



FY 2025-26

Budget Workshop #2

City Council Conference Room
Monday, March 24, 2025



CHANDLER
a r i z o n a

FY 2025-26 Budget Theme

“Strength in Numbers”



Our Brand

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

Agenda

01.

FY 2025-26
Budget Overview and
General Fund
Operating Budget
Update

02.

Proposed 5-Year
One-time
General Fund
Balance Forecast

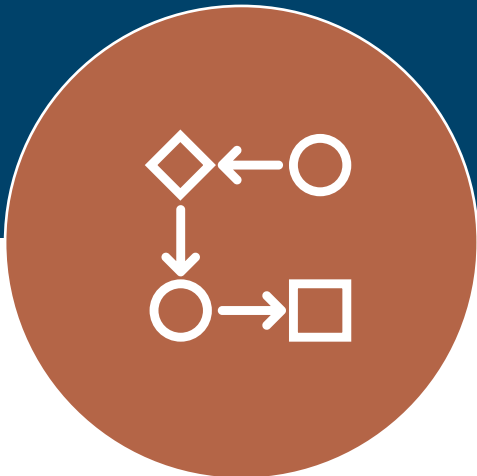
03.

Assessed
Valuation and
Property Tax Update

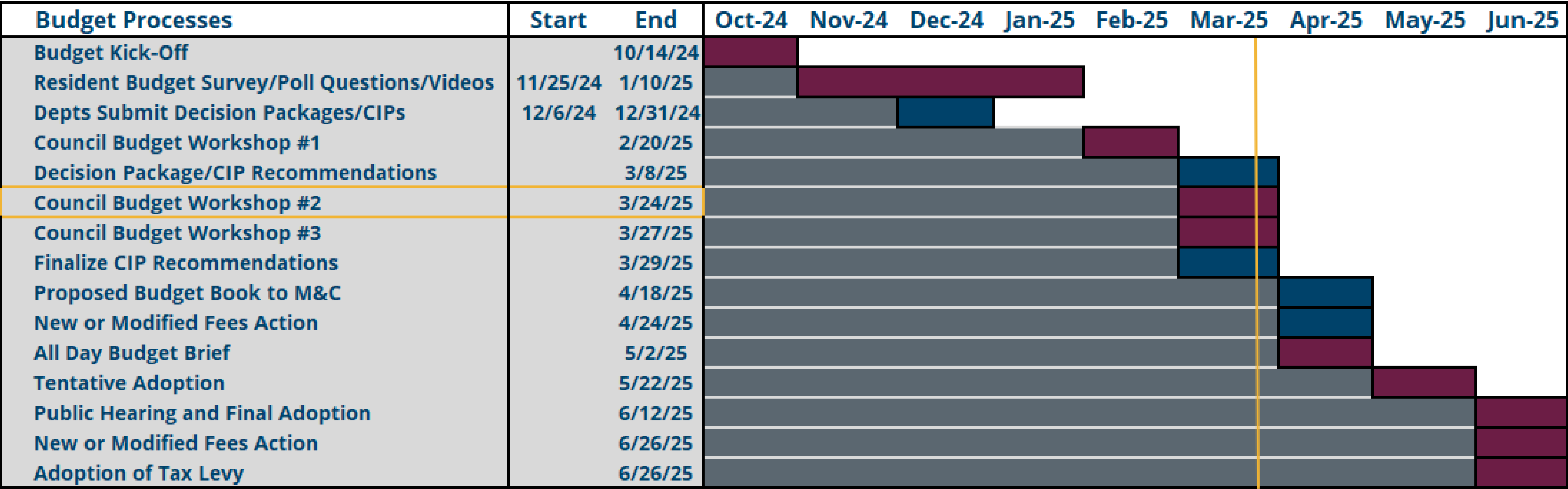
04.

Key Budget Dates
and
Questions

Chandler Budget Process Timeline



“Strength in Numbers”



