



CHANDLER
a r i z o n a

FY 2024-25

Budget Workshop #2

City Council Conference Room

Monday, March 18, 2024

FY 2024-25 Budget Theme

“ Making it Happen ”



Our Brand

A safe, diverse, equitable and inclusive community that connects people, chooses innovation and inspires excellence



Agenda

01.

**FY 2024-25
Budget Overview
and General Fund
Operating Budget
Update**

02.

**Proposed 5-Year
One-time
General Fund
Balance Forecast**

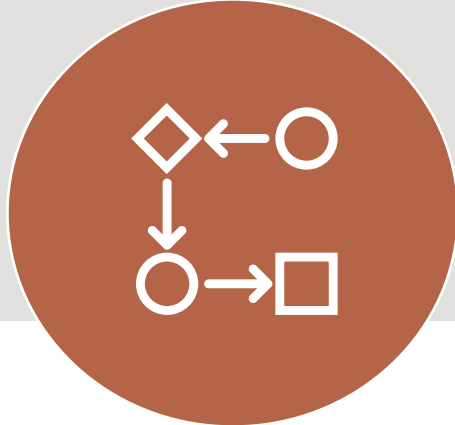
03.

**Assessed
Valuation and
Property Tax
Update**

04.

**Key Budget
Dates and
Questions**

Chandler Budget Process Timeline



“Making it Happen”

Today

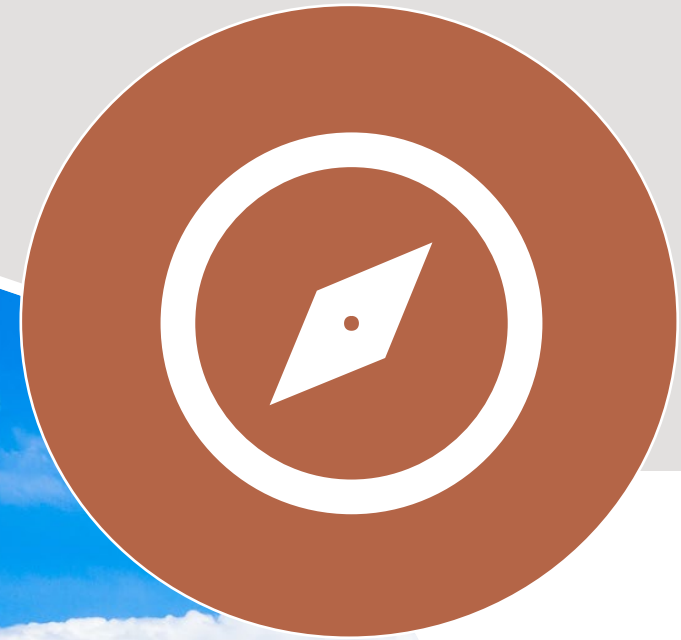
| Budget Processes | Start | End | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 | May-24 | Jun-24 |
|----------------------------------------------|----------|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Budget Kick-Off | | 10/19/23 | █ | | | | | | | | |
| Resident Budget Survey/Poll Questions/Videos | 11/27/23 | 1/12/24 | █ | █ | █ | █ | | | | | |
| Depts Submit Decision Packages/CIPs | 12/8/23 | 12/24/23 | █ | █ | █ | | | | | | |
| Council Budget Workshop #1 | | 2/8/24 | █ | █ | █ | █ | █ | | | | |
| Decision Package/CIP Recommendations | | 3/8/24 | █ | █ | █ | █ | █ | █ | | | |
| Council Budget Workshop #2 | | 3/18/24 | █ | █ | █ | █ | █ | █ | | | |
| Council Budget Workshop #3 | | 3/21/24 | █ | █ | █ | █ | █ | █ | | | |
| Finalize CIP Recommendations | | 3/29/24 | █ | █ | █ | █ | █ | █ | | | |
| Proposed Budget Book to M&C | | 4/12/24 | █ | █ | █ | █ | █ | █ | █ | | |
| New or Modified Fees Action | | 4/18/24 | █ | █ | █ | █ | █ | █ | █ | | |
| All Day Budget Brief | | 4/26/24 | █ | █ | █ | █ | █ | █ | █ | | |
| Tentative Adoption | | 5/23/24 | █ | █ | █ | █ | █ | █ | █ | █ | |
| Public Hearing and Final Adoption | | 6/13/24 | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| New or Modified Fees Action | | 6/27/24 | █ | █ | █ | █ | █ | █ | █ | █ | █ |
| Adoption of Tax Levy | | 6/27/24 | █ | █ | █ | █ | █ | █ | █ | █ | █ |

New Fiscal Year 2024-25 starts 7/1/2024

Council/Resident Process

Staff Process

Strategic Framework Guides Our Decision Making



Focus Areas

- Economic Vitality
- Sustainability and Technology
- Connectivity
- Neighborhoods
- Quality of Life
- Community Safety





FY 2024-25 Budget Overview and General Fund Operating Budget Update



FY 2024-25 Budget Drivers (all funds)



Revenues

- Revenues reflect actual economic environment with additional analysis on sustainable level
- Increases coming from continued development & decrease from Residential Rental revenue
- State Shared revenues updated with latest projections using State and League forecasts



Expenditures

- Funding to convert one-time funded positions to ongoing, maintain service delivery after adjusting for inflation, and ensure enhancements are in strategic focus areas
- Personnel costs increasing to invest in city workforce and retain employees; market, merit, and healthcare. Reflects ongoing savings from PSPRS employer contribution
- Capital projects increased to address aging infrastructure, inflation and new infrastructure



Grants

- Continued focus on finding Grant opportunities and having “shovel ready” projects that may qualify.



Ongoing Savings with One-time \$

- Maintain funded status of PSPRS to ensure unfunded liability does not grow
- Solar energy investment for utility cost savings
- Turf to Xeriscape for utility cost savings

General Fund Forecast

Revenues and Expenditures

Revenues

Ongoing vs. One-Time

Major Revenues

- 55% Transaction Privilege Tax
- 33% State Shared Revenues

Drivers

- Economy showing slow growth
- Development still occurring

Resetting ongoing/one-time

- Sustainable portion to support higher expenditures

Current Budget

- Anticipate closer alignment with revenues

Expenditures

Ongoing vs. One-Time

Major Ongoing Expenditures

- Personnel (62% of GF budget)
- O&M to support services

Drivers

- Competitive wages & benefits
- Continued inflation reset on some goods & services

