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SENT VIA E-MAIL AND U.S. MAIL

Luci D. Davis
Senior Litigation Counsel
Arizona Attorney General's Office
2005 North Central Avenue
Phoenix, Arizona 85004-1592
PublicMonies@azag.gov

Subj: Public Monies Complaint No. PM2025-0016

Ms. Davis:

As you know, on May 21, 2025, the Goldwater Institute submitted Public Monies Complaint No. PM2025-0016 on behalf of our client and Phoenix taxpayer Bramley Paulin regarding hundreds of City of Phoenix expenditures to various private organizations under budget categories such as "Sponsorships," "Grants and Subsidies," "Emerg[ency] Assist[ance]," and so forth. We understand that our complaint has since been consolidated with a similar complaint from members of the Legislature, originally submitted under A.R.S. § 41-194.01 but later converted to a public monies complaint by your Office.¹ We appreciate your commitment to thoroughly investigate the serious matters raised in both complaints.

This supplemental letter serves two purposes: (1) to highlight departments, spending categories, and recipients that may warrant particular scrutiny, in the hope that this information will support and inform your ongoing investigation; and (2) to identify specific expenditures that appear to be clear violations of the Gift Clause, for which we respectfully request that your office initiate action under A.R.S. § 35-212 to recover unlawfully disbursed public funds.²

¹ <https://www.azag.gov/sites/default/files/docs/complaints/sb1487/25-001/2025-06-12%20Attorney%20General%20Response%20Letter.pdf>

² Additionally, our original complaint cited Exhibit E from the legislators' filing and stated that the expenditures in question "total more than \$28.5 million over the past five years." Upon close analysis, however, it appears that this figure inaccurately sums the 634 submitted line items, and the actual total is significantly lower. While this correction does not diminish our concerns about the legality of these transactions, we believe it's important to clarify.

Departments

Several departments have significant outlays under this program. Of the more than two dozen City departments identified in the legislators' exhibits, eight surpassed \$100,000 in flagged expenditures, including:

Office of Arts and Culture: \$458,336.64
Community and Economic Development: \$424,023.16
Environmental Programs: \$332,178.69
City Manager's Office: \$288,903.03
Aviation: \$283,160.11
Public Works: \$228,801.69
Public Transit: \$131, 554.38
Water Services: \$119,143.30

We suggest that your investigation provide specific focus on these eight departments.³

Budget Categories

Similarly, certain budget categories deserve priority attention due to their size and/or description.

For example, the City spent at least \$870,525.36 on items categorized as “**Grants and Subsidies**.” Both “grant” and “subsidy” are terms that appear in the plain text of the Arizona Constitution’s Gift Clause.⁴ Expenses logged as “Financial *Grant* [Assistance]” (emphasis added) raise red flags for the same reason.

Additionally, \$851,732.16 was spent for “Sponsorships.” The City appears to receive little, if anything, in return for these expenses, which appear to be subsidies by another name.⁵

These categories account for more than 60% of the total amount of public monies flagged for review.

³ One line item, #624 on the legislators’ Exhibit E, lists the word “Gift” as the “Department Description.” That expenditure of \$1,619 to the United Phoenix Firefighters (a private union) should be traced to its department of origin.

⁴ Ariz. Const. art. IX § 7 (prohibiting “any donation or *grant*, by *subsidy* or otherwise” to private parties (emphasis added)).

⁵ As indicated by synonyms, to “sponsor” means to “fund,” “finance,” “underwrite,” or “provide (for).” *Sponsor*, Merriam-Webster, <https://www.merriam-webster.com/thesaurus/sponsor>.

