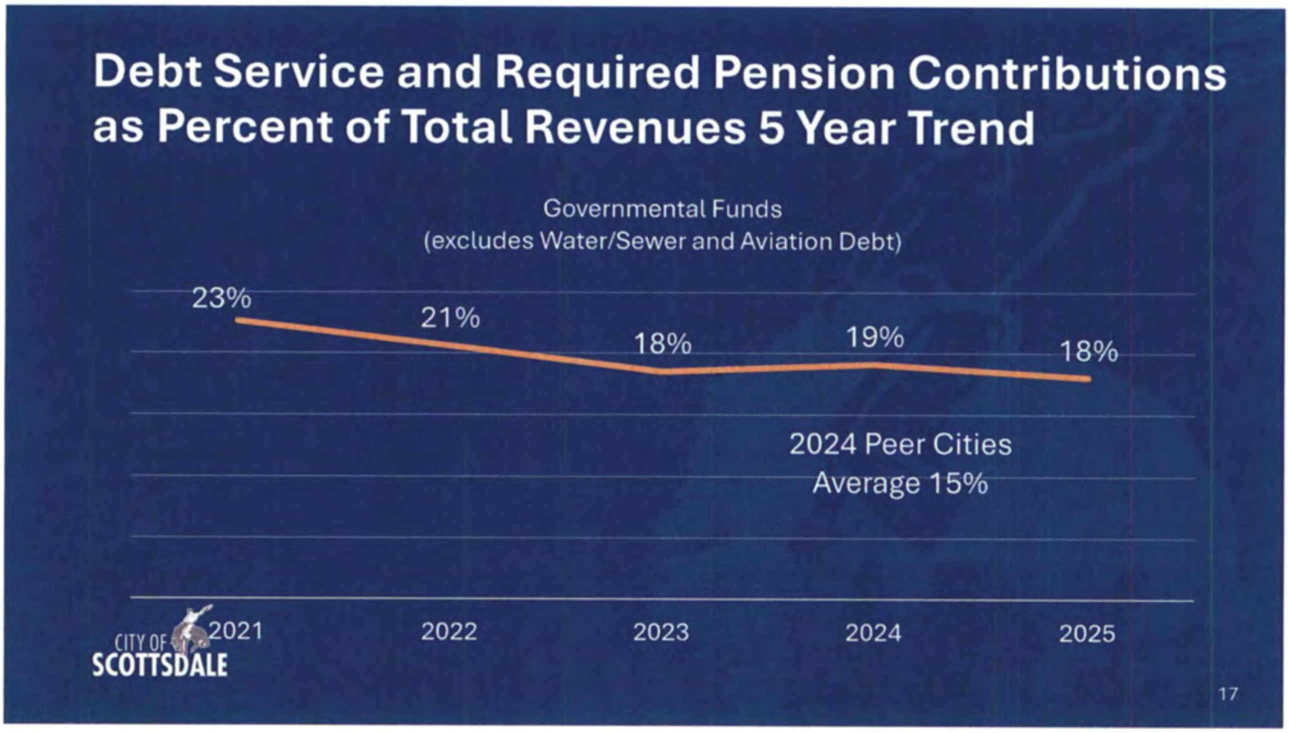

$1,267M in Debt and Pension Liabilities at 6/30/25
Other Obligations, $46
Water and Sewer Debt, $319
Net Pension Liability, $336
Preserve Debt, $151
Property Tax Supported Debt, $277
Other Excise Tax Supported Debt, $138
CITY OF SCOTTSDALE
Source: Audited Annual Comprehensive Financial Reports
16