New Fiscal Year 2025-26 starts 7/1/2025

Council/Resident Process

Staff Process

Strategic Framework Guides Our Decision Making



Fiscal Year (FY) 2025-26 Resident Budget Survey Actionable Items

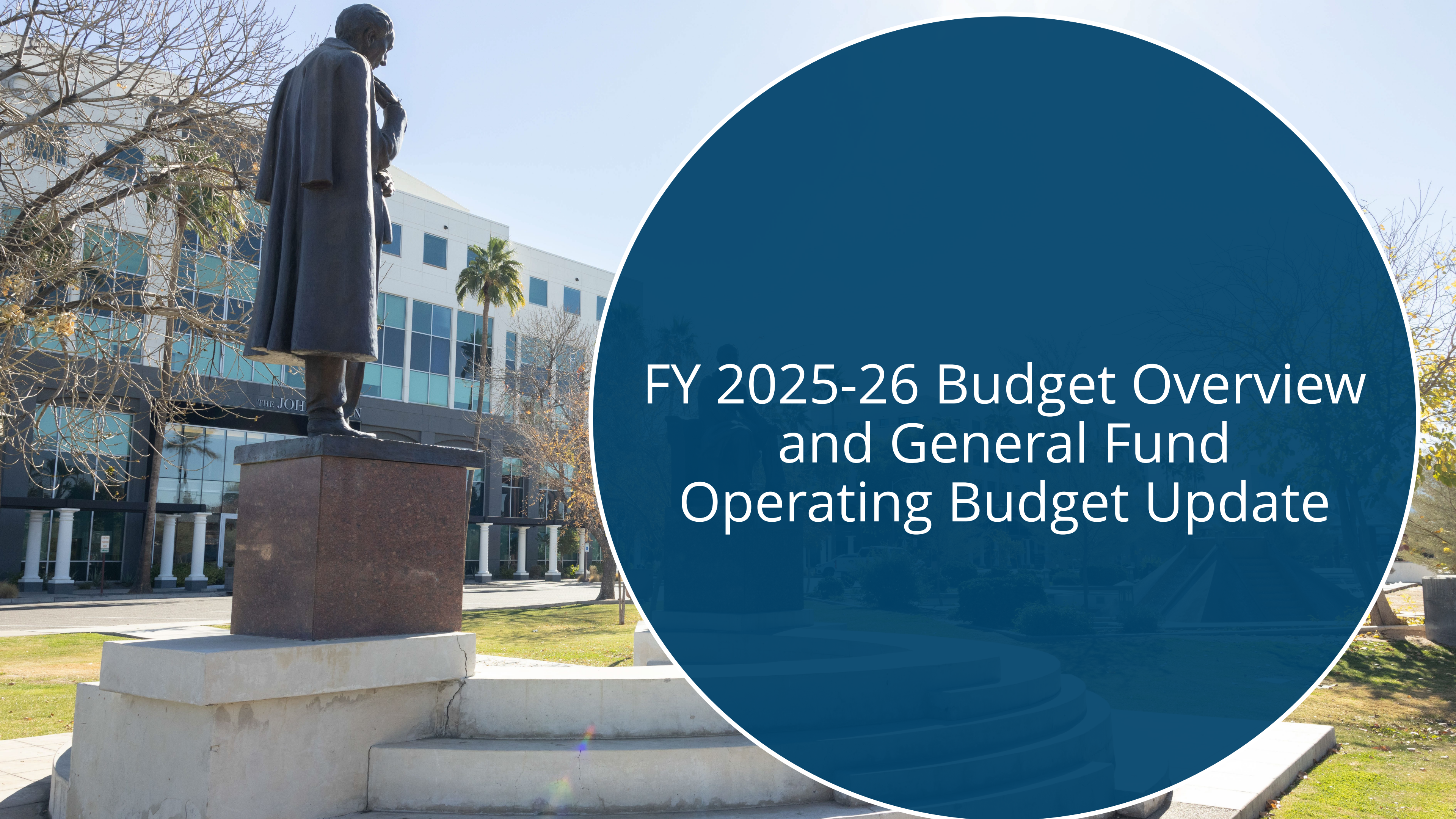


In response to the Resident Survey, departments have reviewed the comments relevant to their areas and identified 34 actionable items. Each department is actively working to address these items accordingly.



See handouts





FY 2025-26 Budget Overview and General Fund Operating Budget Update

FY 2025-26 Budget Drivers (all funds)

Revenues

- Revenues reflect actual economic environment with analysis on sustainable level
- Increases coming from continued increased local spending (slowing) with decreases from remaining 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 social safety net services continue
- Personnel costs increasing to build the strength of our workforce to meet evolving resident expectations. Reflects ongoing savings from PSPRS employer contribution
- Capital projects increased for new infrastructure and carry forward of projects underway

Grants

- Federal changes are being monitored in previously identified grants with a continued focus on finding grant opportunities for which the city may qualify.

Ongoing Savings with One-time \$

- Maintain funded status of PSPRS to ensure unfunded liability does not grow

Annual Budget Evaluation Modified Zero Based Budget (MZBB)

Goal: To ensure adequate funding of core services and efficient use of resources through reallocation prior to adding new

Started last year with two cost centers: Buildings & Facilities and Fleet
Continued this year with: Management Services, Community Services and City Clerk Departments

- Reviewed two years of actuals (FY 2022-23 & FY 2023-24)
- Verified if funding levels at the account line level were adequate based on trends with an emphasis on core service delivery line items
 - Removed one-time funding and prior year carryforward
 - Excluded personnel lines except overtime and temporary
 - Required back-up for any lines that were underfunded
- Made budget adjustment recommendations based on findings
 - Adjustments included budget decreases that were reallocated to fund budget increases by account and across cost centers