Recipients

As for recipients, here are some of the most concerning examples, based on the amounts and/or frequency of flagged payments, the nature of the organization's activities, or other questionable circumstances surrounding the expenditures. Pursuant to A.R.S. § 35-212, we request that you initiate action to recover these unlawful expenditures :

- **Arizona Science Center:** The Center's Galaxy Gala recently received donations from at least three separate departments (Public Works, Aviation, and Water Services) totaling approximately \$10,000. Over the past several years, including the Gala donations, the Center has received at least \$109,797.52 in questionable payments from five separate City departments: Aviation (\$5,000), Office of Arts and Culture (\$64,463), Parks and Recreation (\$15,334.52), Public Works (\$20,000), and Water Services (\$5,000).
- **Arizona Forward:** This private, nonprofit advocacy group focuses on environmental and sustainability issues and received payments from at least five separate City departments, totaling \$36,295. Presumably, some of these "Sponsorships," "Miscellaneous," and "Advertising Services" likely went towards the group's annual summit or other events.
- **Sagrado:** We assume this refers to The Sagrado Galleria arts organization and gallery located in South Phoenix. Sagrado is a private nonprofit organization. Among other projects, it boasts its "Ambiente Public Arts," which "creatively displays environmental quality data" to highlight "impacts of environmental inequities."⁶ Since 2020, the City has provided over \$100,000 to the organization, primarily through its Office of Arts and Culture, using "Emerg[ency] Assist[ance]" and "Grants and Subsidies" funding. This includes a \$24,815.64 "Emerg[ency]" payment made on December 24, 2024.
- **Xico, Inc.:** Xico is another private arts organization that advertises its mission as "increasing the visibility and appreciation of Latino and Indigenous culture."⁷ It has received at least \$78,052, most of which also came from the Office of Arts and Culture. This included two large donations on the same day in October 2024: \$8,900 in "Emerg[ency] Assist[ance]" and \$18,750 in "Grants and Subsidies."
- **Phoenix Pride Inc.:** Phoenix Pride puts on various festivals, parades, pageants, and other events catering to the "LGBTQ+" community.⁸ 15 flagged payments totaling \$54,545 were transferred to the organization from the City Manager's Office, Equal Opportunity Department, Human Services Department, and

⁶ <https://www.thesagrado.org/ambiente-public-arts>

⁷ <https://xico.org/open-studio-workshops-2/>

⁸ <https://phoenixpride.org/about/>

(primarily) the Office of Arts and Culture, the latter of which is listed as a “Community Level” sponsor of the private nonprofit.⁹ Similar to the previous organization, the largest expenditure occurred on October 22, 2024, an \$8,900 Office of Arts and Culture “Emerg[ency] Assist[ance]” payment.¹⁰

- **Keep Phoenix Beautiful Inc.:** This “local, sustainably-minded non-profit” (an affiliate of the national organization Keep America Beautiful)¹¹ received five flagged payments totaling \$58,683.19. These include \$1,683.19 in “Miscellaneous” funding from the City Council, \$7,000 from the Mayor’s Office (also “Miscellaneous”), \$5,000 in “Grants and Subsidies” from Parks and Recreation, and a \$20,000 sponsorship in April 2024 from the Public Works Department, followed by \$25,000 from the same department for “Spec[ial] Contractual S[ervices]” on April 28, 2025. The organization lists both the City of Phoenix and, separately, “Reimagine Phoenix” (an initiative of the Public Works Department¹²) as sponsors.¹³
- **Local First Arizona Foundation:** Part of Local First Arizona’s mission is to “establish[] equitable systems that level the playing field for a thriving, inclusive and lasting Arizona economy.”¹⁴ Eight flagged payments to the organization—six from Environmental Programs and two from Community and Economic Development—total \$44,439.94 and span several budget categories: “Grants and Subsidies,” “Sponsorships,” “Emerg[ency] Assist[ance],” “Marketing Services,” and “Miscellaneous.” The organization designates the City of Phoenix as one of its “Philanthropic Partners.”¹⁵
- **Urban Land Institute:** This Washington DC-based organization’s “Mission Priorities” of “Decarbonization and Net Zero,” “Increasing Housing Attainability,” and “Educating the Next Generation of Diverse Leaders” are “underpinned by a commitment to diversity, equity, and inclusion (DEI).”¹⁶ Its programming also includes courses on “ESG [Environmental, Social, and Governance Metrics] and Sustainability,”¹⁷ as well as “Equitable Development,” for “PPP [Public Private Partnerships] and Public Sector” audiences.¹⁸ The City’s

⁹ <https://phoenixpride.org/sponsors/>

¹⁰ A similar \$8,900 “Emerg[ency] Assist[ance]” payment was made the same day to Sagrado.