Debt Service and Required Pension Contributions as Percent of Total Revenues 5 Year Trend
Governmental Funds
(excludes Water/Sewer and Aviation Debt)
23%
21%
18%
19%
18%
2024 Peer Cities
Average 15%
2021
2022
2023
2024
2025
CITY OF SCOTTSDALE
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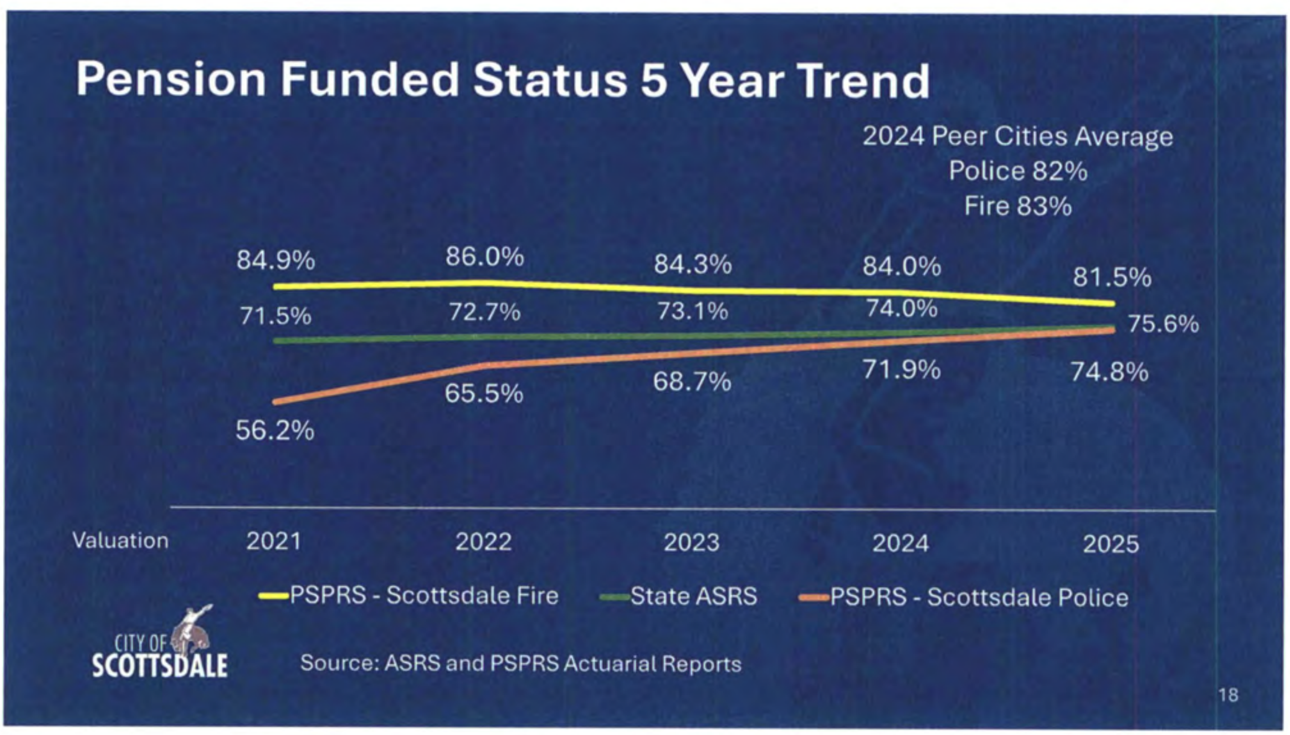
Pension Funded Status 5 Year Trend
2024 Peer Cities Average
Police 82%
Fire 83%
84.9%
86.0%
84.3%
84.0%
81.5%
71.5%
72.7%
73.1%
74.0%
75.6%
56.2%
65.5%
68.7%
71.9%
74.8%
Valuation
2021
2022
2023
2024
2025
PSPRS - Scottsdale Fire
State ASRS
PSPRS - Scottsdale Police
CITY OF SCOTTSDALE
Source: ASRS and PSPRS Actuarial Reports
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City Maintained AAA Bond Ratings

- Strong Reserves and Liquidity
- Economic and Revenue Growth and Diversity
- Manageable Debt and Liabilities
- Sound Financial Policies and Practices

CITY OF SCOTTSDALE

Note: a fund balance >=20% of operating expenditures and transfers out in the General Fund needed to maintain AAA bond ratings per Fitch Ratings report.

Report on State Imposed Expenditure Limitation

Financial Policy 1.06

Fiscal Year 2024/25

CITY OF SCOTTSDALE

State Imposed Expenditure Limitation FY 2024-25

In millions

	FY24/25	%
Expenditure Limitation (calculated by State)	$613.4	
Preliminary Expenditures Subject to Limitation*	564.5	92%
Remaining Capacity	$48.9	

* Expenditures subject to limitation excludes:

- Infrastructure expenditures
- Debt service
- Grant expenditures
- Certain other exclusions allowed by law

CITY OF SCOTTSDALE