Annual Budget Evaluation

MZBB Results

City Clerk

- Most budget lines were adequate for service delivery at current levels. One minor enhancement to funding is needed of \$2,500 to shore up spending needs.
- Additional service enhancements will need to be requested in a change request decision package, as there was no additional funding found to be available for reallocation

Community Services

- After adjustments, all budget lines were adequate for service delivery at current levels
- Maximized reallocations as shown on the right. Additional service enhancements will need to be requested in a change request decision package, as there was no additional funding found to be available for reallocation

Management Services

- After adjustments, all budget lines were adequate for service delivery at current levels
- Additional service enhancements may need to be requested in a change request decision package, as there was minimal funding found to be available for reallocation

	FY2025-26 Base Budget Reallocation	FY 2025-26 Base Budget Increase
City Clerk	\$8,300	\$2,500
Community Services	419,800	-
Management Services	24,500	-
Totals	\$452,600	\$2,500

Housing & Community Development Federal Grants



Continuing Resolution passed 3-14-25, giving short term funding. Also gives executive power to make decisions.

CDBG & HOME – may be some reduction due to new entitlement communities

Program	Description / Who Program Serves	Households Served/Impact of Programs	Annual \$ Received	# FTE's	# Temps	25-26 Risk	Future Risk
Section 8 Vouchers including Veterans Affairs Supportive Housing (VASH)	Funding that assists families in finding decent, safe and sanitary housing in the private market with a rent subsidy from HUD.	515	\$ 10,036,836	3.7	1.25	Very Low	Low
Emergency Housing Voucher	10 year vouchers for individuals who are either experiencing homelessness or physically vulnerable, created during the pandemic.	26	\$ 499,068	0.6		Very Low	High
Public Housing	City owned and operated housing for program participants.	303	\$ 2,097,792	9.45	0.75	Very Low	Low
Central Office	Funding to support administrative staff for Section 8 and public housing.	0	\$ 592,068	5.35		Very Low	Low/Medium
CAPITAL Fund	Funding to support the development of new housing for the Public Housing Authority (PHA).	0	\$ 1,020,000	0		Very Low	Medium
Family Self Sufficiency (FSS)	A financial literacy program to include the creation and financial support of an escrow account to support housing stability and home ownership.	120	\$ 235,008	2		Very Low	Low
Community Development Block Grant (CDBG)	Individuals specifically through Housing Rehab and Community Navigation (homeless outreach).	934	\$ 1,229,220	4.5	2	Very Low	Medium
HOME/Tenant-Based Rental Assistance (TBRA)	Funding to support affordable housing through home acquisition and TBRA.	25	\$ 432,600	0.62		Very Low	High
Community Services Block Grant (CSBG) - Not renewed after FY 2024-25	Pass through grant for Housing Stability Services provided by internal staff to include housing search and selection, security deposits, move-in kits, contract moving services, etc.	100	\$ 150,000	1		High	High
TOTAL			\$ 16,292,592	27.22	4		

General Fund Forecast

Revenues and Expenditures

Revenues

Ongoing vs. One-Time

Major Revenues

- 55% Transaction Privilege Tax
- 31% State Shared Revenues

Drivers

- Economy showing slower growth
- Development still occurring
- Grant funding unknowns and full loss of residential rental TPT

Resetting ongoing/one-time

- Sustainable ongoing portion of revenue compared to one-time continues to narrow

Current Budget

- Anticipates closer alignment with revenues as state shared revenue changes stabilize

Expenditures

Ongoing vs. One-Time

Major Ongoing Expenditures

- Personnel (70.8% of ongoing GF budget 58.8% of Total GF budget)
- O&M to support existing services

Drivers

- Conversion of grant programs to local funding
- Continued cost increases on some goods, services and technology

Maintain services vs. new

- Spending more to just maintain service levels
- Adds in O&M for new capital projects

