

Turning Budget Lemons into Economic Lemonade



It is still not clear when – or how - the pandemic related restrictions on business and individuals will be lifted. But even if all the restrictions were lifted tomorrow the damage to Scottsdale’s economy will be immense and long-lasting. Some businesses will never come back, and many of the ones that do will be severely diminished.

On the plus side, if we are willing to think outside of the box and apply some creativity, we can restructure how Scottsdale spends – and earns – money in ways that will go beyond simply reacting to the current crisis. Now is the time to reject business-as-usual thinking and to show some real leadership by making permanent changes to the city’s budget process that will help insure long-term prosperity for our city.

In the short term the biggest challenge for Scottsdale city government will be to survive a radical drop in revenues. Our city has always thrived as a world-class tourism destination and as a net importer of shoppers. Unfortunately, both revenue sources are significantly reduced and will continue to be down for a long time.

Clearly cuts in city spending will need to be made. The answer in the past has always been to make just enough cuts to survive the temporary crisis and then return to spending-as-usual. Even worse, the coping measures often involved across-the-board cuts which diminish both worthy and unworthy programs in an effort to please everybody and to avoid saying “no” to some politically favored special interests. Bad policy!

Since I was first elected to the City Council in 2002 I have advocated for a radical, top-down overhaul of Scottsdale's spending priorities. If I am elected Mayor here is how I would make that happen:

The most important function of city government is public safety. That means police, fire and ambulance need to be fully funded and staffed. If we can't keep our citizens safe, then city government has no reason to exist.

The next priority is public health - water, sewer, and waste disposal. Fortunately, in Scottsdale these are enterprise funds which means they pay for themselves through user fees. However, the city must make sure these monies are wisely spent in order to avoid raising fees paid by our citizens during an economic downturn. Code Enforcement, which is funded from our General Fund, is also a tool for protecting public health and needs to be fully funded.

The next priority is transportation infrastructure. Bad roads and bridges and traffic congestion discourage tourists and diminish the overall economy.

In Scottsdale tourism development has a dedicated funding source, the voter-approved bed tax. We need to ensure that money is being spent as effectively and efficiently as possible. We need to reduce the overhead (such as executive salaries) at Experience Scottsdale, the group the city contracts with for managing tourism development. In fact, we need to take a hard look at the entire contract with Experience Scottsdale to make sure we are getting full value for our bed tax dollars.

Once you get beyond these critical functions everything else is lower priority and should not be funded unless it can be paid for out of current revenues. We should definitely not be dipping into any reserve funds unless it is necessary to fully fund public safety, public health or transportation infrastructure.

The Preserve is a top priority but it has dedicated funding source for land acquisition and maintenance so it doesn't impact the city's General Fund. Plus, most of the maintenance required on the trails is performed at no cost to the city by the dedicated volunteers of the McDowell Sonoran Conservancy!

Schools are a top priority, but they are not funded by the city; the school district boards have their own separate budgets funded by property taxes and money from the state.

Two other changes need to be made to the way the city does business. First, we should never have any no-bid contracts, period. Elimination of competition is a sure-fire way for the taxpayers to over-pay for products and services. Second, we need to remove the

exception that allows the city in some circumstances to sell city-owned property without an open auction. Again, elimination of competition guarantees taxpayers will not receive full value for public assets.

On the revenue side we need to proactively anticipate how the pandemic will impact our tourism and shopping revenue streams in the long term. More online shopping means lower sales tax collections and less retail development. Many of our biggest tourist events, such as the auto auctions, golf tournaments and equestrian events currently produce large crowds. Will people still want to gather in large crowds and risk getting sick? No doubt the smart people who run these events will put as much of their content as possible online, but that will mean less sales and bed tax revenue to the city.

Development will also be greatly impacted. The current practice of not requiring big developments to pay for their impacts on Scottsdale's infrastructure (which left us with \$800M in unfunded infrastructure needs last year) clearly has to stop. More people working from home means less demand for office space. And the risks of contracting the virus will make dense residential development less attractive to potential occupants.

With bold action and out-of-the-box thinking we can go beyond merely surviving this pandemic-induced economic downturn - we can emerge better equipped to make our city finances more robust and sustainable, now and into the future. My training and experience in business and municipal finance, plus my willingness to stand up to special interests, make me the candidate for Mayor who is best prepared to make that happen. If this is the kind of leadership you want to see at City Hall and you can make a contribution, even a small one, you will find instructions for doing so at <https://boblittlefield.com/contribute.html>.

Bob Littlefield