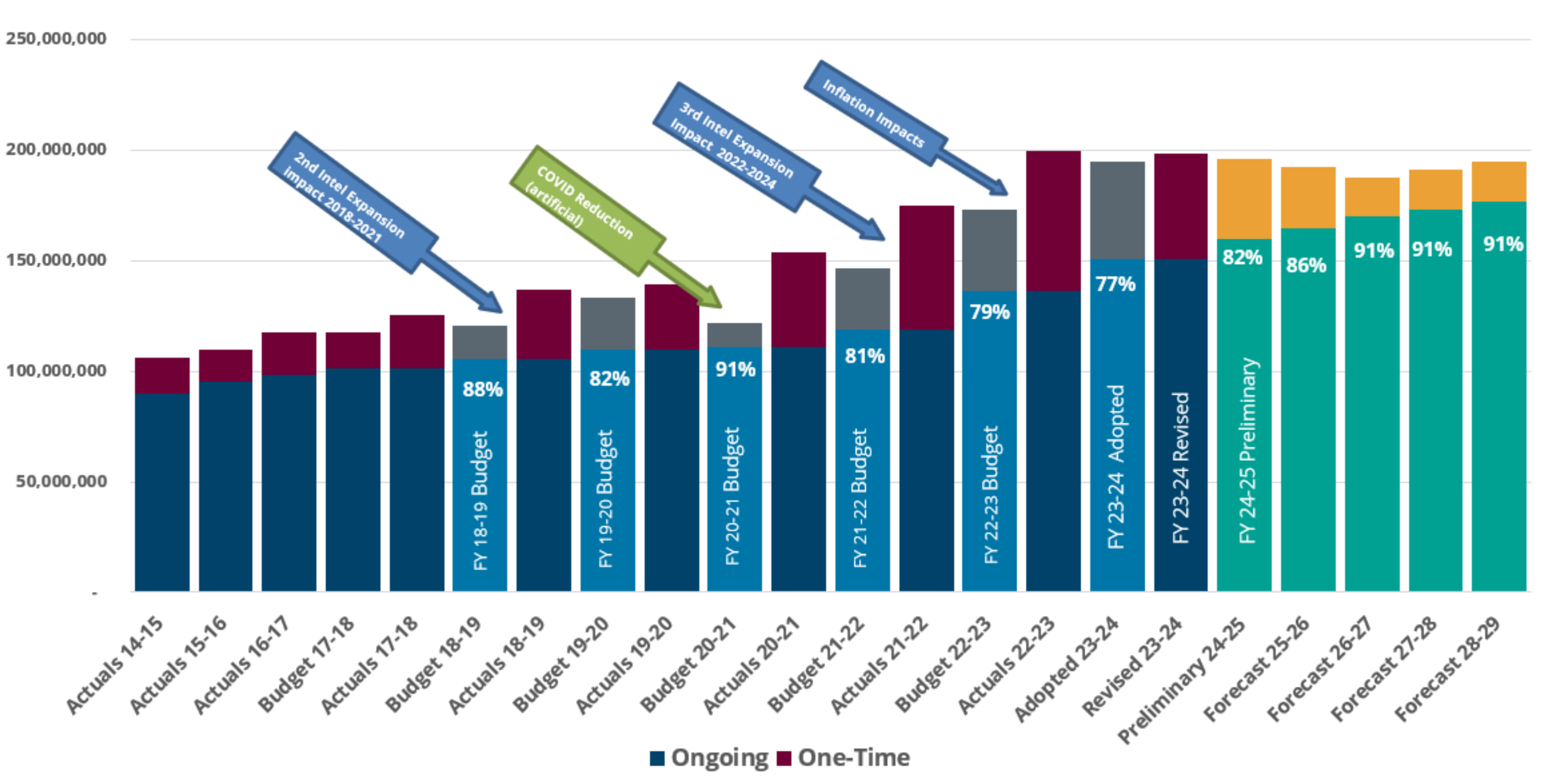
Maintain services vs. new

- Spending more to just maintain
- O&M for new CIP planned

Current Budget Impacted

- Inflation and areas of slow supply chain for capital & operating

Ongoing/One-Time Local Sales Tax (TPT) Revenues



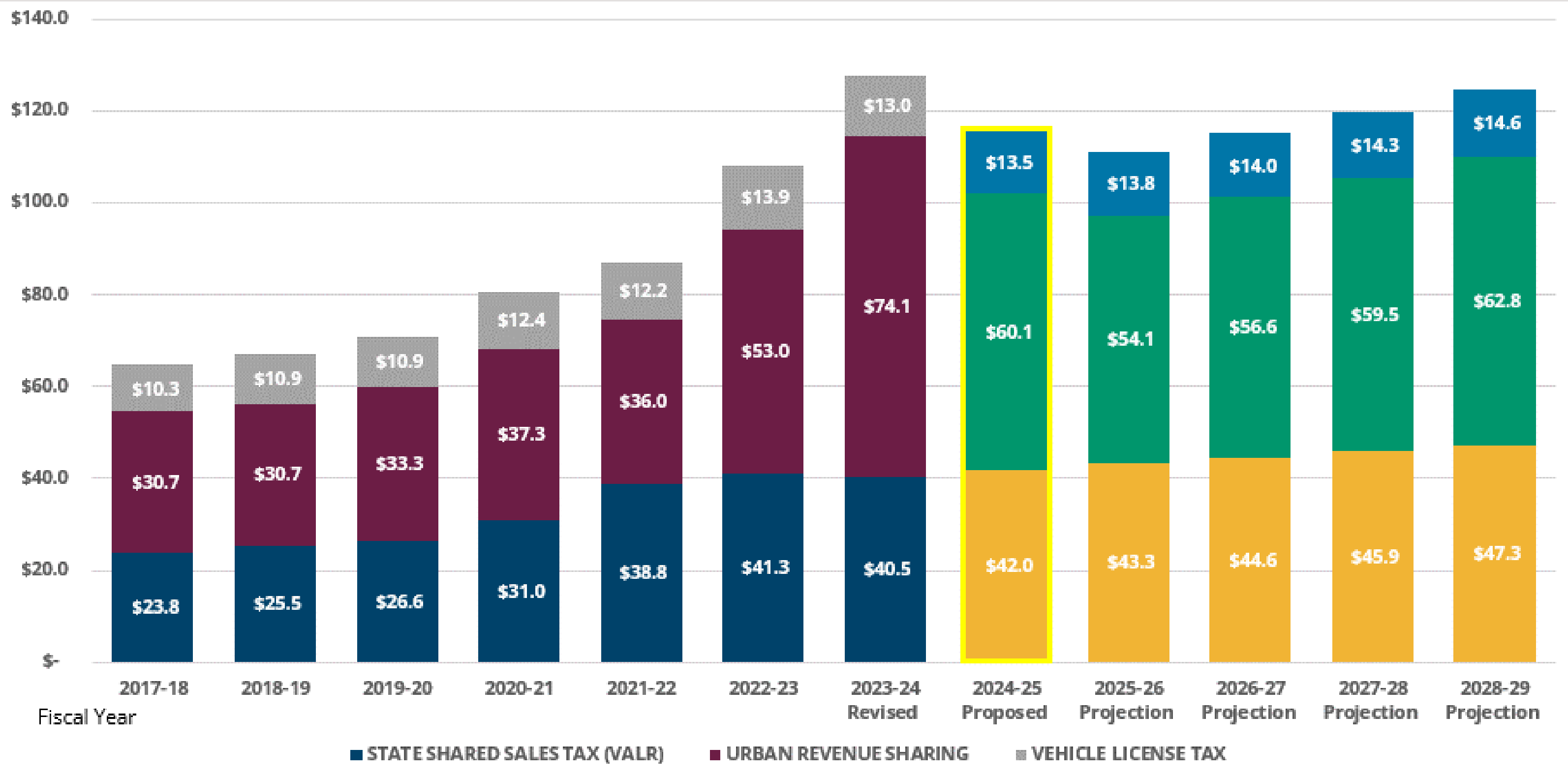
55% of General Fund revenue

Residential Rental Removed beginning FY 2024-45 and offset from higher Utility TPT

