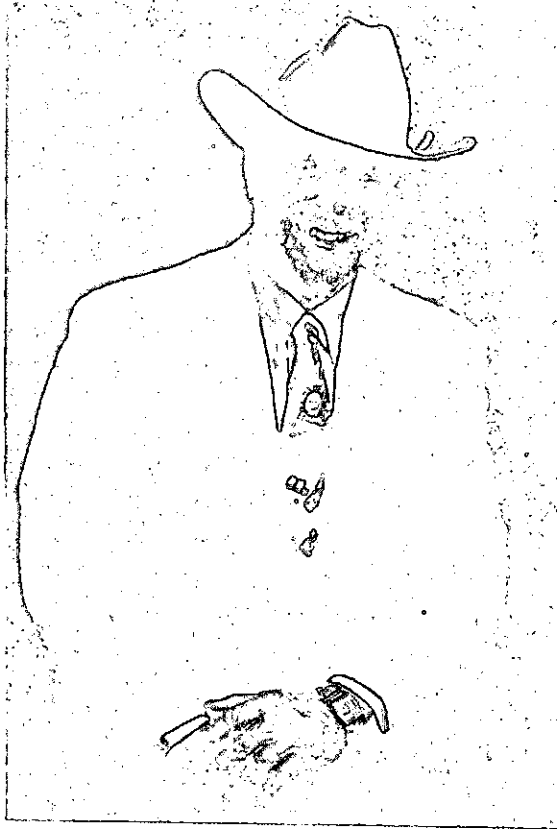


PRIDE AND PERFORMANCE
AND
FISCAL YEAR 1995/97
BIENNIAL BUDGET SUMMARY

City of Scottsdale, Arizona



THIS BOOK IS DEDICATED TO
MAYOR HERBERT R. DRINKWATER.

THANKS FOR 16 GREAT YEARS
OF "PRIDE AND PERFORMANCE!"

B U D G E T S U M M A R Y

FY 1995/97 BIENNIAL BUDGET

Scottsdale...Simply Better Service!

Our Values:

- Respect the Individual
- Value Diversity
- Be a Team Player
- Commit to Quality
- Risk, Create, Innovate
- Listen, Communicate, Listen
- Take Ownership!



Herbert R. Drinkwater
Mayor



Gregory S. Bielli
Councilman

James Burke, M.D.
Councilman

Mary Manross
Councilman



Robert C. Pettycrew
Councilman

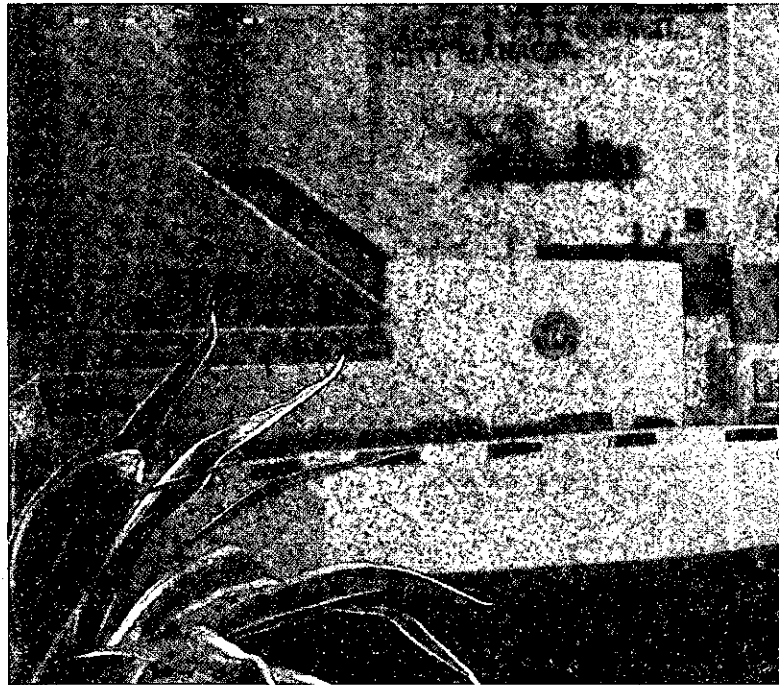
Donald J. Prior
Councilman

Richard Thomas
Councilman

PRIDE AND PERFORMANCE

Pride and performance. This book is well-titled because that's exactly what we're celebrating -- the quality of Scottsdale's exceptional workforce and their commitment to providing quality service. In an era where confidence in government is often low and we are all constantly challenged to do "more with less," I am continually impressed by the dedication and creativity demonstrated by City of Scottsdale employees. I am proud to be associated with them.

This book provides a snapshot of the ways in which Scottsdale employees are working to shape a quality community. The stories that follow demonstrate how



City staff members have worked to provide service improvements...realize significant cost savings... find innovative ways to achieve excellence... and look for ways to continually do things better -- in short, "Kaizen." These ideas saved over \$2.7 million in the past year! What's more, they have enabled us to keep the number of employees and cost per citizen low, even in a period of growth!

At the end of the book, you will find a summary of our first two-year budget. City employees are stewards of the resources entrusted to us by our citizens and directed by City Council -- a

“At the City of Scottsdale, we’re constantly challenging ourselves to strive for the next level of excellence.”



responsibility taken very seriously. This budget is our plan to use these resources to provide “Simply Better Service.”

At the City of Scottsdale, we’re constantly challenging ourselves to strive for the next level of excellence. That’s what makes the western theme of this book so appropriate — it’s that same spirit that makes the “West’s Most Western Town” so vibrant. It’s all a matter of pride...something that’s stated right in our organization’s vision statement — our employees take pride in everything they do.

Every employee, regardless of the position held or tasks performed, plays a vital role by putting their own special and personal brushstroke on the canvas of this organization and our community.

I invite you to join me in celebrating their pride and performance.

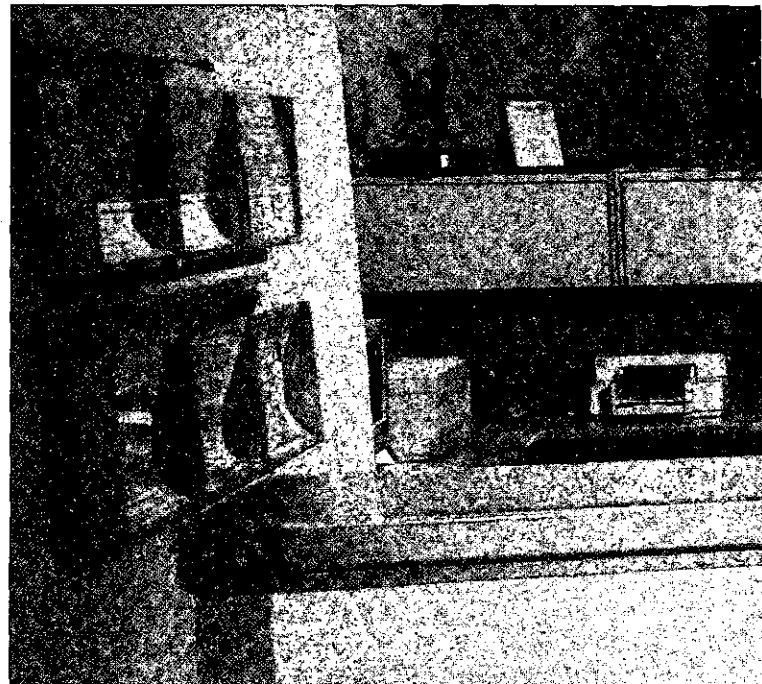
Sincerely,

Richard A. Bowers
City Manager

Scottsdale's City Clerk staff has received quite a few postcards lately...not to mention a couple of wedding invitations! But this correspondence isn't coming from close friends or family members...it's coming from citizens who have been so pleased with the level of service they received when applying for their passport or receiving their marriage license.

Scottsdale's City Clerk's Office began offering these services at no additional charge to Scottsdale citizens after Maricopa County withdrew its passport and marriage license operations at Scottsdale City Hall. Not only was the City able to bring these services back to Scottsdale, they were able to offer them four times more frequently...all using existing staff and resources!

Gettin' Hitched & Headin' Out



At the City Clerk's Office, L to R: Laura Zook, Sandy Dragman, Bea Christ, Don Dorsey, Mike Ritter, Nancy Richards, Sonia Robertson, Linda Lorbeer

“Not only was the City able to bring these services back to Scottsdale, we were able to offer them four times more frequently...all using existing staff and resources!”



The Challenge:

Due to budget cutbacks, Maricopa County withdrew its semi-monthly marriage license and passport services at Scottsdale City Hall. Scottsdale citizens who had relied on this convenience were now forced to travel to Mesa or downtown Phoenix.

The Solution:

Recognizing the need for these services in Scottsdale, City Clerk Sonia Robertson volunteered to take this on as a function of the City Clerk's Office on a twice-weekly basis.

The Results:

An increase in service using existing City staff and resources! During the past year, 700 couples have obtained marriage licenses; nearly 3,000 people have been granted a passport; and \$30,000 in revenue was generated by the \$10 passport application fee.

When Ray Miller, (Advanced Technologies), Hoyt Johnson, (Geographic Information Systems -- GIS), Wil Orr (Advanced Technologies) and Mark Ledbetter (GIS) left their respective offices one Friday night, little did they know they'd end up working throughout the weekend. They also didn't know two other things - - a lightening bolt hotter than the surface of the sun was about to hit a saguaro near the Pinnacle Peak area ...and...a NASA C-130 was flying into the area to gather some routine data for the City and ASU as part of NASA's "Mission to Planet Earth" program.

Once they learned about the fire and about the NASA fly-over, each realized they had something to contribute -- something that would enable firefighters to better manage the blaze. Without being "directed" to do so, the team mobilized and things began happening quickly. The NASA crew flew over the fire area on two pre-dawn missions and City staff merged the resulting photos with the City's GIS maps. The group ended up working throughout the weekend -- even spending Saturday night at a local copy center -- but, thanks to their efforts, the hot spots and fire perimeter were identified, allowing fire fighters to better identify and use their resources to manage the fire.

The bottom line? No lives or homes were lost as a result of one of Scottsdale's biggest fires...thanks in part to these City staff members who added value well beyond the scope of their "job description."

Tamin' a Wild Fire



In the GIS Tech Center, L to R: Hoyt Johnson, Wil Orr, Ray Miller, and Mark Ledbetter

“...these City staff members added value well beyond the scope of their ‘job description’.”



The Challenge:

A quick moving blaze, which became known as the Rio Fire, was burning in the McDowell Mountains/Sonoran Desert area. Fire fighters were in need of quick and accurate data to allow them to map their strategy.

The Solution:

A NASA C-130 aircraft, gathering routine data for the City's advanced technologies program, flew over the burn area taking infrared pictures of the blaze. This information was delivered to the Incident Command Center along with maps generated by the City's GIS system.