¹¹ <https://www.keepphxbeautiful.org/>

¹² See <https://www.phoenix.gov/administration/departments/publicworks/about-us/zero-waste-plan.html>

¹³ <https://www.keepphxbeautiful.org/sponsors>

¹⁴ <https://localfirstaz.com/about>

¹⁵ <https://localfirstaz.com/our-partners>

¹⁶ <https://uli.org/mission-priorities/>

¹⁷ <https://learning.uli.org/collections/esg-and-sustainability>

¹⁸ <https://learning.uli.org/collections/ppp-and-public-sector>

Community and Economic Development Department has paid the organization \$9,000 in “Sponsorships” in 2023 and 2024, with an additional \$1,750 in “Advertising Services” paid out by three separate departments ((\$1,083.50 from Community and Economic Development, \$500 from Aviation, and \$166.50 from Neighborhood Services).

- **Phoenix Film Foundation Inc.:** Another private nonprofit, “[t]he Phoenix Film Foundation is dedicated to promoting diversity and education in the arts, elevating underrepresented voices, and driving the growth of independent film in Arizona ... cultivat[ing] a vibrant, inclusive cinematic community, utilizing it as a catalyst for ... social change.”¹⁹ One of its programs is the Phoenix Film Festival, whose “Supporting Foundations” sponsors include the Office of Arts and Culture.²⁰ The festival’s website includes this note under the department’s logo: “Partial funding provided by the Phoenix Office of Arts and Culture through appropriations from the Phoenix City Council.”²¹ That “[p]artial funding” appears to consist of seven flagged payments from that office totaling \$46,400, the most recent of which was a \$12,250 “Grants and Subsidies” payment on November 13, 2024. An additional \$5,200 has been transferred to this entity by the Community and Economic Development department for “Sponsorships” and “Advertising Services.”²²
- **Mexican Baseball Fiesta LLC:** This organization holds a multi-day, multi-city series of baseball games featuring Mexican Pacific League teams, and some local teams, and related events and camps. On November 5, 2024, the City paid the organization \$25,000 in “Sponsorships,” purportedly from the Community and Economic Development department. However, the event website prominently names District 5 Councilwoman Betty Guardado as a sponsor of the Phoenix events.²³ So, too, does the press release announcing this year’s “fiesta,” which credits Councilwoman Guardado with securing the event’s debut at the “state-of-the-art Camelback Ranch-Glendale located in Phoenix, Spring Training home of the Los Angeles Dodgers and the Chicago White Sox.”²⁴ This raises additional concerns about the prospect of City officials using taxpayer funds for personal recognition or political gain, and should be scrutinized.

¹⁹ <https://www.phoenixfilmfestival.com/foundation-about>

²⁰ <https://www.phoenixfilmfestival.com/partners-info>

²¹ *Id.*

²² As the Attorney General’s Office is aware, the Goldwater Institute has sued the Board of the Arizona Commerce Authority and the Arizona Department of Revenue over the state’s recently revived film subsidy tax credit program on Gift Clause grounds. That case is currently pending before the Superior Court in Maricopa County under case number CV 2025-001929.

²³ <https://mexicanbaseballfiesta.com/sponsors/>

²⁴ <https://mexicanbaseballfiesta.com/wp-content/uploads/2024/09/12th-ANNUAL-PHOENIX-AREA-MEXICAN-BASEBALL-FIESTA-PRESS-RELEASE-.pdf>

- **United Phoenix Firefighters:** In the last several months of 2024, the City Council and the Community and Economic Development department paid \$21,000 in “Sponsorships” and “Marketing Services” to the local firefighters union.²⁵ While firefighters and their work merit support, this public-sector union is a private organization that should not be directly receiving taxpayer funding for its activities.²⁶
- **Diversity Leadership Alliance:** This private nonprofit entity puts on diversity, equity, and inclusion (“DEI”) trainings, workshops and conferences.²⁷ The Aviation and Water Services departments have spent, mostly in \$3,000 increments, a combined \$25,000 on “Sponsorships,” “Miscellaneous,” and “Advertising Services” with that organization. In addition to the legal concerns already raised by these complaints, this funding may also violate state law which prohibits public expenditures for any “training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex.” A.R.S. § 41-1494.
- **Phoenix Committee on Foreign Relations:** “PCFR” is a foreign affairs organization “dedicated to growing Arizona’s global prominence by providing forums that explore critical foreign policy issues and build enduring international connections.”²⁸ Those forums consist of monthly programming and an annual “International State of the State.”²⁹ The City of Phoenix—a *municipality*—is listed as a “Champion” level sponsor of this *foreign affairs* organization.³⁰ The legislators’ complaint identifies \$4,550 from the Aviation and Community and Economic Development departments.