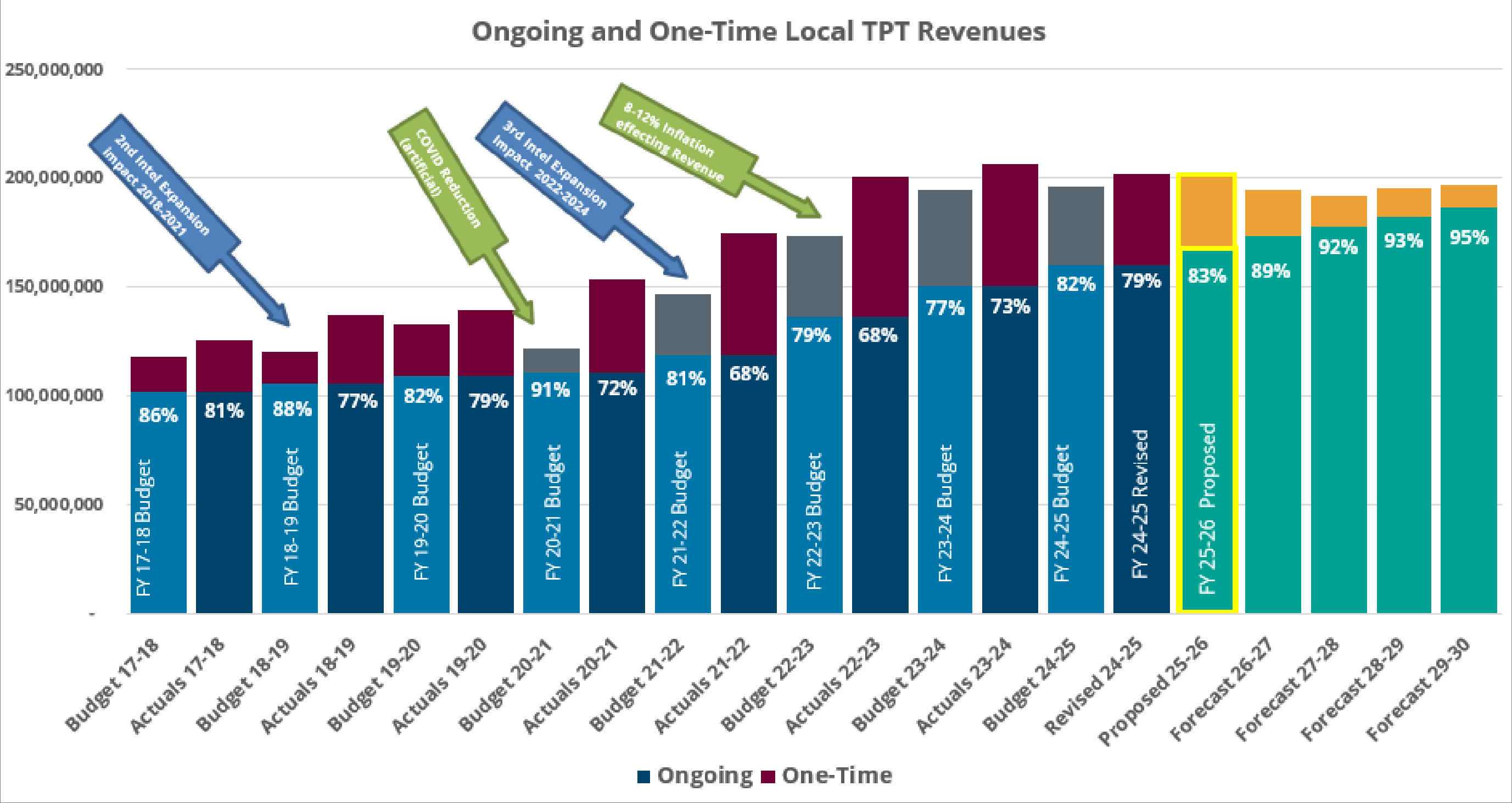
Current Budget Impacted

- Inflation and contract resets in capital & operating still impacting budget

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



Prior year legislative reduction of Residential Rental TPT began Jan. 1 2025

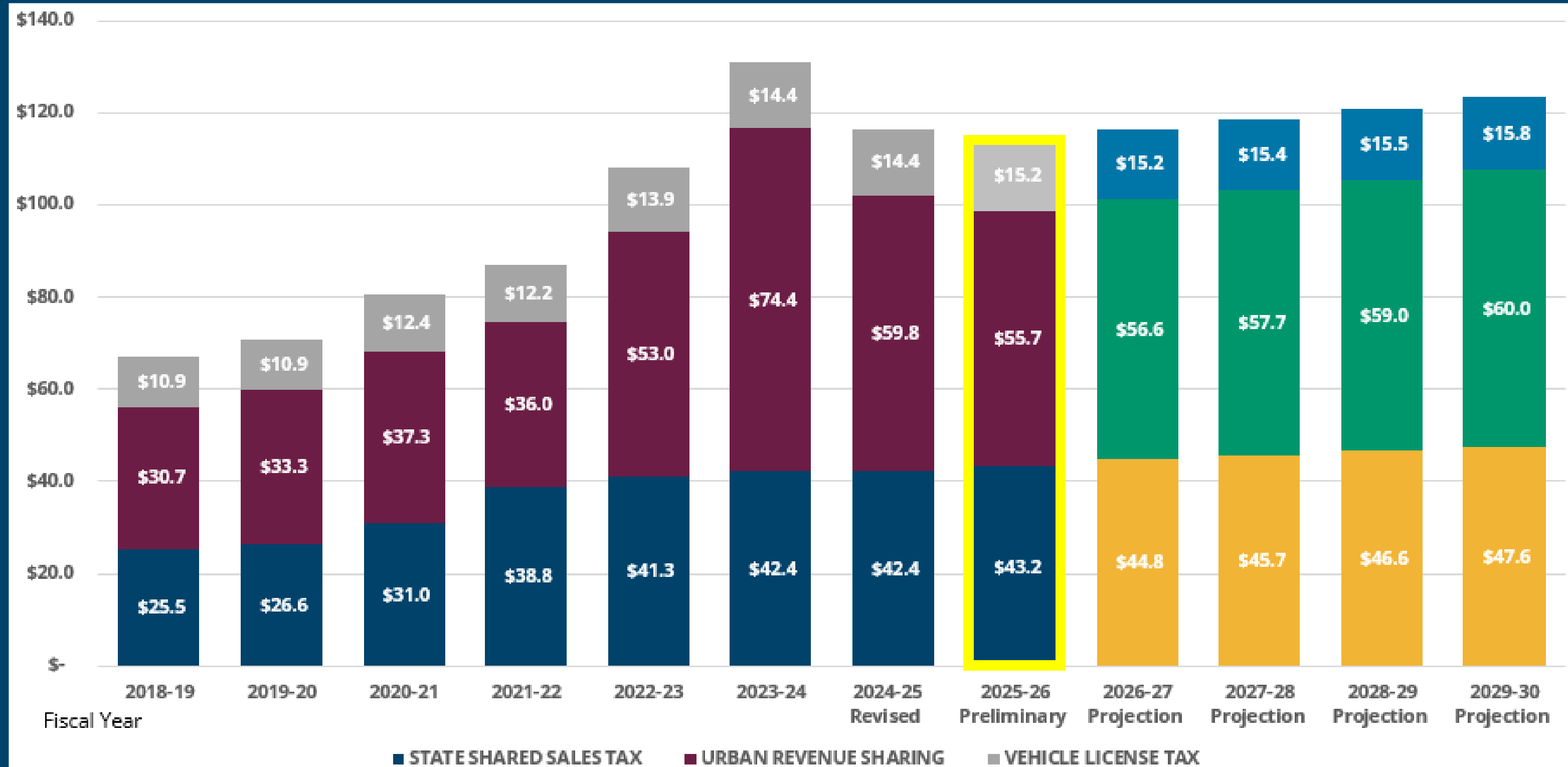


55% of FY 2025-26
General Fund
revenue

Sales tax revenues
fluctuate due to
economic volatility,
including increases
or decreases in
development,
inflation and
consumer