The Result:

Better management of resources! Fire fighters were able to direct appropriate resources to the hot spots and accurately determine the fire perimeter.

TOP NOTCH SERVICE

OVER THE PAST YEAR, SERVICE IMPROVEMENTS ABOUNDED WITHIN THE CITY OF SCOTTSDALE. ALL ENHANCED SERVICE TO OUR CUSTOMERS...SOME EVEN GENERATED REVENUE IN THE PROCESS -- \$1,286,540 IN ALL! DIRECT SERVICE IMPROVEMENTS INCLUDED:

Citizen Services team members (Paula Baptist, Kim Kissinger-Ayala, Rob Millar and Bonnie Raby) trained on-site staff at the Corporation Yard and the Via Linda Senior Center to perform citizen services at these locations, thus increasing citizens' access to City government.

In the event of an emergency in our parks, the Adult Sports staff (Steve Bejarano, Steve Koehler, Dorothy Fisher, Rex Edwards, Doug Nohren and Scott Novack) used to rely on the nearest payphone to call for help. Now, cellular phones allow them to summon help quickly and stay at the "scene."

The team of Debbie Burson, Bea Christ, Renita Linyard, Linda Tingdale and Marion Vinson decided that accepting job applications at the Citizen Service Centers would improve the level of service to job applicants by providing after-hours and weekend service.

Jan Cameron, Jana Cordova and Suzanne Ross implemented a phone-in registration system for Parks and Recreation's special interest classes. This resulted in more convenient registration and payment for our citizens.

In response to a customer survey regarding library service, the Library Quality Team (Carolyn Carrithers, Candace Clark, Doug Davis, Maryann Hill-Hanson, Sharon Laser, Mary Jane Mann and Sheena Owen) made a joint decision to change the library material checkout period from 14 to 21 days.

The HomePage Committee (Bob Casciato, Kathi Celaya, Bea Christ, Mitzi Cole, Sue Coon, Michelle DeHaan, Rick Forgas, Brad Hartig, John Krusemark, Rod Massey, Joanna Meitz Roe, Linda Schallan, Andrea Smiley, Filip Steiger, Linda Tingdale and Karen Weir) has forged a place in cyberspace by launching the City of Scottsdale HomePage on the Internet.

Sue Coon and Gene Polk decided to send "High Water Usage" brochures to high water users. The result? Fewer concerns regarding high water bills and increased citizen education regarding water conservation.

In an effort to better educate Scottsdale's youth regarding transportation issues, Michael Cousineau produced mock street signs and a "street map" for Navajo Elementary School and Steve Ramsey coordinated transportation planning/traffic workshops with Aztec Elementary School.

Rather than requiring employees to access the Purchasing process to buy items needed immediately, the team of Bob Frost, Tom Gannarelli, Carder Hunt and Sandy Spain decided to authorize credit cards to certain City staff members. Now vendors get paid right away and staff members don't have to wait to obtain needed materials.



Amy Foster created a Payroll Summary Report by cost center to allow departments to better monitor their personnel costs.

Marina Gandy decided that providing quarterly payroll reports to the Scottsdale Personnel Partnership liaisons would enhance their ability to assist employees with payroll questions. The Scottsdale Personnel Partnership helps employees make minor payroll changes within their own department -- without having to go to Human Resources or Payroll.

Annette Grove revised the Capital Projects Management daily inspection report to incorporate a report of accidents occurring at project sites. The result? Better records for Risk Management and the Police Department.

Pete Quigley began using lead-free traffic paint to eliminate the need for stringent handling and disposal procedures.

Carol Johnson developed an intergovernmental agreement with the City of Phoenix to convert Scottsdale customers on the Phoenix sewer system to the Scottsdale sewer system. This generated an additional \$3,000 in revenues per year and improved service by eliminating the receipt of separate water and sewer bills from Scottsdale and Phoenix.

When the City requests bids for capital street improvements, the Transportation Department's phone begins ringing. Diana Maggiola designed a bid fact sheet that would allow her to answer common questions regarding bids quickly, without having to wait for another staff member to provide the answer.

To enhance the level of service provided at the Mobile Recycling Centers, Rick Pence added a mini-citizen service/information center at the trailer sites.

Officer Mark Ruffennach implemented a Crime-Free Multi-Housing Program to reduce criminal activity in rental areas. The result? A 75% reduction in the number of complaint calls from these complexes!

Karen Rumore and Chris Thom decided that offering classes, sports teams and clubs to middle-school teens would increase our level of service to this age group and generate an additional \$32,000 in revenue.

“The team found ways to ‘work smarter’ and...saw an actual increase in productivity.”



The Challenge:

The Civic Center Library needed another front-line service supervisor, but no additional positions were available, especially in light of an expansion and additional planned branches.

The Solution:

A self-managed team in the technical services area. A supervisory position from that area was transferred. Rather than replacing the supervisor, the group became a self-managed team empowered to make decisions and manage their work load.

The Result:

A 12% increase in productivity -- even with 50,000 items being added to the library collection in one year!

Everyone's A Trailboss



Behind the scenes in the new Civic Center Library, the Technical Services Team L to R: Betty Turner, Sharon Laser, Jennifer King, Sheena Owen, Jacki Wallace, Kathy Bossert, Candace Verville, Richard Howley, and Bev Hoyt

What happens when you double the size of the current library, add a library branch and plan for future facilities (all events that call for more library materials) -- and lose one staff person in the work unit? An increase in productivity. . . at least that's what the Library Technical Services self-managed team found!

The Library Technical Services team are the folks who do "behind the scenes" work to get approximately 4,000 new materials on the shelves each month. When the decision was made to transfer their supervisor's position to another department, they were left with one less "body" and a lot more work! Working with Joe Kisler and Bill Gular from Organizational Effectiveness, they became a self-managed team, making joint decisions, monitoring the budget, hiring staff and evaluating one another.

The team found ways to "work smarter" and, after an initial transition period, saw an actual increase in productivity. Add that to a feeling of self-satisfaction for each team member and you've got a winning combination that has been a real success story for the Library System!

THROUGHOUT THE ORGANIZATION, SYSTEMS HAVE BEEN REDESIGNED AND "LAYERS" HAVE BEEN REMOVED TO CONTINUALLY IMPROVE FRONT-LINE SERVICE TO OUR CITIZENS. THIS HAS RESULTED IN OVER \$150,000 SAVED AND \$30,000 IN REVENUES GENERATED. JUST A FEW EXAMPLES. . .

Sandi Bennis conducts an on-line computer transfer to the mainframe with information regarding in-house license payments. This "information sharing" resulted in \$1,498 in productivity savings by eliminating duplicate data entry.

The Graphics Team (Ric Brown, Michael Cousineau, Rick Forgas, Jan Horne and Ray Novak) has created an in-house copy, design and printing "one stop shop." Crossing departmental lines, this team provides services that would have cost over \$300,000 annually had they been performed contractually.

Bea Christ, Dan Schmidt and Marion Vinson decentralized the AGTS class registration system by allowing departments to register directly. The result? A \$728 productivity savings for Human Resources and quicker registration for City staff.

Sue Coon, Loretta Klimczak and Laurie Smith designed an automated spreadsheet for end-of-the-month Utility Billing statistical reports, thus eliminating the need for a paper copy of the report. This saves file space and provides easier access to the information.

Amy Foster simplified the Surepay transfer from Payroll to the bank, resulting in a \$100 productivity savings by eliminating a step in the process and opening up computer time for other uses. Lynda Koemp automated the transmission of Surepay data to the bank, saving \$600 in operating costs and resulting in a \$2,000 productivity savings.

Combining two plan review processes, Sharyl Harris and Bob Jorgensen cut five to six weeks off the time customers waited for construction plans. This saved \$2,000 in operating costs and has improved the quality of service to customers.



Connie James saved \$30,000 by having Benefits self-manage the City's prescription drug services contract, thus eliminating the "middle man." The City also was able to generate \$30,000 by recouping the drug company's rebate that had previously gone to the claims processor.

Utilizing a self-managed team for Police personnel, Chief Jim Kershner improved productivity by streamlining the hiring process and reducing the need for a supervisor, thus avoiding \$63,560 in additional personnel costs.

Rod Massey provided simultaneous access to multiple computer data systems for Customer Service work groups. The result? Less time spent switching between applications and a \$9,264 productivity savings.

Phil Murphy streamlined the Purchasing warehouse delivery log, saving three and a half staff hours per month. This resulted in a \$564 productivity savings.

Jerry Rauch and John Smetana established an Inspection Services team to address environmental planning issues. Now, the team provides "one stop shop" inspections, including taking a look at native plants and natural area open space. This has saved \$10,000 in operating costs.

Nancy Swick streamlined the five-year Financial Forecast Worksheets resulting in a quicker turn-around and a \$2,000 productivity savings.

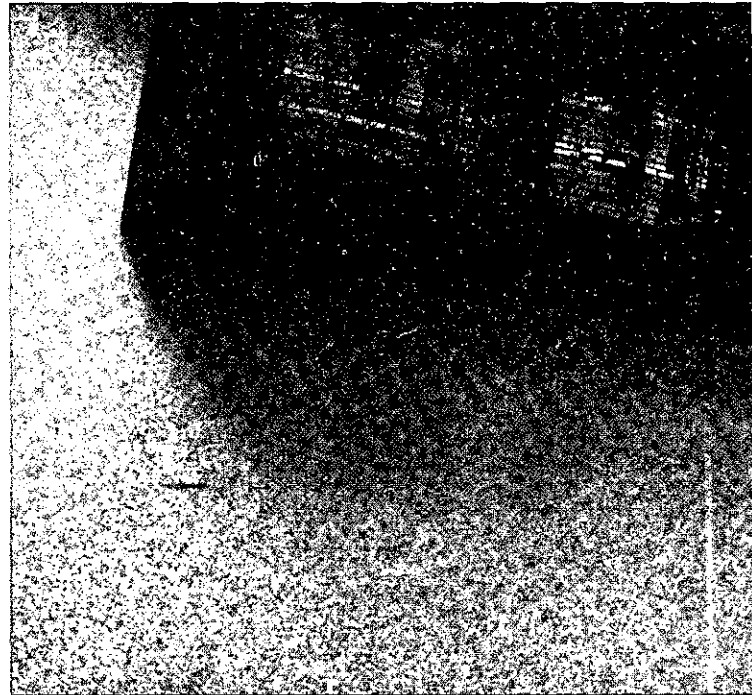
Mustang Library's Circulation Unit was converted into a self-managed team. By cross-training, providing direct customer service and issuing petty cash refunds, the team (Stacy Cipriano, Doug Davis, Kristine Eickhoff, Charlene Guine, Dorcas Grubaugh, Wendy Mann and Carol Perry) realized a \$4,200 productivity savings.

Enter the front lobby of the new Scottsdale Justice Center and you may think you've accidentally walked into Sky Harbor Airport! Monitors, similar to those you typically check for flight information, are installed in the main lobby and at the entrance to each courtroom.