This list is nonexhaustive and represents just a fraction of the more than 100 recipients identified in the transactions flagged by the legislators.

It should go without saying that taxpayers cannot be compelled to fund the activities of private, special interests, including ideological organizations.

We, therefore, remain concerned that the bulk of these expenditures of public monies are both *ultra vires* and unconstitutional.

²⁵ See *supra* n.3 regarding an earlier \$1,619 payment to the union designated merely as a “Gift” from a “Miscellaneous” budget category from an unknown department.

²⁶ See *Gilmore v. Gallego*, 258 Ariz. 38, 552 P.3d 1084, 1094 ¶ 42 (2024) (government transactions that “direct[] significant public funds and resources to the Union, represents an impermissible subsidy to a private entity.”).

²⁷ <https://www.diversityleadershipalliance.org/about-us/>

²⁸ <https://www.pcfr.org/Our-Mission>

²⁹ *Id.*

³⁰ <https://www.pcfr.org/>

Finally, the data suggests that these practices are increasing in both frequency and amount.

In 2021,³¹ the City spent \$214,170.17 on 65 flagged line items in the relevant categories.

In 2022, that rose to 94 expenditures totaling \$278,866, in 2023, to 143 expenditures totaling \$526,954.72,³² and in 2024, 179 expenditures totaling over \$1.1 million.

In the first quarter of 2025 alone, the City issued at least 55 payments totaling \$268,142.15, continuing a similar pace as last year.

Consequently, action must be taken to halt any *ultra vires* or unconstitutional expenditures by the City and to recoup illegally disbursed public monies involving the departments, budget categories, and/or recipients identified above.

As previously mentioned, should the Attorney General's Office decline to initiate an action under A.R.S. § 35-212, our client reserves the right to bring an action pursuant to A.R.S. § 35-213(B). We note that the sixty-day investigatory period specified in that statute has already lapsed since the filing of our initial complaint. However, since consolidation with the legislators' complaint occurred on June 12, 2025, and given the additional information provided here, our client is willing to provide additional time for your office to investigate and initiate legal action before independently pursuing an action under A.R.S. § 35-213(B).

Should you wish to discuss this matter further, please feel free to contact us at (602) 462-5000 or at jriches@goldwaterinstitute.org and pjackson@goldwaterinstitute.org.

³¹ The legislators' data only covered mid-April through December in 2020, though 70 expenditures totaling \$153,810.37 were flagged for that year.

³² Prior to July 2023, none of the flagged expenditures reached five figures. That month, the Phoenix City Council raised the limit for such outlays from \$8,600 (set in 2006) to \$32,000. *See* Exhibit D to legislators' complaint. According to the U.S. Bureau of Labor Statistics' CPI Inflation Calculator, that increase was more than double the rate of inflation. *See* https://www.bls.gov/data/inflation_calculator.htm. Since July 2023, the size and frequency of these questionable expenses has proliferated, including at least two transactions near the heightened limit: a \$31,000 "Grants and Subsidies" payment to the Arizona Science Center on September 6, 2023, from the Office of Arts and Culture, and one to ASU in the amount of \$31,534.80 on December 12, 2024 from Environmental Programs.

Sincerely,



Jon Riches
Vice President for Litigation
Scharf-Norton Center for
Constitutional Litigation at the
Goldwater Institute



Parker Jackson
Staff Attorney
Scharf-Norton Center for
Constitutional Litigation at the
Goldwater Institute

cc: (via email only)

Joshua D. Bendor
Solicitor General
joshua.bendor@azag.gov

Julie M. Kriegh
Phoenix City Attorney
julie.kriegh@phoenix.gov

Representative David Marshall
Representative Walter Blackman
Representative Quang Nguyen
c/o Ms. Linley Wilson
Arizona House of Representatives General Counsel
lwilson@azleg.gov