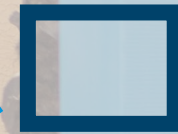
Sales tax revenues fluctuate due to economic volatility, including increased development

State Shared Revenues (in Millions)

33% of General Fund



Priorities for Ongoing Dollars



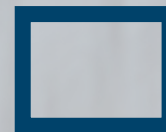
1. Maintain existing service levels within core programs and strategic focus areas and honor labor and personnel commitments



2. Continue converting successful one-time-funded programs and personnel to ongoing, sustainable sources



3. Enhance existing or new services specifically targeting Strategic Framework priorities

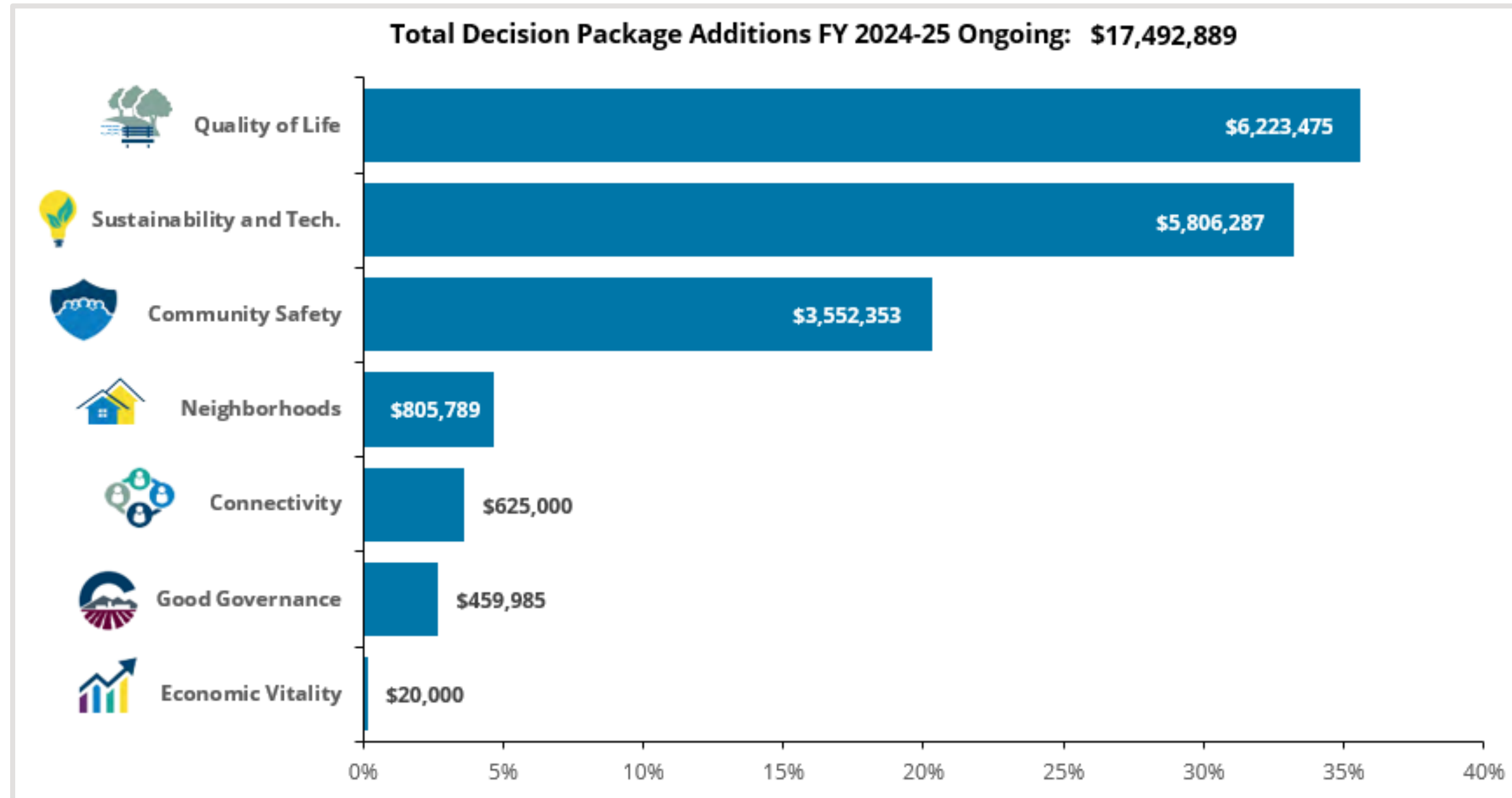


4. Continue to ensure Chandler remains an employer of choice in wages and benefits



5. Other service enhancements or additions, considering the option of one-time pilot programs first

FY 2024-25 Ongoing Decision Package Recommendations (All Funds)



Significant Recommendations

- Contract increases for services and goods
- Maintenance costs related to new capital projects
- Public Safety Personnel Programs and Services
- Navigator position conversion
- Continued investments in cybersecurity
- Costs associated with new personnel (vehicles, IT, etc.)
- Neighborhoods funding
- Surface water delivery increases
- Utility Chemical increases

All Funds

\$29M in ongoing requests
 \$17.5M recommended net of offsets

General Fund (GF)

\$18.9M in ongoing requests
 \$10.9M recommended net of offsets

FY 2024-25 Workforce Needs

FY 2023-24 Adopted 1,756 FTE + FTE Proposed for FY 2024-25

FTE converted from one-time funded to ongoing (26):

- (10) Grant funded Police Officers - Police
- (5) Police Aides – Police
- Crime & Intelligence Analyst - Police
- (4) Peak Time Engine Staffing – Fire
- (2) Community Navigators - Neighborhoods
- Media Producer - CAPA
- DEI Management Assistant – DEI
- Downtown Operations & Special Event Coordinator - Cultural
- Outside Plant Fiber System Sr. Analyst – Development Services

FTE Added with Revenue Offsets (8):

- Development & Communications Program Manager (100%-Foundation) – Cultural; Center for the Arts
- Performing Arts Program Manager (50% CUSD)– Cultural; Ctr for the Arts
- (2) Fire Inspectors (75% Fees) – Fire
- Housing Quality Inspector (75% CDBG) - Neighborhoods
- Business Compliance Representative (100% STR Fees)– Management Services
- Utility Mechanic Sr (100% OBRF) – Public Work & Utilities
- Utility Plant Operator III (100% OBRF) – Public Works & Utilities