Tom Brady (Court Services Director) first saw such monitors at a Court Technology Conference. He brought the idea back to the Justice Center planning team and they thought it was a great idea. Now, rather than spending 10 hours each week preparing the calendar, staff members simply download the information from the mainframe onto a computer disk which "drives" the system.... future plans will allow the information to be imported directly from the network, saving even more time!

So what's Tom doing with his "free time," now? Talking to other court system representatives who want to learn more about Scottsdale's innovative approach to court postings!

A Brand New Postin' Board



In the new Justice Center, l to r: Filip Steiger, Pat Dunn, MarJan Hightower, Judge George Preston, Sue Sproch, Peter Buonadonna, Tom Brady

“...rather than spending 10 hours each week preparing the calendar, staff members simply download the information from the mainframe...”



The Challenge:

The Scottsdale Court System was spending about 10 hours each week preparing manual calendar lists. Not only was this time-consuming, it wasn't user-friendly either, since only a few people could view the list at one time.

The Solution:

An automated calendar system posted on computer monitors in the main lobby and at each courtroom entrance at the new Justice Center.

The Result:

Close to \$5,000 cost savings as well as enhanced customer service for Justice Center customers.

"There's got to be a better way...
at least that's what Curt Anderson thought..."



The Challenge:

The standard practice for installing conduit for traffic signals was to either manually or mechanically cut through and tunnel under the pavement-- a slow process that was a lot messier than necessary.

The Solution:

Curt Anderson developed an "air pipe" to improve the method of installing conduit under existing surfaces.

The Result:

Considerable time and material savings...adding up to \$45,000!

Makin' a New Contraption



Out in the field -- Curt Anderson

There's got to be a better way...at least that's what Curt Anderson (Field Services) thought as he watched the standard City operation of installing conduit for traffic signals. At the time staff had to either manually dig or mechanically bore under existing surfaces. This took a lot of time and became a real mess since a lot of earth was "moved" in the process. Observing this, Curt set out to find an alternative.

Curt actually invented a new tool -- an "air pipe" he called it -- that would use compressed air to clear path as the pipe was driven into the earth. The air pipe has been field tested and may have future applications in other City operations.

Direct cost savings attributed to this "air pipe" could be up to \$4,500 per intersection. Assuming 10 intersections a year, that's a potential savings of \$45,000!

CINCHIA THE PURSE STRINGS

CITY OF SCOTTSDALE EMPLOYEES HAVE CONTINUALLY LOOKED FOR WAYS TO DO "MORE WITH LESS." OVER THE PAST YEAR, NEARLY \$1 MILLION HAS BEEN SAVED BY EMPLOYEES' COST SAVINGS IDEAS, INCLUDING:

Rocky Armfield required Blue Cross/Blue Shield to reduce charges when employees use a Blue Cross/Blue Shield network facility -- a \$46,726 savings.

The Library Quality Team (Carolyn Carrithers, Candace Clark, Doug Davis, Maryann Hill-Hanson, Sharon Laser, Mary Jane Mann and Sheena Owen) used a collection agency for lost or overdue library materials. The result? A \$29,000 savings in personnel costs and a \$56,000 productivity savings.

Jim Clune combined the chemical contracts for the CAP Plant into one contract, saving \$20,000 in operating costs. Jim also rescheduled staff shifts at the CAP Plant and saved \$22,500 in personnel costs.

By modifying the steering arms on three sanitation trucks, Mark Cole saved \$8,231 in operating costs and extended the life of the trucks' tires.

Thanks to a remote telemetry unit, George Dal Monte and Art Nuñez were able to reduce the number of trips between the Gainey Ranch and Troon water treatment facilities. The result? An \$8,000 savings by reducing overtime and a \$10,000 productivity savings.

Gail Denney converted a full-time dispatcher position to a job share, saving \$1,000 in personnel costs, while retaining two fully-trained employees. This also improved shift scheduling capabilities and reduced overtime.

Ray Novak substituted a metal plate with a foilback printing plate for low-volume print jobs. This saved \$600 and resulted in a \$5,850 productivity savings by improved turnaround times for print jobs.

Using a laptop database program for logging the inventory of impounded items, Officer John Hummel saved \$200 in operating expenses and realized a \$7,000 productivity savings.

Cross-training an existing officer as a canine instructor enabled Sergeant Frank Hylton to save \$4,500 in operating costs by eliminating a private contractor. This also enhanced the level of in-house training.

James Ingham saved several saguaro cacti scheduled for destruction and replanted them at Cactus Park. This saved \$5,000 by eliminating the need to purchase new cacti.

Marcia Isenberg accepted forfeited weapons from other Valley law enforcement agencies instead of purchasing new ones -- saving \$1,600.

Bob Johnson salvaged vegetation from parcel development and used it to augment the blast fence at the Airport -- saving \$10,000 by eliminating the need to buy new vegetation.



Based on State audits, Kevin Kellogg initiated a self-assessment of Sales and Use Tax. This saved \$20,445 in operating expenses and resulted in a \$20,700 productivity savings by decreasing the amount of staff time spent on individual audits.

Mark Leeder identified a roof replacement alternative for the Water Operations Building that saved Facilities Maintenance \$40,000.

By refurbishing old street signs as opposed to buying new ones, John Linnell saved Field Services \$4,800.

Obtaining a revision to the FEMA flood plain map boundary, Collis Lovely saved \$30,000 in operating expenses by eliminating the need for a levee. This also benefited citizens who would have otherwise had to purchase mandatory flood insurance.

Linda Marshall, Mila McKinley, Lyn Saint-Erne and Pat Stierle changed the City's Open Enrollment process so that employees only need to fill out a form if they are changing benefits. This saved \$2,500.

Don Mowry and Loretta Klimczak bar-coded Utility Bill mailing labels according to postal service specifications, saving \$3,300 in operating costs by lowering the previous bulk rate.

Bill Murphy removed unused gravel from Scottsdale Stadium and reused it at the Graphics and Chamber of Commerce buildings -- saving Parks and Recreation \$1,600.

Keith Rohrer made in-house modifications to the sanitation truck container grabbers, saving \$3,310 in operating costs and improving driver safety.

Paula Schuttera decided to reuse pre-numbered microfiche jackets rather than buying new ones -- a \$3,000 savings.

Cellular phones proved cost effective in two areas. Sandy Spain realized a \$8,216 savings in personnel and operating costs by providing them to purchasing staff who were in the field; and Jeff Straine replaced Meter Readers' two-way radios with cellular phones, thus saving \$22,500 in personnel and operating costs by eliminating extra trips to and from the office.

Lieutenant Bill Sutter decided that using City fueling stations for undercover lease vehicles would result in a \$2,132 cost savings.

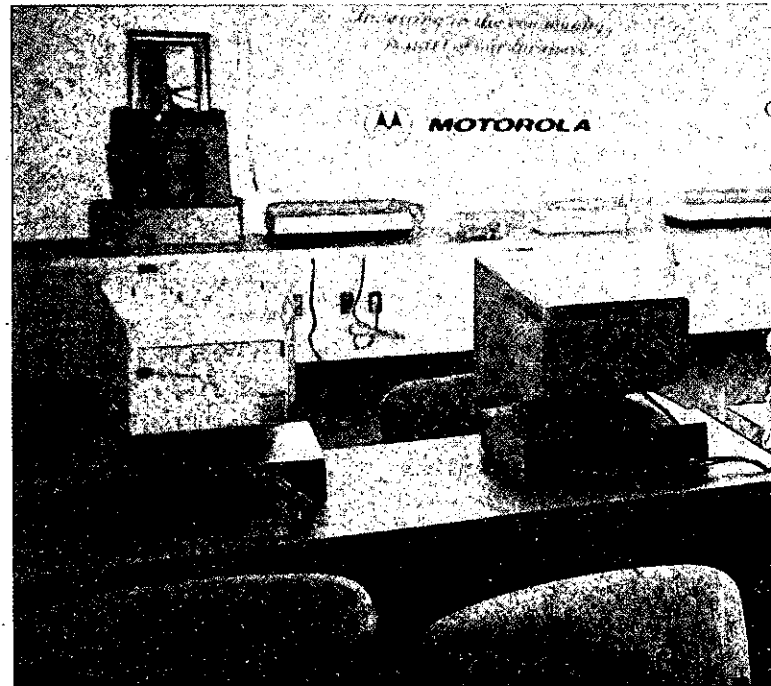
Daul Valenzuela saved \$1,200 by partnering with middle and high school parent organizations to insert the annual summer teen activities' flyer into the final school newsletter.

Kellie Volant determined that early pay-off on the mortgage for the Water Operations Building would save \$60,000 in interest charges.

When the community spoke, the Paiute Neighborhood Center staff listened! Following a door-to-door survey facilitated by Terry Erickson (Recreation) and her staff, several "needs" were identified for the Paiute Neighborhood Center. Unfortunately, the project budget was not going to cover all of these needs. Rather than giving up, Bob McNair and Alma Estefano (both of Human Services) decided to model a program after the McCormick Railroad Park ramada donation program. With the help of Bill Exham (Community Services) and Marilyn Pauwels (Endowment Program), the Paiute Neighborhood Center staff and several committed volunteers went out into the community to solicit donations.

The effort proved extremely successful, as Motorola, the Scottsdale Association of Realtors, Salt River Project, the *Scottsdale Progress Tribune* and the Scottsdale Soroptimist Club all pitched in to provide the resources necessary to make the neighborhood's dream a reality. Now, seniors are taking computer classes, teens are stopping by after school, neighbors are holding meetings and hispanic children are taking English classes. . . all as a result of the innovative ideas and hard work of City staff!

A New Gatherin' Place



In the Motorola Computer Center at the Paiute Neighborhood Center: Alma Estefano, Bob McNair, Marilyn Pauwels, Terry Erickson and Bill Exham

"The effort proved extremely successful...all pitched in to provide the resources necessary to make the neighborhood's dream a reality."



The Challenge:

Neighbors identified a number of needs to be met by the new Paiute Neighborhood Center, Scottsdale's first neighborhood enhancement center -- needs that far exceeded the project budget.

The Solution:

An "Adopt-a-Building" program soliciting corporate donations from the community.

The Result:

Five buildings have been adopted with a minimum contribution of \$15,000 -- a total of \$120,000. The Center now houses a computer center and multipurpose room with a future teen center and small auditorium on the way!

FINDING WAYS TO IMPROVE SERVICE WITHOUT INCREASING COSTS IS A CONTINUAL CHALLENGE. FOLLOWING ARE JUST A FEW OF THE WAYS OUR CITY EMPLOYEES HAVE MET THE TEST AND SAVED THE CITY \$301, 978:

Karl Adams eliminated unnecessary paper files for tracking fleet purchases by transferring the information to computer files. This resulted in a \$1,032 productivity savings by reducing 20 minutes of staff time each day to retrieve necessary files.