confidence

State Shared Revenues (in Millions)

31% of General Fund for FY 2025-26



Priorities for Ongoing Dollars

Focus

1. **Maintain** existing service levels within core programs and strategic focus areas including contract and other increases

2. **Ensure** sufficient ongoing funding for facilities and infrastructure including technology and security

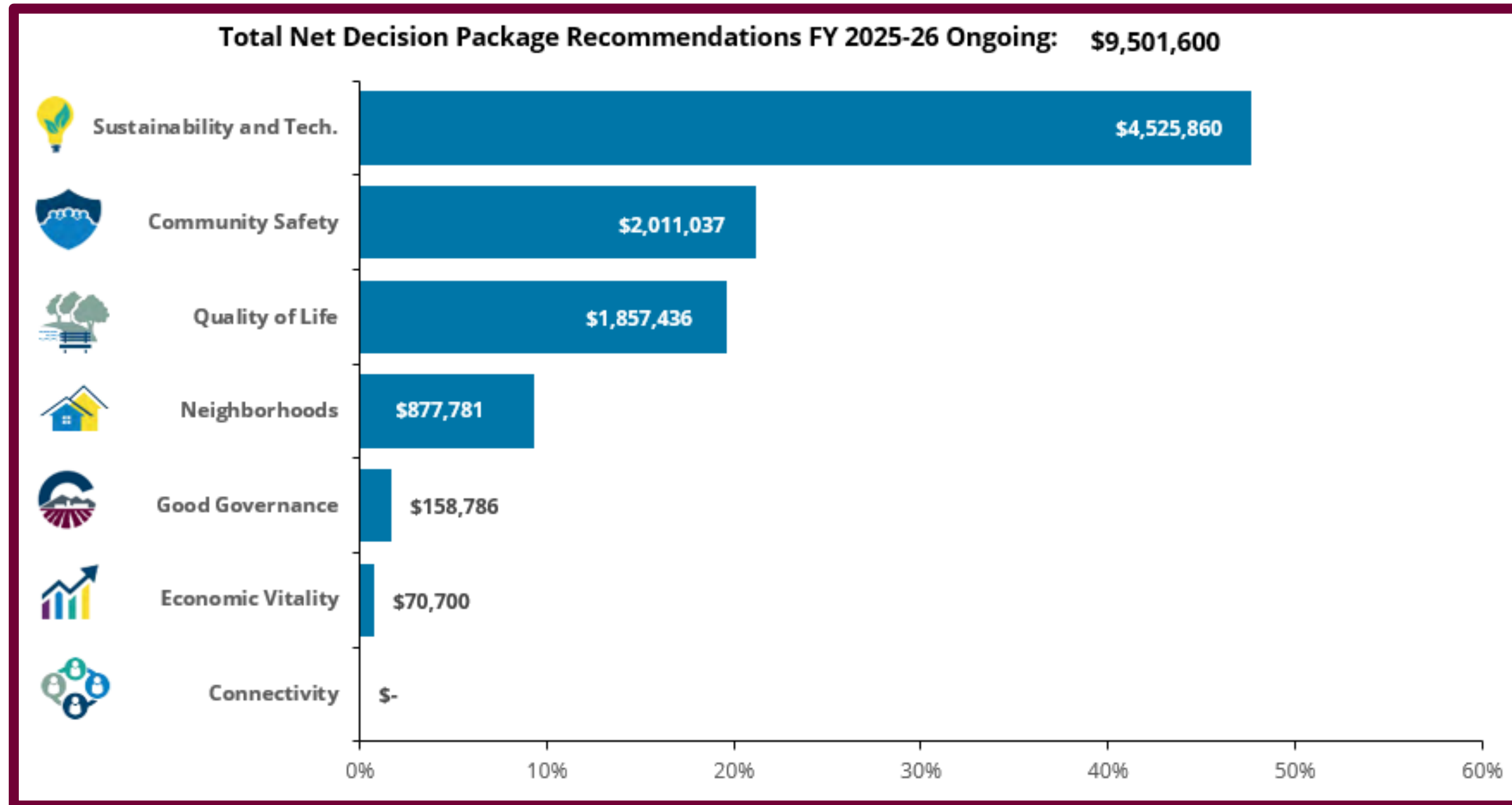
3. **Convert** successful social safety net programs to ongoing funding from grants