FTE added related to CIP projects (5):

- (2) Real-time Crime Center Personnel – Police
- (2) Tumbleweed Multi-generational facility expansion – Community Services
- Support Senior Analyst (O365) - IT

Other General Fund (GF) funded FTE (6):

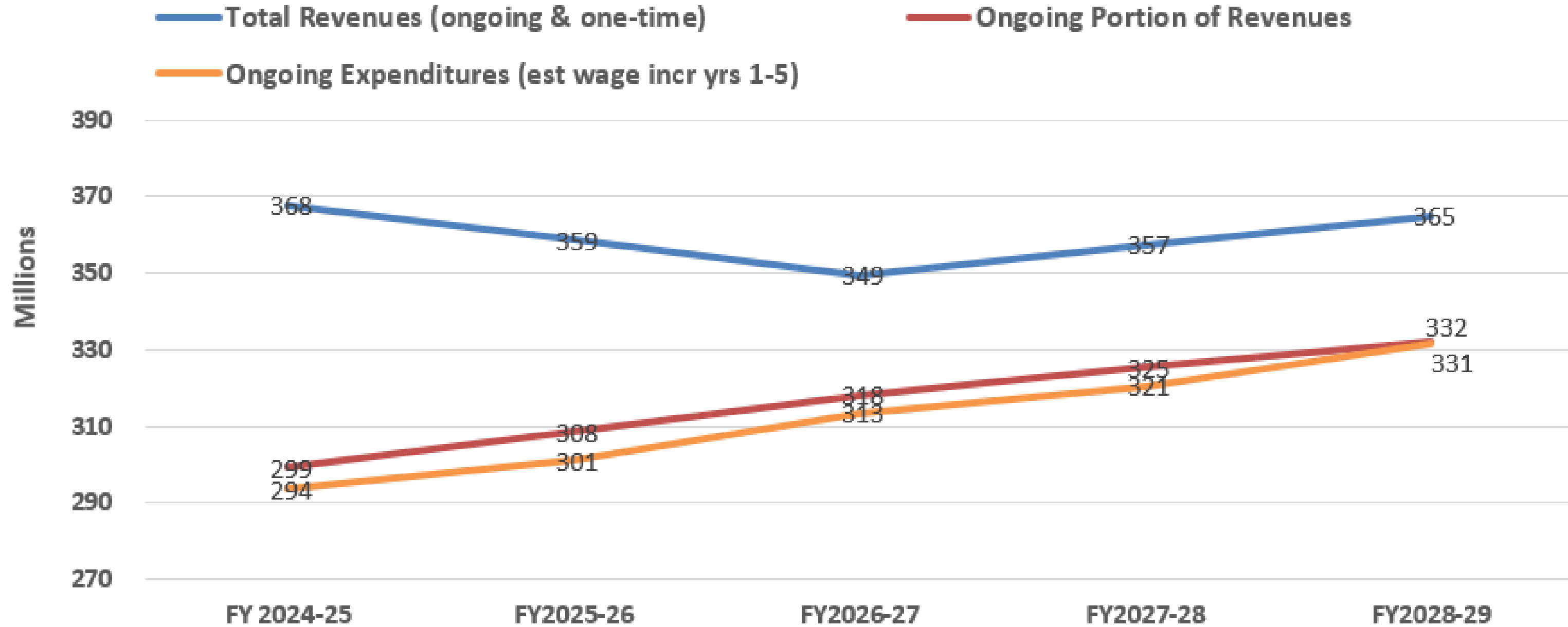
- Emergency Manager - Fire
- Information Security Analyst – IT
- Sr. Budget Analyst – Management Services
- Digital Forensic Examiner - Police
- Construction Project Manager – Public Works & Utilities
- Systems Technician II – Public Works & Utilities

Other Non-GF funded FTE (3):

- Principal Engineer (Water) – Public Works & Utilities
- Utility Mechanic Sr (Water) – Public Works & Utilities
- Water Resource Analyst (Water) – Public Works & Utilities

Maximized reallocations & repurposing of existing positions prior to adding positions to address needs

General Fund Ongoing Forecast- Structurally Balanced



Total revenues changes with the ebbs and flows of the economy impacting primarily one-time revenues. Ongoing revenue is increasing at a gradual pace. Modest wage changes are estimated for years 2-5 and ongoing revenues continue to be within current revenue assumptions for structural balance.

Proposed 5-Year One-Time General Fund Balance Forecast



Priorities for One-Time Dollars



1. Reinvest in existing aging infrastructure, neighborhoods & systems and projects that generate ongoing savings

2. Operating and capital spending to advance Strategic Framework goals

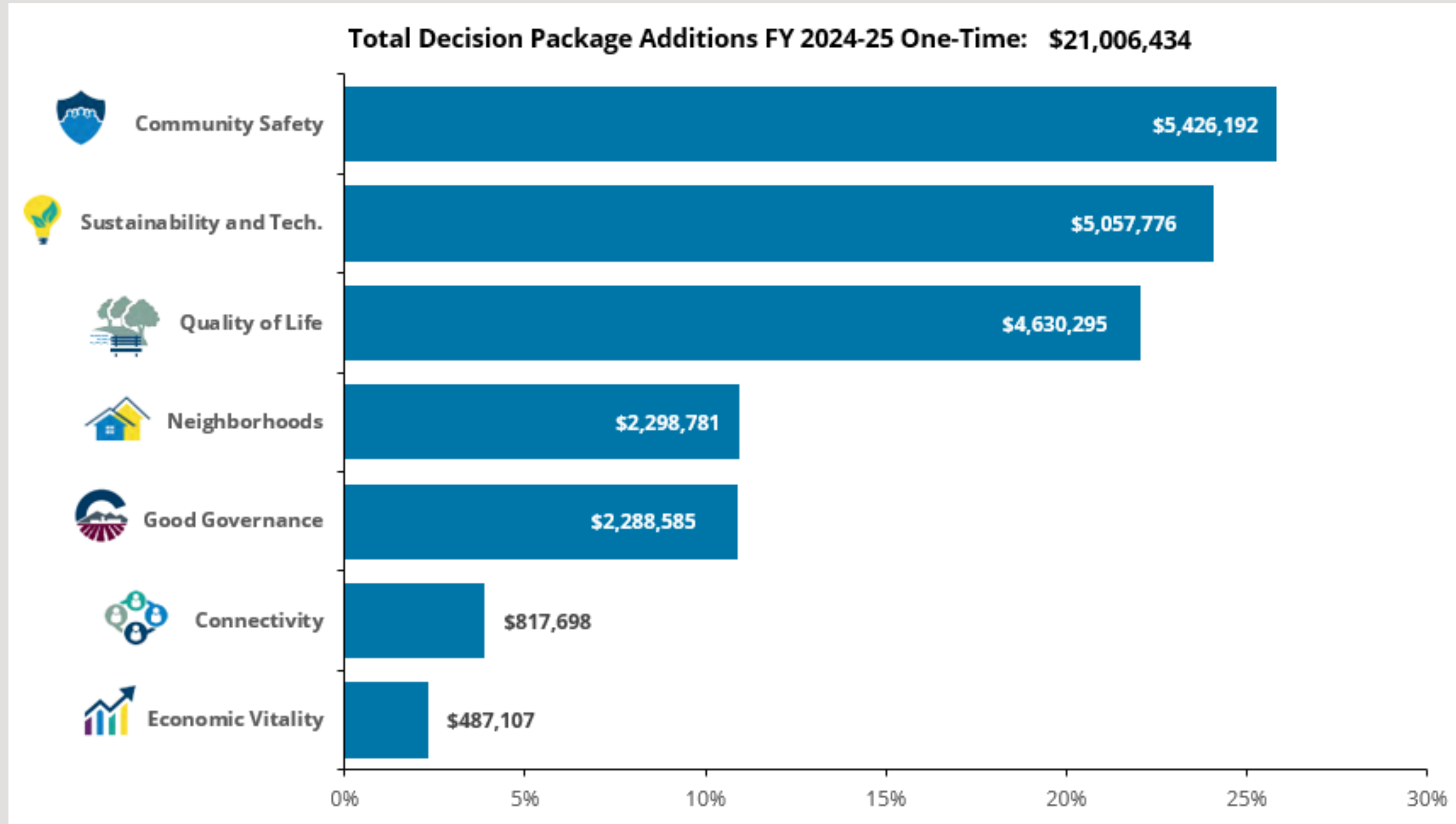
3. Maintain reserves sufficient to meet financial policies