Rocky Armfield used volunteers to help identify and inspect the City's bike paths for trees in need of trimming. The result? A \$2,250 productivity savings.

By purchasing new software to improve the collection and reporting of library statistics, the team of Dean Bryan, Bill Gular, Joe Kisler and Sharon Laser realized a \$45,730 productivity savings.

Michelle De Haan required that bacteria sampling sites be sprayed with bleach prior to sampling to kill any possible surface contaminants. By substantially reducing the need to resample, this will save approximately \$9,600.

Marc Eisen transferred surplus defibrillators from the Fire Department to the Police SWAT team, thus enhancing the medical abilities of the team and saving \$7,000.

Terry Erickson used volunteers to run the Handlebar Helper program resulting in an \$8,000 productivity savings by redirecting City staff to other programs.

By implementing the Job Placement Training Act within City offices, Vicki French created 21 summer jobs for at-risk youth and realized an \$18,000 productivity savings.

Mike Mahoney submitted applications for reimbursement from the state Underground Storage Tank Assurance Fund, resulting in \$150,000 in additional revenues.

Paul McKee conducted in-house ergonomic workstation evaluations, resulting in an \$8,400 productivity savings by not having to hire a consultant to do the job. Paul also developed a Citywide training calendar addressing OSHA mandates and regulations, saving an estimated \$10,600 by minimizing the potential for OSHA citations.



Wil Orr and Ray Miller obtained two grants from NASA for implementation of a remote sensing system as part of the GIS. This resulted in \$773,000 in grant monies received. It is expected that by the year 2000, this system will ultimately save about \$7 million annually in data acquisition and processing costs.

Karl Pape extended the work hours for field crews and rescheduled their shifts providing seven-day-a-week, 12-hour-per-day coverage. This resulted in \$14,500 in personnel savings by reducing overtime.

Kathy Rivetna paid all employee reimbursements from the Payroll system rather than through Accounts Payable -- resulting in a \$200 productivity savings.

Debbie Tang decided to use petty cash for small dollar refunds rather than using Check and Travels which cost \$40-45 to issue. This resulted in a \$675 productivity savings by not having to fill out the requisition and improved service to Library patrons through immediate refunds as opposed to a two to four week wait.

Rose Williams took over contracted railroad track maintenance at McCormick Railroad Park. This resulted in \$10,000 in productivity improvements by being able to replace track more quickly and keep the trains running safely.

By deleting unnecessary files on the computer, Sandy Spain saved \$1,032 in productivity by reducing the time necessary to retrieve files.

P R I D E A N D P E R F O R M A N C E

1994/95 CITY OF SCOTTSDALE

Known as the "West's Most Western Town," Scottsdale is world-renowned for our warm, southwestern hospitality and easy-going lifestyle. We owe this to our community's founders who possessed the indomitable spirit that has made Scottsdale so special. This sense of pride and accomplishment thrives today in the City of Scottsdale's workforce. The stories that follow are prime examples of the legacy of ingenuity that makes Scottsdale a "jewel in the desert."

City Manager's Letter:

Dear Mayor and Members of the City Council:

I am pleased to submit the City of Scottsdale's first two-year (biennial) budget for fiscal years 1995/97. Based on our first five-year balanced financial plan, this budget supports critical objectives and strategies expressed by the City Council and citizens in the 1994 Citizen Survey and the Scottsdale Shared Vision Report.

The 1995/97 Biennial Budget continues to support basic government services (roads, water, sewer, solid waste management, public transit, parks and recreation, police, fire, etc.) while building on long-term community priorities established in previous years.

In 1995/97, we will:

- further improve Scottsdale's fiscal strength and stability by implementing long-term financial strategies;
- facilitate a sustainable community by continuing to integrate departmental services (public safety, youth programming, neighborhoods, etc.) and actively involving citizens in public-policy discussions;
- foster a strategic approach to land use and service delivery through conclusion and application of key financial studies and CityShape 2020 (Scottsdale's General Plan update); and
- maximize organizational resources through innovation, strategic planning and greater use of emerging technologies.

The five-year financial plan and 1995/97 Biennial Budget emphasize long-range strategic planning in order to balance desired results with available resources. The multi-year process incorporates financial targets similar to those used in Zero Based Budgeting (careful examination of existing budget before new resources are added) and challenges managers to evaluate all programs for need and improvement in order to balance the budget. It requires strategic planning, base budget reductions or tradeoffs, new or increased program revenues and departmental collaboration on funding priorities.

Scottsdale's Operating Budget for 1995/96 is \$200.9 million, which represents a 6.7 percent increase over 1994/95. The total appropriation for 1995/96 is \$488.9 million, which includes: the Operating Budget of \$200.9 million; prior-year remaining and current year Capital Plan appropriations of \$270.1 million; and funding for grant, trust and other

fiscal activity in the amount of \$17.9 million. Although we are presenting a two-year budget, Arizona statute requires an annual appropriation; therefore, only the 1995/96 budget is adopted and you will review and make a formal adoption of the 1996/97 budget and appropriations next spring.

The 1995/97 Biennial Budget assumes population and corresponding service demand growth of 5 percent for 1995/96 and 4 percent for 1996/97. During this same period, the departmental or direct service cost per citizen (exclusive of debt service) will increase by only 3.3 and 2.7 percent, respectively, and our employees per 1,000 citizens will decrease by 0.8 and 2.1 percent. When you consider that inflation is expected to be approximately 4.4 percent or above for these same years, the adjusted cost per citizen will actually go down from the current year. We have kept our operating budget, cost-per-citizen and employee growth to a minimum by implementing the innovative ideas of a creative work force; establishing a strong volunteer corps; leveraging available technology; and examining the work we do in system and process terms.

The 1995/97 Biennial Budget is supported by strong revenue growth from a healthy economy led by a strong retail sales base (up 15 percent) and construction and development activity (up 35 percent). Although Scottsdale is experiencing a second straight record year economically, this budget and five-year financial plan were premised upon estimates of moderate future growth and a softening economy beginning in late 1996/97.

While 1994/95 has been a record year for revenue growth, the source and planned use of these dollars need to be kept in perspective. Enterprise revenues increased in large part due to rate adjustments intended to raise funds to pay for needed capital projects (Waste Transfer Station, Water Campus and to secure guaranteed water supplies). Water revenues, while up from last fall due to weather, could fall off again this spring for the same reason. General Fund revenues are up due primarily to elastic revenue sources; significantly: sales tax and building permits. These revenue sources help us build the Economic Stabilization Reserve during these "good times" and are just as likely to be the "elastic" revenue source which will require supplementing during recessionary times in order to maintain service levels.

Although today's economic indicators are strong, we must continue to increase our financial strength by investing in reserves to provide for infrastructure deterioration and times of fiscal uncertainty. This budget will allow us to meet new service demands during 1995/97, while contributing \$7 million to reserves. In 1995/96, our Economic Stabilization Reserve will grow to \$11.8 million and reach our goal of 10 percent of departmental expenditures (excluding Enterprise Funds).

Operating Budget highlights include:

- \$1.5 million for operational and maintenance costs associated with several new facilities including the Palomino Library; Rio Montana Park; Horizon Park and Community Center; and the Via Linda Senior Center. Several of these facilities will be operated through partnerships with the Scottsdale School District, Citizen Service Centers, nonprofit organizations and volunteers. Other funding has been committed to increase summer and after-school programs for youth and support neighborhood programming at the remodeled Paiute Neighborhood Center (a cooperative effort with Scottsdale businesses and civic groups).
- \$1.5 million to address planning, permitting and inspection service requirements directly related to increased development activity. These costs are supported by revenue growth from development service permits and fees, and follow fluctuations in workload to provide maximum efficiency.
- \$1.5 million for Municipal Services to address growth-related issues including new front-line positions, equipment and contractual support, as well as funding for the expansion of solid waste management services.
- \$1.4 million for computer technology for continued implementation of open systems, the Geographic Information Systems (GIS) and technology upgrades and replacements throughout the organization in order to leverage available technology and provide greater efficiency in the delivery of services to citizens.
- \$1.0 million for public safety programs including funding for eight police positions partially funded by Federal, State and School District grants which focus on youth and neighborhood outreach. The Police Department remains one of four partners under the umbrella of the Director of Public Safety, which includes fire, emergency medical services and emergency management. Likewise, public safety continues as a leader, catalyst and supporter in establishing internal and external programs for youth intervention.

Other financial highlights include:

- In order to continually improve the accuracy and comparability of financial reports, we are restating the operating budget to more accurately reflect the true cost of services and the single appropriation of internal service fund expenditures and transfers to CIP. In past years these expenditures/transfers were identified in separate sections of the budget as both a source and a use of funds, which resulted in the budget being overstated. Accordingly, our 1994/95 budget totals are restated, to reflect a more accurate presentation of our budget appropriation and comparison to the 1995/97 Biennial Budget. This is representative of our ongoing effort to improve budget preparation, reporting and clarity.

- The 1995/96 Capital Budget of \$270.1 million includes funding for the bond program approved by voters in 1989. The capital budget change is directly related to rephrasing of past projects to more correctly reflect when contracts will be issued. To address transportation issues (a top priority for citizens as indicated in the Citizen Survey), over \$40 million is budgeted for projects which are planned or in progress. Another \$28 million is marked for transportation improvements in 1996/97.
- \$6.8 million is budgeted for grant activity in 1995/96. Significant increases in grant activity are attributable to partial grant funding for police personnel of \$355,000, land acquisition at the airport for \$1 million, and advanced technology grants to support our GIS efforts totaling over \$1.4 million.
- A \$4.0 million increase relates to the rebudget of contracts which carry over from the prior year, such as street overlay. This increase ensures compliance with State budget law for previously approved expenditures.
- A \$2.6 million decrease in debt service costs is due primarily to lower than originally expected issuance of Improvement District debt. Forty-two percent of the debt service budget increase in 1996/97 is attributable to Improvement District debt. The remainder is attributable to the continuation of the 1989 bond program. Improvement District property owners elect to pay for the installation and construction of streets, water, sewer, and drainage improvements which benefit their property and the debt service is directly offset by revenue from special assessments.
- \$1.4 million is included for increased operating and maintenance costs associated with the North Indian Bend Wash Groundwater Treatment Facility and the Reclaimed Water Distribution System (effluent pipeline). These costs are directly offset by reimbursements from private companies. However, the expenditures must be included as part of the total appropriation.
- \$0.3 million previously budgeted in the City's General Fund for McCormick Railroad Park, will be established as a Trust operation. Concession revenues will be matched with direct operating expenses and all surplus revenues will be set aside for repair, replacement or improvements for the train, carousel and food concession operation. This will help preserve the quality and facilitate the revenue operation of one of Scottsdale's most used parks.