4. **Build** the strength of our workforce to meet evolving resident expectations

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



FY 2025-26 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
- Neighborhoods funding
- Final navigator position conversions and housing stability team
- Continued investments in cybersecurity and ERP replacement
- Costs associated with new personnel (vehicles, IT, etc.)
- Surface water delivery increases
- Utility and chemical increases

All Funds

\$16.7M in ongoing requests (PY \$29M)
\$9.5M recomm. net of offsets (PY \$17.5M)

General Fund (GF)

\$13.8M in ongoing requests (PY \$18.9M)
\$7.1M recomm. net of offsets (PY \$10.9M)

FY 2025-26 Workforce Needs

FY 2024-25 Adopted 1,804 FTE + FTE Proposed for FY 2025-26

Prior Year 48 FTE
Current Year 18 FTE

FTE converted from one-time funded to ongoing (12) PY-26:

- Housing Assistance Senior Coordinator - Neighborhoods
- Recreation Program Coordinator - Neighborhoods
- Customer Service Representative - Neighborhoods
- (2) Community Navigators* - Neighborhoods
- Community Resources Senior Specialist* - Neighborhoods
- Housing Stability Coordinator* - Neighborhoods
- (2) Housing Stability Senior Specialist* - Neighborhoods
- IT Programmer Sr Analyst (Web Devl) - Information Technology
- (2) Civilian Background Investigators - Police

FTE added related to CIP projects (0) PY-5

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

FTE with Revenue/Re-allocation Offsets (2) PY-8:

- Transportation Engineer (100%-Revenue) – Development Services
- Assistant City Attorney Litigation (100%-Reallocation) - Law

Other General Fund (GF) funded FTE (3) PY-6:

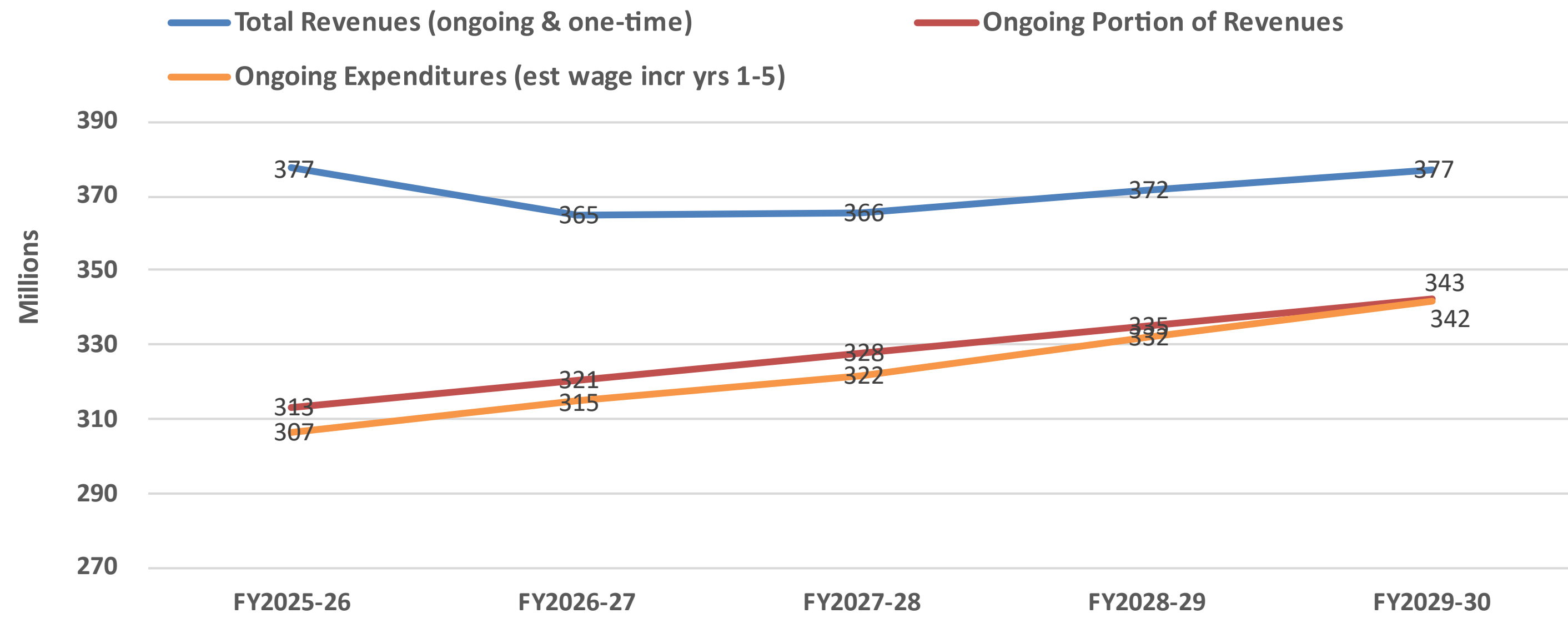
- Community Risk Reduction Manager- Fire
- Crime Prevention Specialist – Police
- Business Systems Analyst (Network) – Police

Other Non-GF funded FTE (1) PY-3:

- Senior Water Quality Technician – Public Works & Utilities

*Position previously funded with grant dollars

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.

The background of the slide features a photograph of a modern building with large glass windows. In the foreground, there is a large, circular, multi-colored sculpture made of geometric blocks. To the right of the sculpture, a sign with the word 'VISION' in large, orange, 3D letters is visible. The text 'Proposed 5-Year One-Time General Fund Balance Forecast' is overlaid on a dark blue circular graphic on the left side of the image.

Proposed 5-Year One-Time General Fund Balance Forecast

Priorities for One-Time Dollars



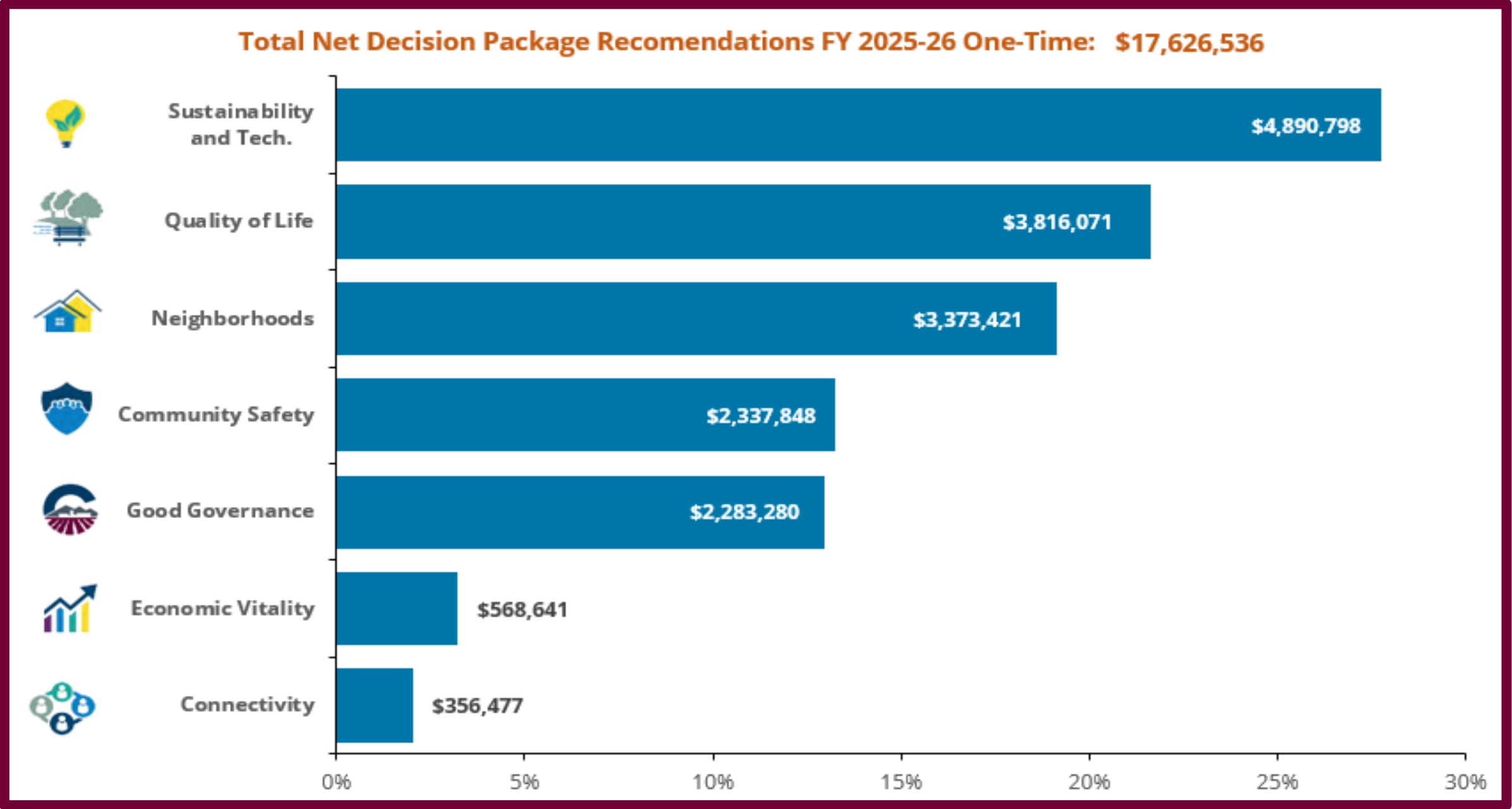
1. **Maintain** reserves sufficient to meet financial policies including PSPRS fully funded status