4. New initiatives and capital, including sustainability



Paid down large unfunded PSPRS liability to generate ongoing savings and continue to maintain payoff status

2024-25 One-Time Decision Package Recommendations (All Funds)



Significant Recommendations

- Citywide Technology Projects
- Enhanced Citywide Marketing
- Park Irrigation Improvements
- Continued Transit Services
- One-time contract/chemical increases
- Airport enhancements to expand development area
- General area plan update
- Police Wellness, Behavioral Health, Academy, and Real Time Crime Center Equipment & Technology
- Human Services Allocations and Operation Open Door
- Sustainability projects: Urban Forestry Program and increased funding for water conservation

All Funds

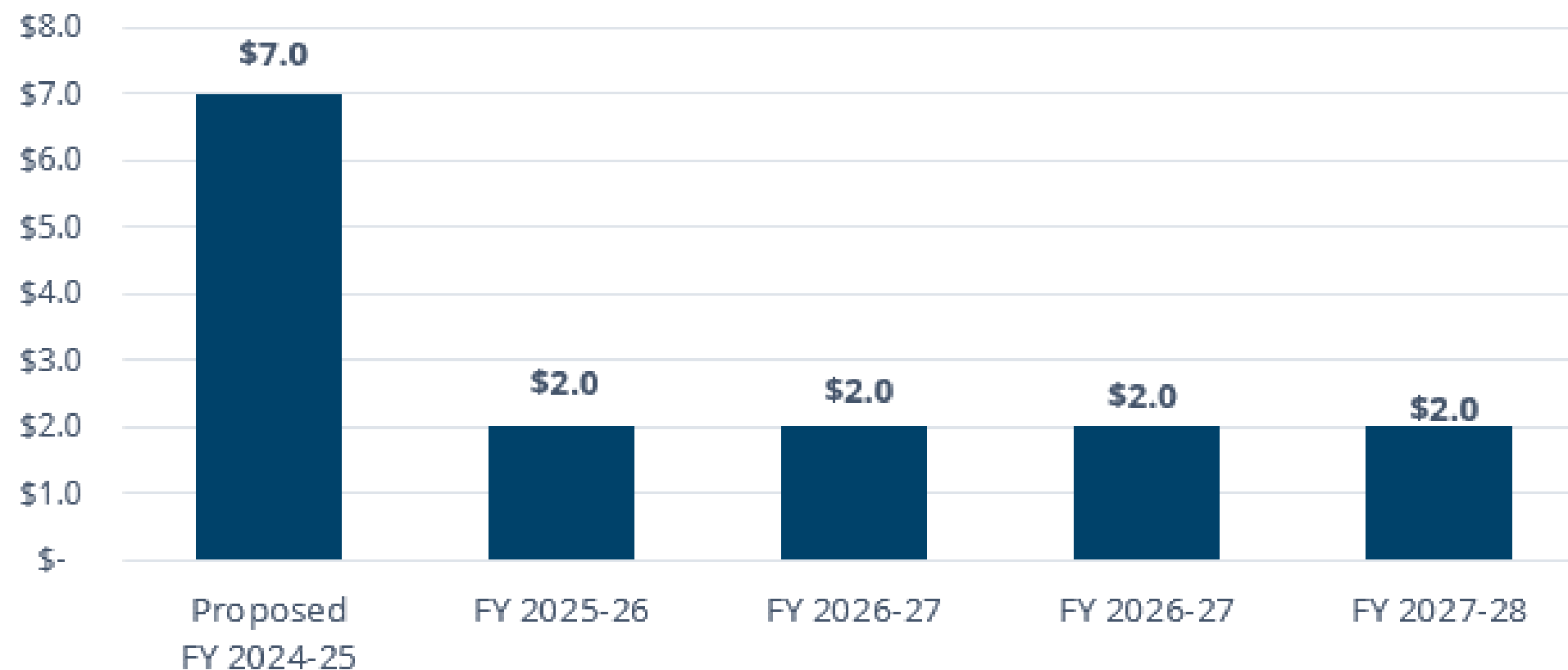
\$22.4M in one-time requests
 \$21M recommended net of offsets

General Fund (GF)

\$18.8M in one-time requests
 \$15.7M recommended net of offsets

Maintain Funded Status of PSPRS to Ensure Unfunded Liability Does not Grow

Proposed One-Time Funding
(in millions)



Unfunded Liability decreased \$36.4M from Prior Year's total of \$136.5M

Police \$68.4M

Fire \$31.7M

Total \$100.1M

Note: \$73M payment not yet reflected

Supports use of additional one-time funds to payoff any remaining unfunded liability on an annual basis

Note: PSPRS has not released the modeler to confirm effect of actual rate of return to show impact to liability