In addition to the above, the 1995/97 Biennial Budget will:

Further Improve Our Financial Stability

The City is currently in compliance with the comprehensive financial policies adopted with this budget. We again adopted a comprehensive financial policy that encompasses the sound financial management principles promulgated by the International City Management Association, the Government Finance Officers Association, independent bond credit rating agencies, the City's financial advisor, City Manager, and Financial Services Department staff. Adoption of sound financial policies demonstrates to the public, the credit rating industry and prospective investors (bond buyers), the City's commitment to preserving Scottsdale's fiscal integrity. It sets forth guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. The adoption of a comprehensive financial policy was a factor in achieving a bond rating upgrade to AA+ by Standard & Poors Investment Service this past fall, which resulted in lower cost of debt. With Moody's rating of Aa1, Scottsdale has the highest combined rating of any city in Arizona.

To further our financial stability, in 1995/97 we will:

Set financial planning targets. The development of the two-year budget and five-year financial plan was premised upon use of expenditure targets conservatively estimated to be available resources over the five-year period. Targets were used to help balance the budget and encourage decision-making by staff who have direct contact with citizens.

Examine service costs. We are in the process of completing a cost-of-service study and system installation which will provide decision makers with better tools to formulate the budget and related work management strategies. The system will facilitate better decision-making. It will also help us monitor the cost of doing business while examining alternative methods to reduce or absorb increasing costs. Rate and fee increases will be systematic, rational and consistent with cost increases and the City Council's fiscal policy.

Prioritize capital expenditures. A capital plan is a key strategic element in the City's growth and development equation. All requested capital projects are evaluated by a cross-departmental team against a set of criteria developed in conjunction with the International City Management Association (ICMA) to ensure that the most critical community needs are addressed within the limits of available resources. The criteria include: fiscal impact; health and safety effects; community economic effects; environmental, aesthetic and social effects; disruption and inconvenience

caused; distributional effects; feasibility; implications for deferring the project; amount of uncertainty and risk; effects of interjurisdictional relationships; advantages from relation to other capital projects; the City's critical objectives and lifecycle costs.

Ensure fair and responsible capital expenditures. All potential capital-funding resources are evaluated to ensure equity of funding for the Capital Improvement Plan. Equity is achieved when the beneficiaries of a project or service pay for it. For example, projects which benefit the general public as a whole are appropriately paid for by general tax revenues and/or general obligation bonds. Our goal is that projects which benefit specific users are paid for by user fees, development fees, contributions and/or revenue bonds.

Maintain sufficient reserves. Seven reserves protect the City's financial condition and provide the capacity to address forecasted, as well as unexpected, economic challenges. An Economic Stabilization Reserve addresses critical issues during a period of slow economic growth; a Contingency Reserve covers unexpected, short-term decreases in revenues and emergency expenditures; a Facilities Maintenance Reserve provides funding for emergency repairs and replacement of infrastructure equipment; a Self-Insurance Reserve indemnifies the City for property and liability risk; a Solid Waste Management Reserve meets unpredictable costs associated with solid waste disposal; and a Water/Wastewater Replacement and Extension Reserve which is required as part of our revenue bond indenture, ensures that resources are available to maintain City infrastructure. In 1995/96 a moderate Water/Sewer Weather Reserve has also been established to promote more relevant budgeting yet provide a resource in times of adverse weather swings which can impact this utility. These are important to maintaining Scottsdale's financial stability and strength.

Facilitate a Sustainable Community

Our distinction as one of the "most livable" cities in America is directly attributable to years of citizen involvement and spirited dialogue on significant community issues, resulting in sound public policy. The challenge today is to maintain the high standards we've set for our community as we shape the character of Scottsdale tomorrow. To do this, we must understand the inter-relationship of our economic, environmental and social issues. Only by recognizing how one impacts the other can we move toward a truly sustainable community -- citizens and government working together.

To further this goal, in 1995/97 we will:

Call citizens to action. A healthy community is one where everyone's opinion is valued and people have an opportunity to share their ideas -- the best of which are endorsed by the community as a whole. In 1995/97, we will continue to provide opportunities for citizens to have a voice -- calling them to serve on one of the City's boards or commissions, participate in community Town Halls, join a neighborhood organization, and/or express their views as part of the CityShape 2020 process.

Forge partnerships to create a "systems view" of issues. We will continue to break down artificial barriers by forming partnerships which support a "systems view" of community priorities. One area of emphasis is integrating youth programs with public safety. Our goal is for citizens, schools, businesses, police and the City to work together in addressing significant social issues. Also in 1995/97, Scottsdale will participate as one of six communities in the Partners for Livable Communities Program. As part of this effort, we will be examining the political, academic, community and financial elements of some of our country's most livable cities. Finally, we will pursue intergovernmental partnerships that benefit both the region and Scottsdale. Priorities include continuing to strengthen relations with the Salt River/Pima Maricopa Indian Community and addressing unfunded federal mandates which could significantly impact future budgets.

Promote neighborhood outreach and collaboration. The City's Citizen Service Centers (Los Arcos Mall and Sonoran Sky Elementary School), and other neighborhood outreach projects such as the Via Linda Senior Center, the Paiute Neighborhood Center, the Horizon Community Center and the Palomino Library provide opportunities for neighborhood outreach and collaboration. Our goal is to ensure neighborhood programs are interwoven with those relating to community policing, youth and human services and growth. In 1995/97, we will continue to create opportunities whereby each Scottsdale resident can belong to a neighborhood group or association; implement a plan to support the economic vitality of the Los Arcos area; and assist with neighborhood beautification efforts.

Encourage environmental sensitivity. Several initiatives will get under way in 1995/97 which will enhance Scottsdale's reputation as an environmentally sensitive community. These include: a citywide curbside recycling program; a new solid waste transfer station to improve service and productivity; the realization of an assured water supply; and the completion of the final design plans for the Reata and Pima Channels in the Desert Greenbelt. We will also be pursuing federal and state involvement in the preservation of the McDowell Mountains and will be working with the Arizona Department of Transportation (ADOT) during construction of the Pima Freeway to ensure protection of Scottsdale neighborhoods.

Foster a Strategic Approach to Land Use and Growth

The predominant goal of CityShape 2020 (the update of Scottsdale's General Plan) is to help ensure that growth adds value qualitatively, as well as economically, to the community. In concert with citizens, we will closely examine the economic, environmental and social fabric of our community in order to address the many complex issues related to achieving sustainability.

In 1995/97 we will:

Study fiscal impacts of development. In conjunction with the cost-of-service study initiated in 1994/95, another study of development impacts is under way. This study will address the costs of service delivery to new development, capital improvement construction and the overall community impact of growth. This analysis will provide the City with a much better picture of where revenues come from, how they are used and how changes in a variety of activities (including land use planning, new development, levels of services and differential rate structures) will impact the future fiscal health of Scottsdale. It will explore ways to pay for future infrastructure replacement costs and ensure that new development consistently adds financial value to the community.

Complete General Plan Update. Scottsdale's General Plan consists of several elements, including land use, transportation, water and wastewater, environmental design and public facilities. It provides a framework for assessing and integrating policy decisions into the community's long-range plans. CityShape 2020 is a comprehensive review of Scottsdale's General Plan. Its goal is a future shared vision -- one that represents broad citizen consensus. The update of the General Plan will be accomplished with extensive citizen participation and involvement through 1995 and will seek to involve at least 15,000 residents throughout the yearlong process.

Involve citizens in public policy discussion. Citizen participation is essential in key policy discussions which impact Scottsdale's future. Issues to be addressed in 1995/97 include: preserving the Sonoran Desert and McDowell Mountains; adopting a strategic approach to land use and growth; obtaining an assured water supply by December 31, 1996; updating the transportation elements of the General Plan; and developing a preventive maintenance plan to preserve the City's infrastructure. These must be accomplished with substantial public discussion and involvement.

Maximize Organizational Resources

We continue to employ innovative approaches to improve service to citizens and better position the organization for the 21st century. The introduction of a flatter, more flexible and team-based structure which responds quickly and proactively to changing demands and emerging issues is a key organizational priority. Specific attention is being given to improving the City's strategic planning, work-measurement and work-flow processes.

In 1995/97 we will:

Build organizational capacity. We continue to promote volunteerism through the City's "I'll Do It" program. Citizens contributed over 91,047 hours (equal to approximately \$825,802) to their city in 1994. Citizen volunteers updated the City's Environmental Directory, completed a market analysis of the Scottsdale rental market, developed a flood warning system for Transportation and staffed a new information center at the City's One Civic Center Building.

Implement service and quality improvements. We continue to identify new and better methods of service delivery. Over 200 quality and productivity improvements were implemented in FY 1994/95. The City Clerk's Office assumed responsibility (from Maricopa County) for providing passport-application and marriage license services, adding \$30,000 in additional revenue. The Police Department realized a \$25,000 savings by training volunteers to take police reports by phone, improving efficiency and putting more officers on the streets. The Water Resources Department saved \$20,000 by doing CAP plant calibration repairs in-house, further improving service response time.

Promote a more flexible and responsive organizational structure. Our goal is to maximize our human resources through innovation, improved work methods and technology. Key strategies include: expanding the number of self-directed work teams; increasing opportunities for job sharing across departmental lines; creating more cross-departmental initiatives; and broadening supervisory spans of control. These efforts have helped us focus our position requests on direct service delivery needs instead of managerial positions. Accordingly, while this budget adds 58 new positions, only one supervisory position is included (one part-time deputy city attorney).

Leverage use of emerging technologies. The implementation and use of available technologies is vital in accomplishing our objectives for the future. The 1995/97 Biennial Budget includes funding for continued implementation of "open systems" computing, Geographic Information Systems, optical imaging systems, a fiber optics network, and support for the City's partnership with NASA and ASU on advanced technologies. By leveraging these available and emerging technologies, we increase public information access for citizens and greatly improve our ability to create linkages with other organizations (communities, schools, libraries, etc.) through global information networks.

Pursue excellence. We received national recognition in 1994 for our public safety and community services programs. The Scottsdale Police Department became one of only 340 of the 18,000 law enforcement agencies in the country to successfully complete the rigorous three-year national accreditation effort. The City's Community Services Department also received national accreditation from the National Recreation and Park Association for Leisure Services Management. Such distinctions speak to the quality of our services. Our goal is to pursue this level of accomplishment whenever possible in order to achieve a nationally recognized level of excellence.

The 1995/97 Biennial Budget has been developed in accordance with sound financial policies adopted to ensure fiscal integrity. It includes recommendations that will further expand our data and information systems providing new intelligence that will allow us to make more informed decisions. A multi-year approach to budgeting will also move us in the direction of being able to assess what every new neighborhood, road, water line, park, library or piece of equipment we approve today will mean five, 10 or even 20 years from now. However, knowing how today's decisions impact tomorrow is not enough. We must use this information to better define priorities and initiate necessary changes which will help ensure Scottsdale's future.

Building on prior year accomplishments, including the 1994 Public Technology Award for Scottsdale's Venture Team (charged with exploring alternative organizational structures, service delivery systems and ways to better meet and finance Scottsdale's future infrastructure needs); the 1994 International City/County Management Association's (ICMA) Citizen Involvement Program Excellence Award; the 1994 Phoenix Newspapers Inc. "Community Vision Weaver" Award for Scottsdale's Citizen Service Centers; and the "most outstanding entry" award in the 1994 Fiesta Bowl Parade and Scottsdale Parada Del Sol Parade; we are enthusiastic about what can be achieved working with a committed and involved citizenry.

Today, Scottsdale is fiscally strong and economically healthy. There is no better time to proactively address existing and emerging issues. We could not do this without the planning and participation provided by citizens, the Citizens Budget Review Committee, board and commission members, volunteers and City staff. My sincere thanks and appreciation for the role each has played in developing Scottsdale's first two-year budget and balanced five-year financial plan.

Respectfully submitted,



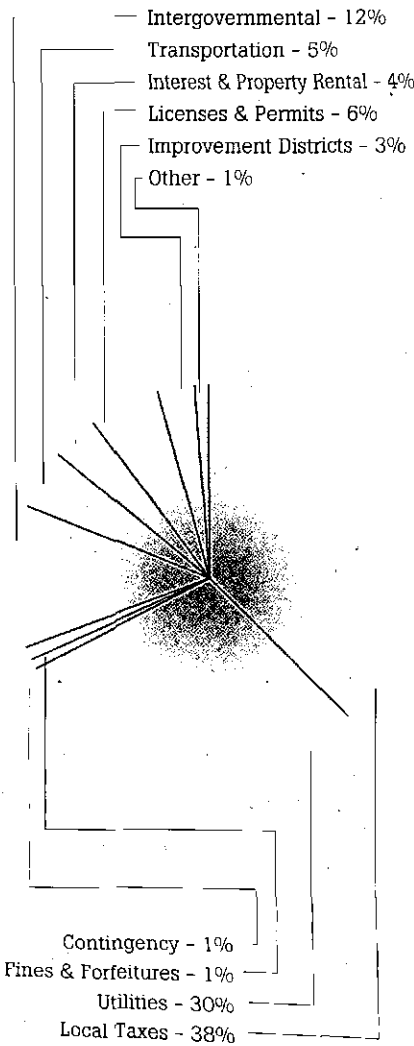
Richard A. Bowers
City Manager

Total Budget Appropriation

The City of Scottsdale's total budget appropriation for 1995/96 is \$488.8 million, which includes the Operating (Direct Service) Budget of \$200.9 million; prior-year remaining and current-year Capital Improvement Plan (CIP) appropriations of \$270.1 million; and grant, trust and other fiscal activity in the amount of \$17.9 million. (NOTE: Although we are presenting a two-year budget, Arizona statute requires an annual appropriation; therefore, City Council has adopted the 1995/96 budget year only and will review and make a formal adoption of the 1996/97 budget and appropriations next spring.)

The City's Operating and Capital Improvement Budgets have been developed in accordance with sound financial policies. These policies earned Scottsdale a bond rating upgrade to AA+ by Standard & Poors Investment Service last fall, resulting in a lower cost of debt. With Moody's rating of Aa1, Scottsdale has the highest combined rating of any city in Arizona.

OPERATING REVENUE BY SOURCE



Operating Revenues — Where the Money Comes From

Revenue determines Scottsdale's capacity to provide departmental or direct services to our citizens. Improvement in the economy during 1994/95, led by sales tax and development activity, had a very positive impact on Scottsdale, although our forecast is for this trend to level off in 1995/96 and soften in future years. As a result of the development activity, Scottsdale's population is expected to grow by over five percent in 1995/96. This growth also results in utility and enterprise operation service demand increases and related revenue growth. In spite of these encouraging trends, we believe the estimates used in developing 1995/97 revenue projections that vary directly with the economy are conservative.

Estimated revenue for 1994/95 increases \$18.9 million over 1993/94. Significant increases from prior year are from sales taxes (13.7 percent), permits & fees (23.7 percent), property taxes (12.9 percent) and user fees (7.2 percent). The increases in sales tax and fees and permits can be attributed to the improving economy, a strong retail sales tax base, and strong development activity. Increases in property taxes and user fees are caused by growth and rate increases to fund voter-approved capital improvements.

The Operating Budget is supported by nine revenue sources, as shown in the accompanying pie chart.

Local Taxes, representing 38 percent of operating resources, are Scottsdale's largest source of revenue. They are comprised primarily of sales taxes (\$42.9 million), property taxes (\$19.9 million) and transient occupancy taxes (\$4.8 million), along with other franchise and in-lieu property taxes.

Utility User Fees, representing 30 percent of total operating resources, are the second largest source of revenue for the City. They are comprised of utility service charges (water, sewer, and refuse) and airport enterprise use fees. User fees and charges promote efficiency by shifting payment of costs to specific users of services and avoiding general taxation. Moderate rate increases are included as part of this budget to offset increasing operating costs, mandated environmental standard compliance and capital infrastructure costs attributable to growth.

Intergovernmental revenues include the state sales tax, income tax, and auto in-lieu tax collections which are shared with cities and towns based upon population.

Transportation revenues include the Highway User Revenue Tax (HURF - Gas Tax) and Local Transportation Assistance Fund (LTAF - State Lottery) collected by the State. A State constitutional restriction on the use of these revenues requires that these funds be used solely for street and highway purposes.

Licenses and Permits revenues include various business license and permit fees, recreational fees and all fees recovered as a part of the development process. This includes building, electrical, mechanical and plumbing permits, as well as subdivision, zoning and plan check fees. This revenue category is directly impacted by changes in the economy that affect building. The City has experienced steadily increasing building activity since 1990/91, although this is expected to level off in 1995/96 and soften in later years.

Improvement District revenues are receipts from special assessments on property benefiting from property owner requested capital improvements. Improvement District revenues are directly offset by debt service payments for the construction of the capital improvements.

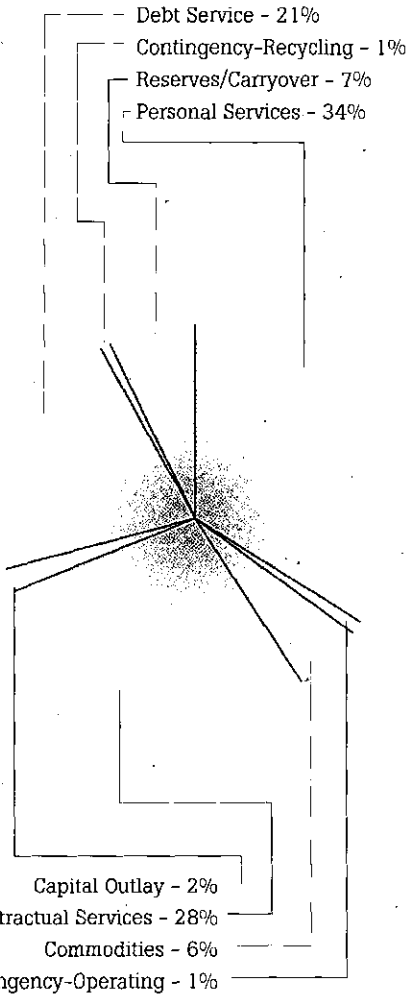
Other revenues include **interest, property rental income, fines & forfeitures** and all other miscellaneous receipts.

Reserves and Carryovers constitute the remaining resources used to fund the 1995/97 Operating Budget. Carryovers are committed funds from prior year purchase orders rebudgeted; and Reserves include appropriations for facility maintenance, solid waste management and self insurance not expended from the prior year.

Uses — Where the Money Goes

Scottsdale's operating expenditures are divided into four major categories plus debt service, contingency and reserves/carryover from the prior fiscal year:

EXPENDITURES BY TYPE



Personal Services

Personal Services represent 34 percent of the 1995/96 Operating Budget and have increased by \$6.3 million (10%). Part of this increase is due to the addition of 58.4 full-time equivalent positions which will support public safety and youth programs, operation of new facilities, impact of growth and operational efficiency. This category of expenditure also includes a commitment to our employees, our most important resource, by continuing to provide them competitive compensation and benefit programs. In addition to performance-based compensation increases, a three percent salary adjustment is included for all employees based upon a market comparison study with other cities.

The 1996/97 Personal Services budget increases \$4.9 million (7%) and includes the addition of 32.8 full-time equivalent positions, performance-based compensation for all eligible employees and a two percent market-based salary adjustment.

Contractual Services

Contractual Services, representing 27.6 percent of the 1995/96 Operating Budget, have increased \$8.2 million (16%). This increase is due to: \$1.7 million increase in the Fire protection contract; \$1.1 million reclassification of water treatment plant expenditures from commodities to contractual services; \$1.0 million increase in the self-insurance reserve budget; \$0.8 million increase in maintenance and utilities for new facilities; \$0.5 million increase in the City's fleet replacement and maintenance charges to internal users; and, \$0.5 million increase in transit costs, including expanded bus and Dial-a-Ride service.

The 1996/97 Contractual Services budget increases \$3.7 million (6.7%) and includes: \$0.8 million increase in the fire protection contract; \$0.6 million increase in new facilities maintenance and utilities; \$0.3 million increase in transit services; and \$0.4 million increase in wastewater treatment charges.

Commodities

Commodities, representing 5.7 percent of the 1995/96 Operating Budget, includes water treatment chemicals, cost of purchased water, maintenance supplies, office supplies, library materials and fuel and oil for the City's fleet.

The 1996/97 Commodities budget increases \$0.5 million (4.5%). \$0.3 million of the increase relates to purchased water.

Capital Outlay

Capital Outlay, representing 1.8 percent of the 1995/96 Budget, includes funding for new and replacement vehicles; computers and related equipment; and office equipment. Expenditures in this category have decreased \$1.8 million from 1994/95.

The 1996/97 Capital Outlay budget increases \$0.9 million due to the fleet replacement schedule.

Debt Service

Debt Service, representing 21.4 percent of the 1995/96 Operating Budget, has decreased by \$3.4 million (5.5%). Improvement District debt, which is directly supported by special assessments on the property benefiting from the improvement, decreases by \$5.0 million due to the delay of scheduled improvements. This decrease is partially offset by a \$1.5 million increase in general obligation bond debt service to continue the 1989 and 1992 voter-approved bond program.

The 1996/97 Debt Service budget increases \$6.2 million (14.3%). The increase includes: \$1.2 million increase in general obligation bond debt and \$2.1 million in sewer utility debt resulting from the continuation of the 1989 and 1992 voter-approved bond program; \$0.4 million in contractual debt supporting advancement of funds to ADOT for the Pima Freeway; \$2.1 million increase in Improvement District debt supported by special assessments; and \$0.4 million increase in Municipal Properties Corporation debt caused by variations in the principal repayment schedule for existing debt, as well as new debt to be issued for construction of Stillman Station at McCormick Railroad Park. New Municipal Properties Corporation debt is supported by contractual revenue.