5-Year One-Time General Fund Balance Forecast

| | FY 24-25 | FY 25-26 | FY 26-27 | FY 27-28 | FY 28-29 |
|--------------------------------------------------------|--------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| BEGINNING FUND BALANCE (estimate) | 289,173,000 | 157,779,450 | 121,252,225 | 111,904,750 | 102,943,225 |
| Additional One-Time Revenue/Savings | | | | | |
| One-Time Revenue from Forecast | 68,576,600 | 47,822,700 | 38,153,500 | 39,749,600 | 42,484,900 |
| Impact Fee Loan Repayments | 550,000 | 700,000 | 450,000 | 450,000 | 500,000 |
| Total Addl' One-Time Revenue/Savings | 69,126,600 | 48,522,700 | 38,603,500 | 40,199,600 | 42,984,900 |
| TOTAL ONE-TIME FUNDS AVAILABLE | 358,299,600 | 206,302,150 | 159,855,725 | 152,104,350 | 145,928,125 |
| PROJECTED ONE-TIME EXPENDITURES / TRANSFERS OUT | | | | | |
| Strategic Economic Development Reserve | (2,747,625) | (2,325,125) | (2,325,125) | (2,325,125) | (2,000,000) |
| Downtown Redevelopment Reserve | (500,000) | (500,000) | (500,000) | (500,000) | (500,000) |
| General Funded Capital Improvement Projects | (141,530,900) | (62,755,800) | (26,353,750) | (27,817,900) | (19,396,100) |
| Total Economic Development/Capital Projects | (144,778,525) | (65,580,925) | (29,178,875) | (30,643,025) | (21,896,100) |
| One-Time Personnel and Operations | (35,241,625) | (15,000,000) | (15,000,000) | (15,000,000) | (15,000,000) |
| Transfers to Self Insurance and Airport Funds | (13,500,000) | (2,469,000) | (1,772,100) | (1,518,100) | (6,592,500) |
| PSPRS Contribution to Maintain fully funded status | (7,000,000) | (2,000,000) | (2,000,000) | (2,000,000) | (2,000,000) |
| Total One-Time Operating | (55,741,625) | (19,469,000) | (18,772,100) | (18,518,100) | (23,592,500) |
| TOTAL ONE-TIME EXPENDITURES/TRANS OUT | (200,520,150) | (85,049,925) | (47,950,975) | (49,161,125) | (45,488,600) |
| ENDING FUND BALANCE | 157,779,450 | 121,252,225 | 111,904,750 | 102,943,225 | 100,439,525 |
| | Minimum 4 months ongoing revenues for operations | | | | 99,686,400 |

1 Reinvest in existing aging infrastructure, neighborhoods & systems and projects that generate ongoing savings

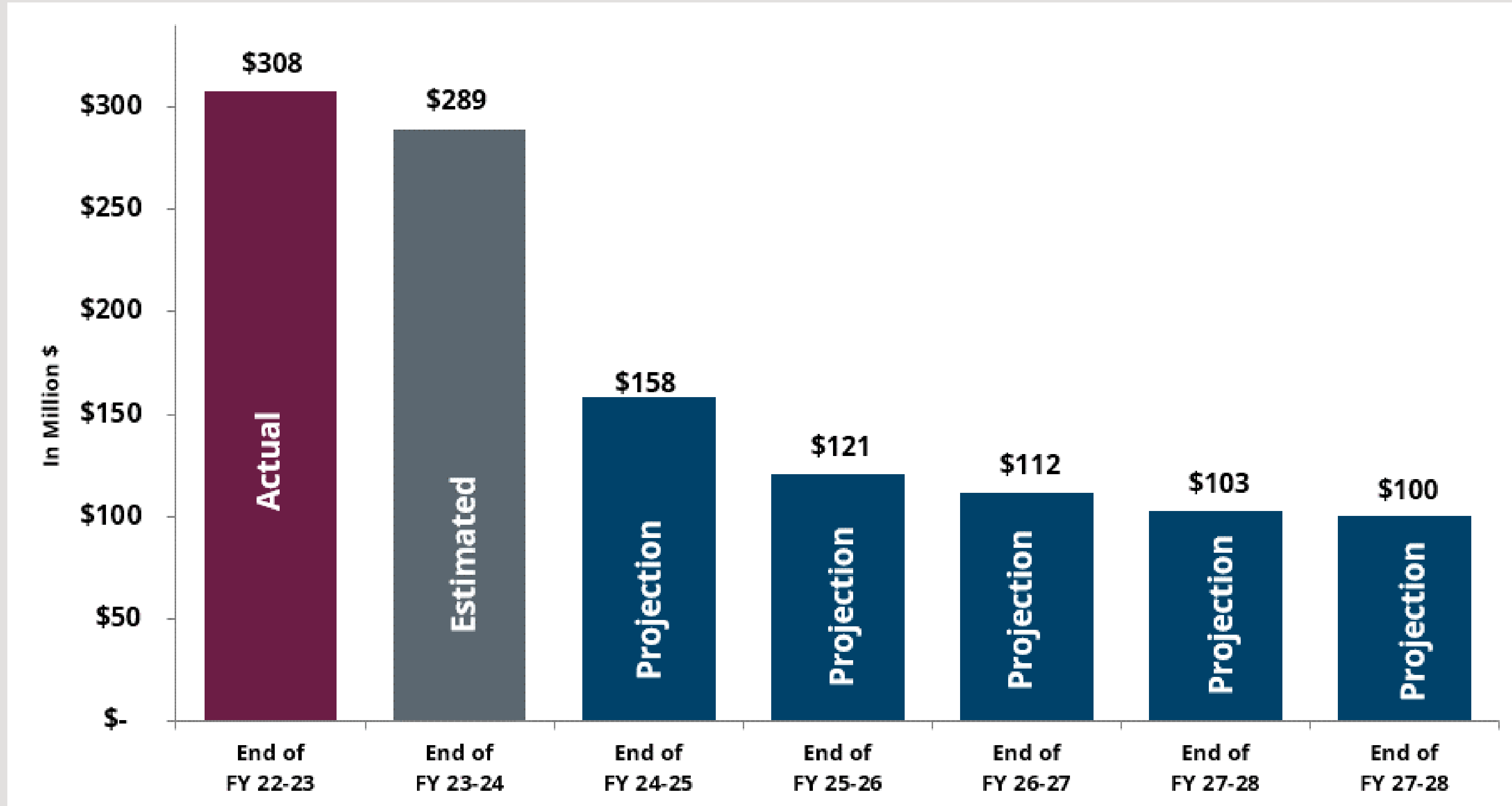
2 Operating & Capital Spending to Move Strategic Goals Forward

3 Maintain Reserves Sufficient to Meet Financial Policies

4 New Initiatives & Capital Including Sustainability

Appropriated 15% Contingency (\$53.8M of fund balance), Council Contingency \$350K (\$75K ongoing), and other reserves