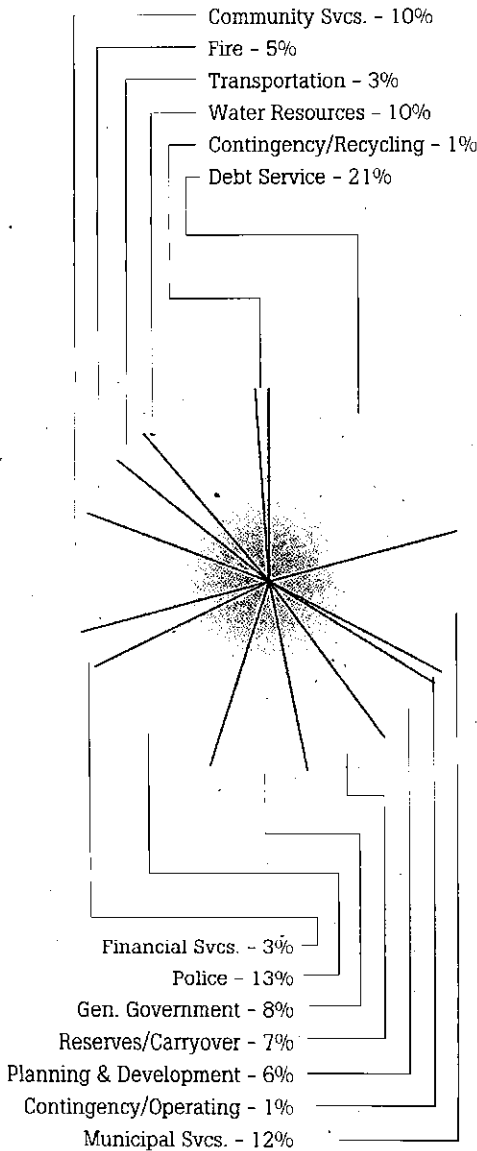
Reserves/Carryover

Reserves/Carryover includes emergency reserve appropriations for facility maintenance, solid waste management, self insurance and impacts of severe weather fluctuation on water/sewer operations.

By Department--Direct Service Expenditures

Scottsdale's operating expenditures are comprised of nine separate departments, debt service and contingency appropriations:

EXPENDITURES BY DEPARTMENT



Municipal Services

Municipal Services (\$24.0 million net of \$7.2 million fleet internal service charges), representing the largest operating departmental budget, maintains and repairs the City's street system, City-owned buildings, structures and vehicles; provides solid waste services; and implements the City's approved Capital Improvement Plan. The budget decreases \$0.2 million in 1995/96, then increases \$2.1 million to \$26.1 million in 1996/97. Increases in the two year period include operational funding for a new solid waste transfer station; additional equipment and staffing to support service growth in Solid Waste Management; and additional staffing to support maintenance of new City facilities.

Police

Police (\$26.4 million), the second largest departmental budget, handles general law enforcement responsibilities; traffic accident investigations; undercover operations and surveillance; crime investigation, traffic enforcement; and emergency management services. The budget includes six new positions partially funded by a COPS AHEAD Federal grant and a DARE officer funded by a State grant. Growing City infrastructure needs are supported by adding two communications positions and funding for additional analytical work. The 1996/97 budget increases to \$28.6 million and includes full year funding of new positions added mid-year 1995/96, 11 additional patrol officers, another DARE officer, two additional communications positions and technical support positions.

Water Resources

Water Resources (\$20.3 million) plans, manages and operates a safe, reliable water supply and wastewater reclamation system. The net 1995/96 departmental budget decreases by \$312,500 due to operational efficiencies resulting from City operation of the CAP Plant. The 1996/97 budget increases \$2.0 million to a total of \$22.3 million. Budget changes over the two year period include the addition of three positions to support growth-related maintenance activities; increased electricity costs for new wells and booster stations; additional contractual funding to meet federally mandated water quality testing requirements; and cost increases associated with the operation of the multi-city sewer treatment plant.

Community Services

Community Services (\$19.5 million) plans, operates and maintains parks, recreational and library facilities; and provides recreational and leisure activities, and social services. Primary increases in the Community Services budget are staffing and maintenance support costs for new facilities -- Palomino Library, Horizon Park, Rio Montana Park and the Via Linda Senior Center. Other funding is committed to increase summer and after-school programs for youth and support neighborhood programming at the remodeled Paiute Neighborhood Center. The 1996/97 budget increases to \$21.0 million and includes maintenance and operation of a new community center at Horizon Park and increased support for youth programs.

General Government

General Government (\$15.5 million) develops and implements policies and program alternatives; provides leadership and administrative support to assist the organization in promoting professional and organizational development; and provides service to the organization and to the community through effective communications. The budget includes additional staffing in the City Attorney's office and City Court to address increased workloads; additional funding for Geographic Information Systems; support for the City's partnership with NASA and ASU; support for a regional effort to accommodate Super Bowl XXX activities; and funding for a 1996 regular City election. The 1996/97 budget increases to \$15.6 million and provides for continuation of 1995/96 service levels as well as the inclusion of additional staff support for the City Attorney's office and increased neighborhood outreach support.

Planning and Development

Planning and Development (\$11.9 million) ensures that land within the City is planned and developed for the general welfare of the community, manages City-owned real estate, administers the Community Development Block Grant (CDBG) program, enforces City code; and administers the City's economic development program. Budget increases are directly related to increased development activity. These contractual costs are supported by revenue growth from development service permits and fees and follow fluctuations in workload to provide maximum efficiency. The 1996/97 budget increases to \$12.5 million to support the projected activity levels.

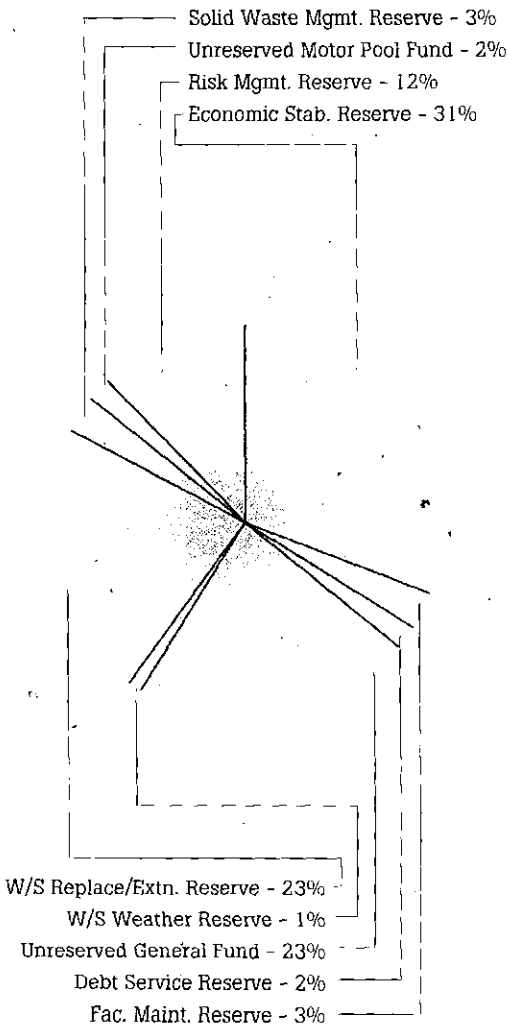
Fire Department

The Fire Department (\$10.2 million) provides emergency medical service, public education, fire prevention and fire suppression. Fire services are contractually provided by Rural/Metro Corporation. Increases in this budget include full-year operating funding for the new Mayo fire station in the East Shea Boulevard area. The 1996/97 budget (\$11.0 million) includes salary and benefit increases as well as staffing increases for the addition of a Thompson Peak fire station.

Financial Services

Financial Services (\$6.9 million net of \$2.9 million Risk internal service charges) provides basic financial services controls and processes to support the organization and maintain the financial integrity of the City. Increases in the budget reflect an adjustment in risk losses per actuarial expectations and funding for a Loss Control Prevention Grant Program. The 1996/97 budget increases to \$7.2 million and includes a further adjustment to the casualty loss budget as well as the addition of another Water Meter Reader position due to growth.

FUND BALANCES / RESERVES



Transportation

Transportation (\$5.3 million) provides for a safe, well-designed street and drainage system, coordinates the various components of the City's mass transit system and operates the Scottsdale Airport. Budget increases support expanded service on regional bus routes serving Scottsdale, increased frequencies on local circulation routes; and expanded hours of Dial-A-Ride service as required by the Americans with Disabilities Act. The 1996/97 budget increases to \$5.8 million and includes further transit service improvements.

Fund Balances - Reserves

Fund Balances represent Scottsdale's net difference between financial resources and uses. The 1995/96 unrestricted fund balance (\$8.9 million) represents the net financial resources expendable or available for appropriation (budgeting). Fund Balances-Reserves protect the City's financial condition and provide for unexpected economic challenges. Growth of Fund Balances occur when revenues exceed expenditures. Fund Balances are similar to an enterprise's net equity (assets less liabilities) and should only be used for non-recurring (non-operational) expenditures since once they are spent they are only replenished by future year resources in excess of expenditures. Much of Scottsdale's Fund Balances are reserved in order to protect the City from financial adversity and preserve its fiscal integrity.

Staffing

A significant part (35 percent) of the City's Operating Budget (net of transfers) is funding for employees who in turn provide services to our citizenry.

The 1995/96 budget increases staffing by 55 full-time positions and 10 part-time positions (total 58.4 full-time equivalent) and the 1996/97 budget increases staffing by 24 full-time positions and 12 part-time positions (total 32.8 full-time equivalent). Twenty-nine positions over the two year period directly support public safety. Eleven full-time and 10 part-time positions staff new facilities in the Parks and Recreation division, including the opening of a new joint City-School District library. The addition of 14 positions in Municipal Services supports maintenance of new facilities and provides services to the growing population.