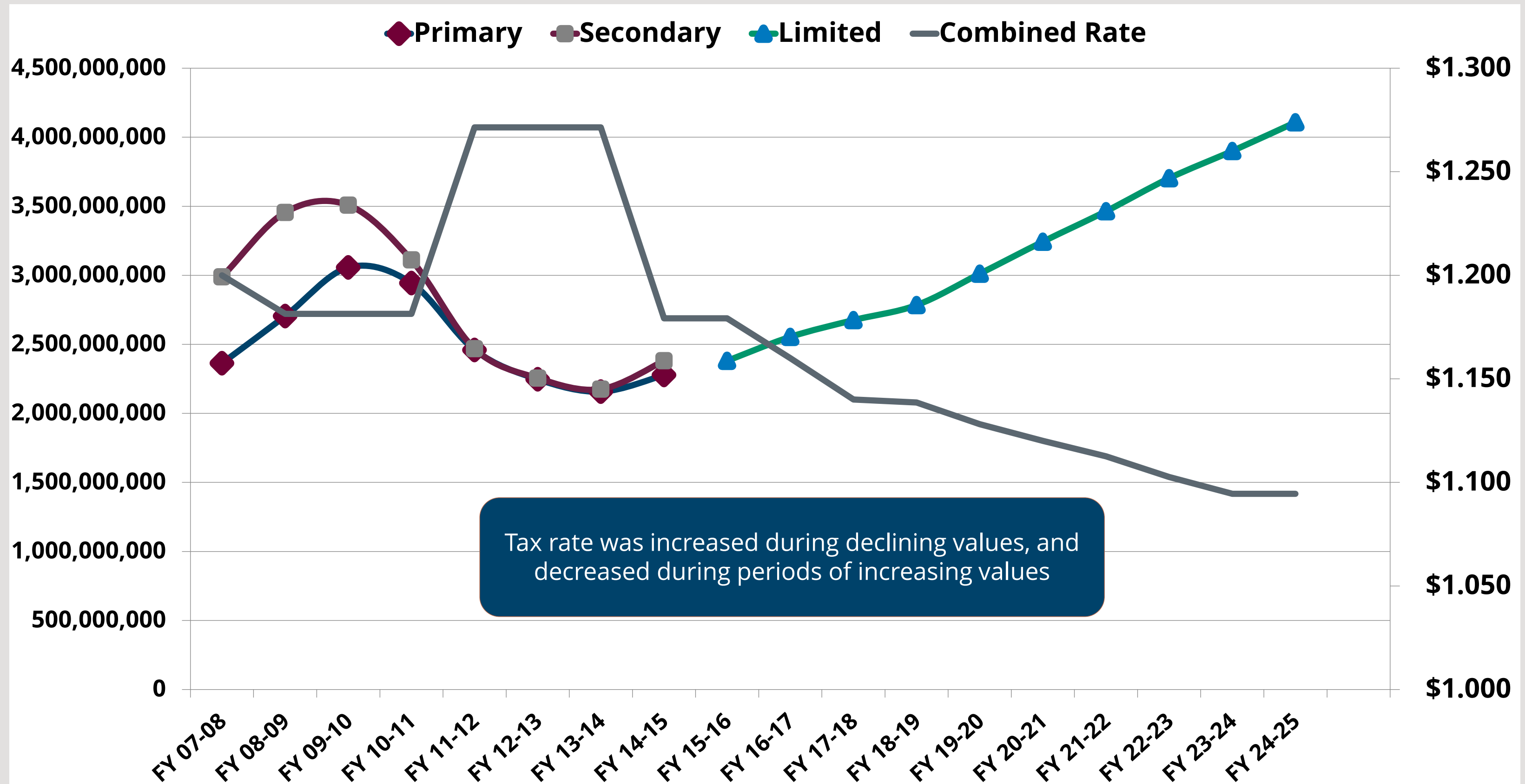
Proposed 5-Year One-Time General Fund Balance Forecast