Impact on Citizens

User Fees

The City charges monthly user fees for utilities based on customer usage. The three utilities the City maintains and their corresponding rate increases are:

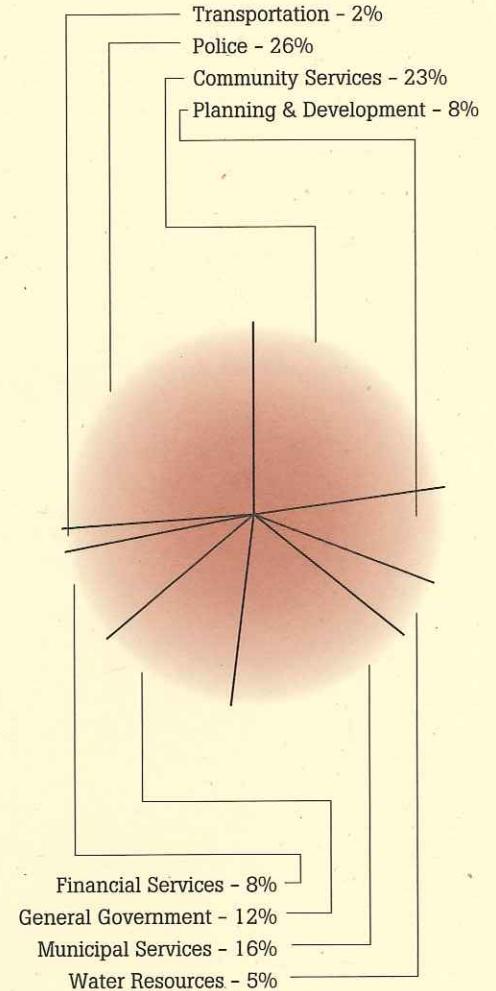
Water

A fixed charge for the size of meter and a variable charge for the amount of water used. A water rate increase of 3.0 percent is forecasted each year for 1995/96 through 1999/00. These rate increases will provide revenue to address:

- Increased operating costs for treatment plants, electricity and purchased water;
- Pay-as-you-go CIP projects;
- Debt service costs for water projects approved by voters; and
- Required revenue-to-debt ratio to ensure Scottsdale's high bond rating.

The average customer's bill will increase an estimated \$1.00 per month in 1995/96.

STAFFING BY DEPARTMENT



Sewer

Charges are for disposal of sanitary sewer waste based on water consumption and type of residence or business. A sewer rate increase of 7.5 percent is proposed each year for 1995/96 through 1999/00. These rate adjustments will provide revenue to address:

- Increased operating costs for treatment plants and sewer line maintenance;
- Pay-as-you-go CIP projects;
- Debt service for wastewater projects approved by voters; and
- Required revenue-to-debt ratio to ensure Scottsdale's high bond rating.

The average customer's bill will increase by an estimated \$1.28 per month in 1995/96.

Solid Waste

Charges are for the pickup of solid waste and consist of a fixed monthly charge for each residential customer and a charge based on the size of the container and number of pickups for each commercial customer. A solid waste rate increase of 5 percent is proposed each year for 1995/96 through 1999/00. These rate adjustments will provide revenue to address:

- Increased costs to operate machinery and provide labor to collect and transfer solid waste to an EPA approved landfill;
- Increased landfill "tipping fees" for disposal of solid waste; and,
- Debt service and operating costs for the Solid Waste Transfer Facility that will be operational in early 1996. This facility will mitigate future rate increases by reducing the use of collection vehicles to transport solid waste directly to the landfill.

The residential customer bill increase is estimated to be \$0.56 per month in 1995/96.

Property Taxes

Property Taxes are charged on the assessed value of all property within the City. The property tax is comprised of two parts:

Primary Property Tax

Primary Property Tax is used to pay for general governmental operations and is limited to a two percent increase per year, plus an allowance for annexations and new construction, and the cost of involuntary tort judgments, as allowed by State statute. A primary tax rate decrease of five cents per \$100 of assessed value is budgeted for 1995/96. An increase of one cent to \$0.56 per \$100 of assessed value in 1996/97 is needed to offset the increased operating costs attributable to price changes and growth and an increase in torts.

Secondary Property Tax

Secondary Property Tax is restricted to pay for general bonded debt obligations of the City. A secondary rate increase of seven cents per \$100 of assessed value in 1995/96 and five cents per \$100 of assessed value in 1996/97 is needed to offset the debt service costs associated with the issuance of general obligation bonds approved by citizens in 1989 and 1992 to construct capital improvements.

The 1995/96 annual property tax bill for a home assessed at \$100,000 is estimated to be \$148, an increase of two dollars from the previous year.

Capital Improvement Plan

The Capital Improvement Budget authorizes and provides the basis for control of expenditures for the acquisition and construction of all capital assets. Capital budget appropriations do not lapse at the end of the fiscal year – they are budgeted until the project is complete and capitalized.

The following summarizes the seven major programs which comprise the total five year Capital Improvement Plan, including significant projects contained within each program.

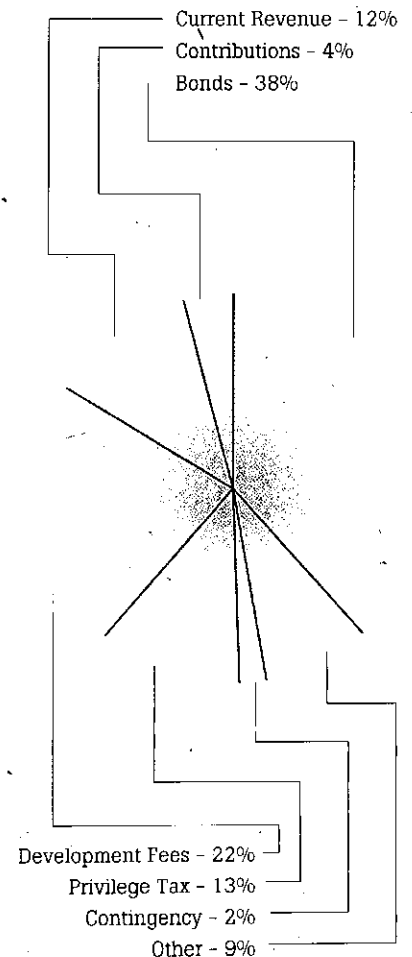
Transportation

Transportation continues to be a priority in Scottsdale. Twenty-four percent of the 1995/96 - 1999/00 CIP plan has been identified to address the transportation needs of the City.

Major Transportation Projects include:

- Shea Boulevard widening from 124th Street to 144th Street (\$9.0 million).
- Indian School Road widening from 64th Street to Pima Road (\$28.2 million).
- Downtown Transit Center (\$3.0 million). A multi-modal transportation center will be located near the historic Loloma School. The transportation center will be a transit hub for all types of transportation, including bus, taxi, hotel and motel shuttles; trolleys; and horse-drawn carriages. This project will be funded approximately 80 percent from Federal Transit Authority grants, with the City's portion estimated to be \$600,000. Design is under way with construction anticipated to begin late in fiscal year 1995/96.

CAPITAL IMPROVEMENT PLAN FUNDING



CAPITAL IMPROVEMENT PLAN PROGRAMS

Improvement Districts

Improvement Districts are a funding mechanism whereby property owners elect to pay for the installation and construction of infrastructure such as streets, water, sewer and drainage which benefits their property. The City facilitates this process by coordinating the design and construction, as well as the sale of special assessment bonds to finance the improvements. When cost effective, the City financially participates in a district to oversize infrastructure to meet master plan standards, thus avoiding higher future costs.

One of the major Improvement District Projects is:

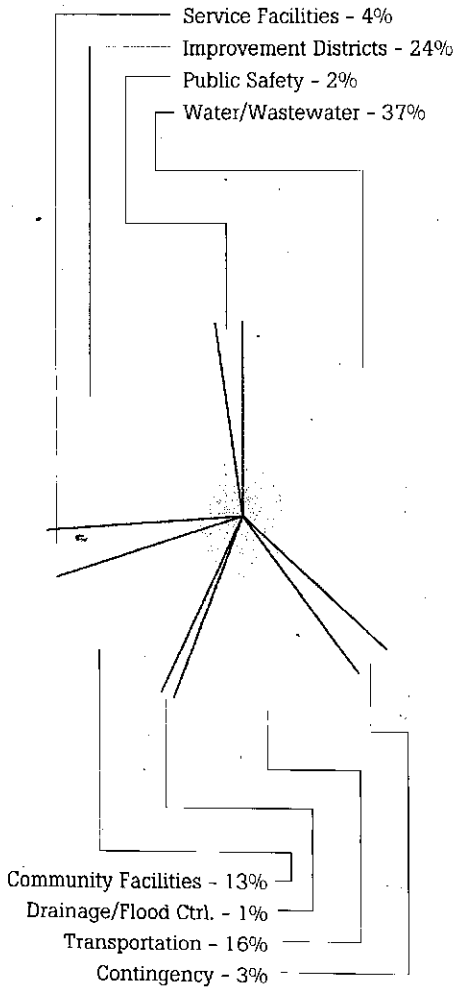
- Regional Drainage System North of CAP Canal (\$64.5 million). The City will continue design efforts for the construction of the Pima Road, Reata Pass Wash and Rawhide Wash regional channels which will mitigate the flooding potential in the area north of the CAP Canal.

Water and Wastewater

The Water and Wastewater Plan reflects the City's commitment to compliance with the 1980 Groundwater Code. Accordingly, the emphasis is on reclaiming and storing water and treated wastewater for underground recharge and decreasing consumption of groundwater.

Major Water and Wastewater Projects include:

- The Water Campus (\$89.7 million). The Water Campus will be comprised of the Advanced Water Treatment Plant, Regional Wastewater Reclamation Plant, Collection System and Initial Recharge and Recovery System. These two plants will enable the City to treat wastewater and redistribute treated water to northern area golf courses via 14 miles of reclaimed water distribution lines already constructed. Excess water will be further treated in the Advanced Water Treatment Plant and then recharged back into the aquifer, thereby replenishing the groundwater table.
- CAP Water Treatment Plant Expansion (\$37.0 million). Expansion of the CAP water treatment plant will enable the City to treat additional water from the CAP Canal.



Community Facility Projects

The Community Facilities Capital Plan addresses the recreational needs of the community and includes new parks, park improvements, libraries and bike paths, as well as improvements to the Civic Center mall area.

Major Community Facility Projects include:

- Horizon Park and Community Center (\$4.9 million). The park will include a lighted softball complex; 15,000-square-foot community center; playground; lighted tennis, volleyball and basketball courts; restrooms and picnic ramadas.
- McDowell Mountain Land Acquisition (\$55.4 million). This project provides for the purchase of land within the McDowell Sonoran Preserve for the purpose of maintaining scenic views and preserving plants and wildlife, while providing public access and passive outdoor recreational opportunities.

Service Facilities

The Service Facilities program encompasses new office space, remodel of current facilities and automation needs.

One of the major Service Facility projects is:

- Solid Waste Transfer Station (\$3.5 million). The construction of a Solid Waste Transfer Station will allow Scottsdale to consolidate solid waste prior to transferring it to a landfill.

Public Safety

The Public Safety portion of the Capital Plan includes fire stations, training facilities and automation systems related to police and fire functions.

One highlight of the Public Safety program is:

- Desert Foothill-Public Safety Facility (\$1.7 million). The construction of an 8,000-square-foot facility designed to house police and fire personnel and equipment in the vicinity of Pima between Lone Mountain and Dixileta will allow Scottsdale to provide public safety services to this area of the City.

For More Detailed Information

The 1995/97 Biennial Budget Summary presents only abbreviated budgetary information. For more detailed information, copies of the complete 1995/97 Biennial Budget are available from the City's Accounting and Budget Office located at 7447 E. Indian School Road, Scottsdale Arizona, 85251, or by calling (602) 994-2437.

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