Assessed Valuation and Property Tax Update



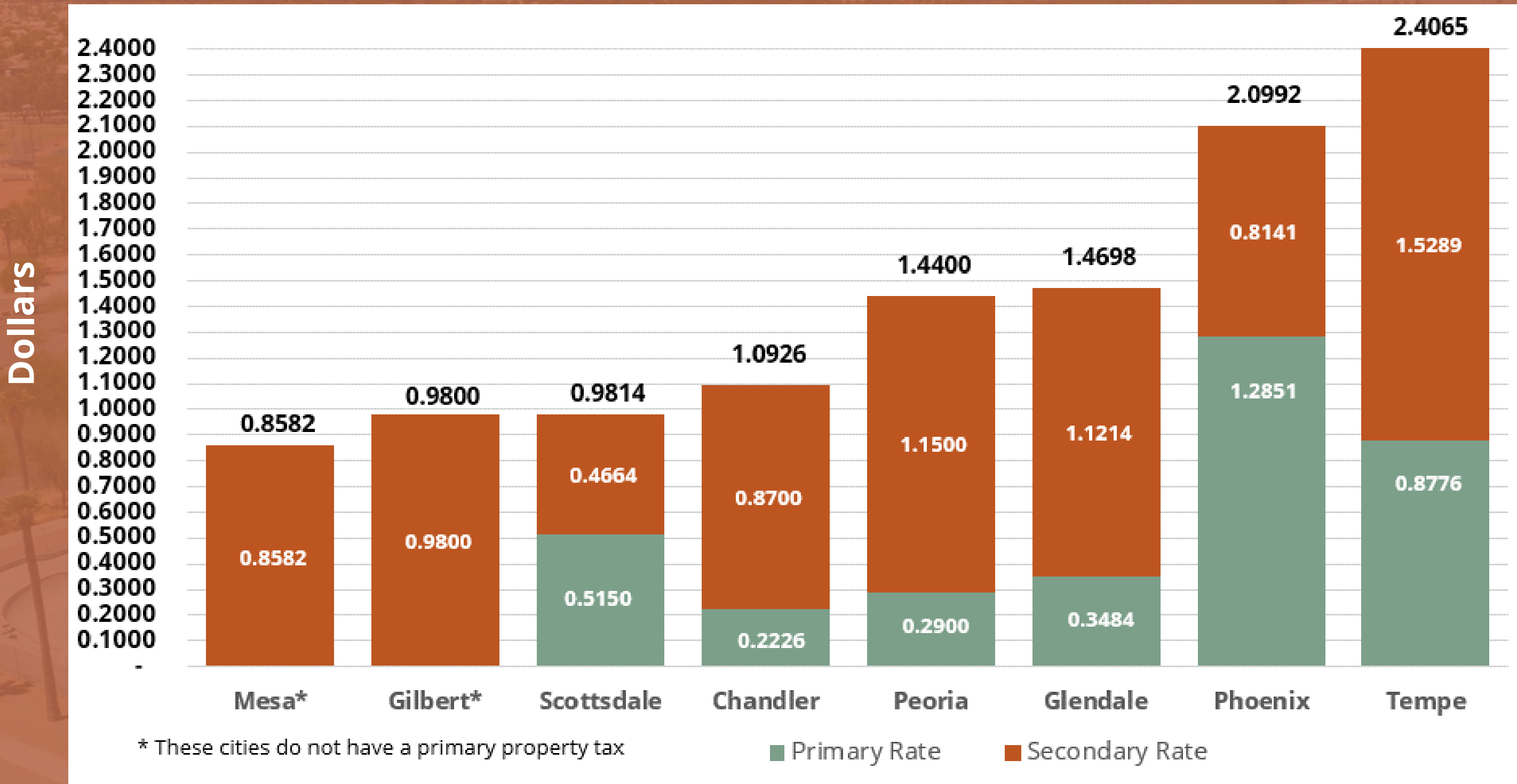
Property Valuation and Tax Rate History



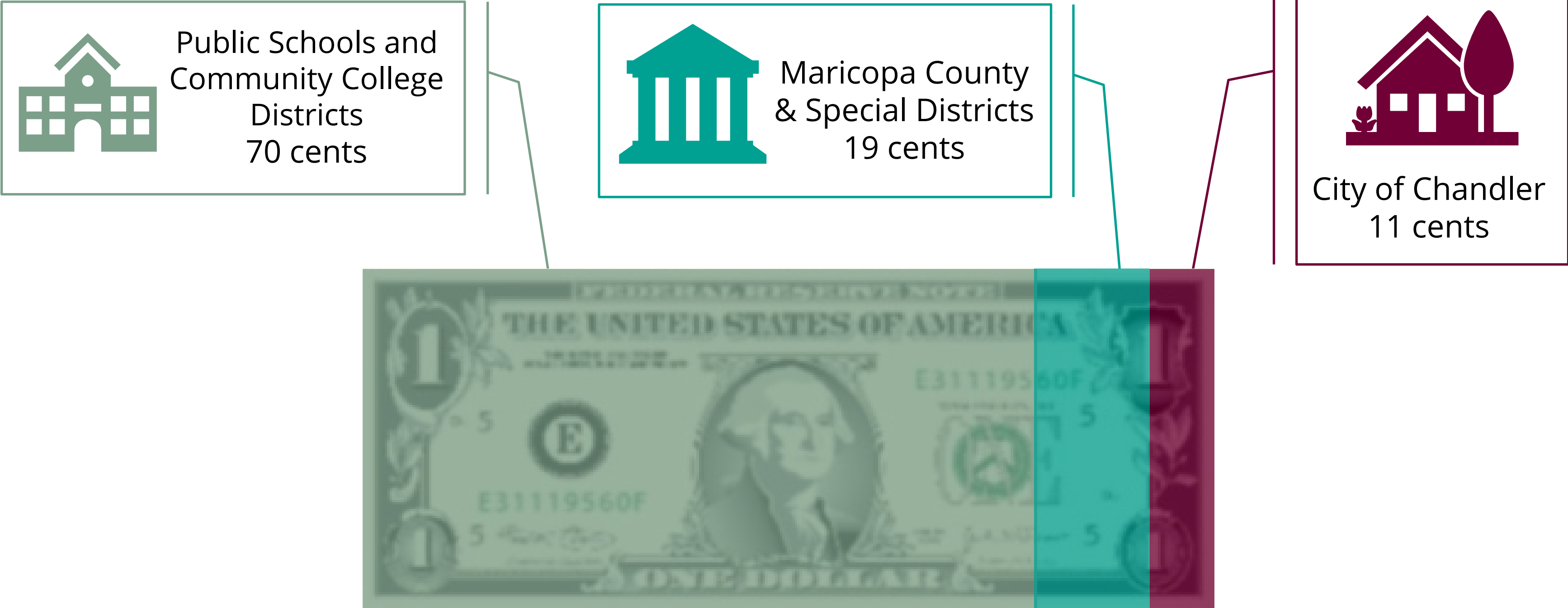
Property Tax Rate Comparison

FY 2023-24

(per \$100 of Assessed Valuation)



Breakdown of \$1 of Typical Chandler Property Tax Bill



*Based on 2023 Tax Bill information. Exact split will vary depending on the school district and any other special taxing districts on the bill.

Levy with Rates Unchanged

| Fiscal Year / Property Categories | Limited Property Value | Change in Limited Property Value | Tax Rate | Projected Levy (Primary + Secondary) |
|-----------------------------------|------------------------|----------------------------------|------------------------------------------|--------------------------------------|
| FY 2023-24 (Primary) | \$3,900,094,692 | +5.3% | \$0.2226 | \$8,681,611 |
| (Secondary) | | | \$0.8700 | \$33,930,824 |
| FY 2023-24 Total | | | \$1.0926 | \$42,612,435 |
| FY 2024-25 (Primary) | \$4,108,053,847 | +5.3% | \$0.2226 | \$9,144,528 |
| (Secondary) | | | \$0.8700 | \$35,740,068 |
| FY 2024-25 Total | | | \$1.0926 | \$44,884,596 |
| Levy Increase over Prior Year | | | | \$2,272,162 |
| Net Centrally Valued | \$33,048,130 | -3.8% | +4.7% Appreciation +0.6% New Property | |
| Net Real Property | \$3,696,949,426 | 4.9% | | |
| Net Personal Property | \$378,056,291 | 10.6% | | |



Council direction at 02/8/24 Workshop #1:

- 1. Leave secondary rate alone**
- 2. Bring options on primary**

Impact to Median Value Homeowner Primary Tax Rate Options

| Primary Tax Rate Adjustments | 2024 Current At \$0.2226 | 2025 Leave Rate Flat at \$0.2226 | 2025 Truth in Taxation to \$0.2126 |
|---------------------------------------|--------------------------------|-------------------------------------------|---------------------------------------------|
| Full Cash Value | \$447,600 | \$414,800 | \$414,800 |
| Limited Property Value (capped at 5%) | \$235,863 | \$247,656 | \$247,656 |
| Assessed Limited Cash Value (10%) | \$23,586 | \$24,766 | \$24,766 |
| Primary (from \$0.2226 to...) | \$52.50 | \$55.13 | \$52.65 |
| Secondary (\$.87/\$100 Assessed) | \$205.20 | \$215.46 | \$215.46 |
| Total City Property Tax Bill | \$257.70 | \$270.59 | \$268.11 |
| Annual Increase from Current Year | | \$12.89 | \$10.41 |
| Ongoing Revenue Reduction | | \$1.07/month | \$0.87/month (\$410,805) |



**\$0.01 change to
Property Tax Rate
equals \$410,805**

**FY 2024-25 budget draft assumes primary tax rate remains flat,
allowing for capture of ongoing revenue which will require a Truth-in-Taxation process**

Notes: FY 2009-10 was last time Truth-in-Taxation process was required. There have been 8 consecutive years of primary rate reductions.

Key Budget Dates

| Budget Event | | Date |
|-------------------------------------------------|-----------------------------------|-------------------|
| Council Budget Kickoff | | Completed |
| Resident Budget Survey with Council Videos | | Completed |
| Council Workshop #1 | | Completed |
| Council Workshop #2 | | Tonight |
| Council Workshop #3 Capital Improvement Program | | 3/21/2024 |
| All Day Budget Briefing | | 4/26/2024 |
| Council Meetings | Tentative Adoption | 05/23/2024 |
| | Public Hearing and Final Adoption | 06/13/2024 |
| | Adoption of Tax Levy & Fee Action | 06/27/2024 |

Questions?



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arizona