2. **Reinvest** in existing aging infrastructure, systems, including projects that generate ongoing savings

3. **New** initiatives and capital that generate sustainable ongoing financial savings

4. **Focus** operating & capital spending to move forward strategic focus area action items

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



Significant Recommendations

- Citywide Technology Projects, Cyber Security & ERP
- Bond Election
- Enhanced Citywide Marketing
- Park Irrigation Improvements
- Continued Transit Services
- One-time contracted services
- Police School Engagement, Mental Health, and Real Time Crime Center Equipment & Technology
- Human Services Allocations, Heat Relief and Operation Open Door
- Water conservation Program
- Utility Chemical Increases

All Funds

\$22.5M in one-time requests (PY \$22.4M)
\$17.6M recommended net of offsets (PY \$21M)

General Fund (GF)

\$16.9M in one-time requests (PY \$18.8M)
\$14.6M recommended net of offsets (PY \$15.7M)

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



**Planned FY 2025-26 additional
payment of up to \$25M**

Police	81.7% to 94.6%
Fire	85.9% to 94.1%
<hr/>	
Total	83.3% to 94.4%

Based on current
wages/counts,
reduction for
FY 2025-26 is
approx.
\$9.7M which was
estimated at \$8-
\$10M

Note: FY 2024-25 \$7M 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 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
1 BEGINNING FUND BALANCE (estimate)	348,680,900	177,424,877	150,264,792	127,087,146	114,439,308
2 Additional One-Time Revenue/Savings					
3 One-Time Revenue from Forecast	64,211,171	43,186,140	36,698,379	35,688,162	33,580,346
4 Impact Fee Loan Repayments	650,000	700,000	450,000	450,000	500,000
5 Total Addl' One-Time Revenue/Savings	64,861,171	43,886,140	37,148,379	36,138,162	34,080,346
6 TOTAL ONE-TIME FUNDS AVAILABLE	413,542,071	221,311,017	187,413,171	163,225,308	148,519,654
7 PROJECTED ONE-TIME EXPENDITURES / TRANSFERS OUT					
8 Strategic Economic Development Reserve	(2,325,125)	(2,325,125)	(2,325,125)	(2,000,000)	(2,000,000)
9 Downtown Redevelopment Reserve	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
10 General Funded Capital Improvement Projects	(152,651,359)	(42,121,100)	(33,534,000)	(22,586,000)	(16,791,400)
11 Total Economic Development/Capital Projects	(155,476,484)	(44,946,225)	(36,359,125)	(25,086,000)	(19,291,400)
12 One-Time Personnel and Operations	(36,449,015)	(21,400,000)	(19,000,000)	(19,000,000)	(19,000,000)
13 Transfers to Airport & Ambulance Funds	(19,191,695)	(1,700,000)	(1,966,900)	(1,700,000)	(1,700,000)
14 PSPRS Contribution to Maintain fully funded status	(25,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
15 Total One-Time Operating	(80,640,710)	(26,100,000)	(23,966,900)	(23,700,000)	(23,700,000)
16 TOTAL ONE-TIME EXPENDITURES/TRANS OUT	(236,117,194)	(71,046,225)	(60,326,025)	(48,786,000)	(42,991,400)
17 ENDING FUND BALANCE	177,424,877	150,264,792	127,087,146	114,439,308	105,528,254
	Minimum 4 months ongoing revenues for operations				101,561,200

1 Maintain reserves sufficient to meet financial policies including PSPRS fully funded status

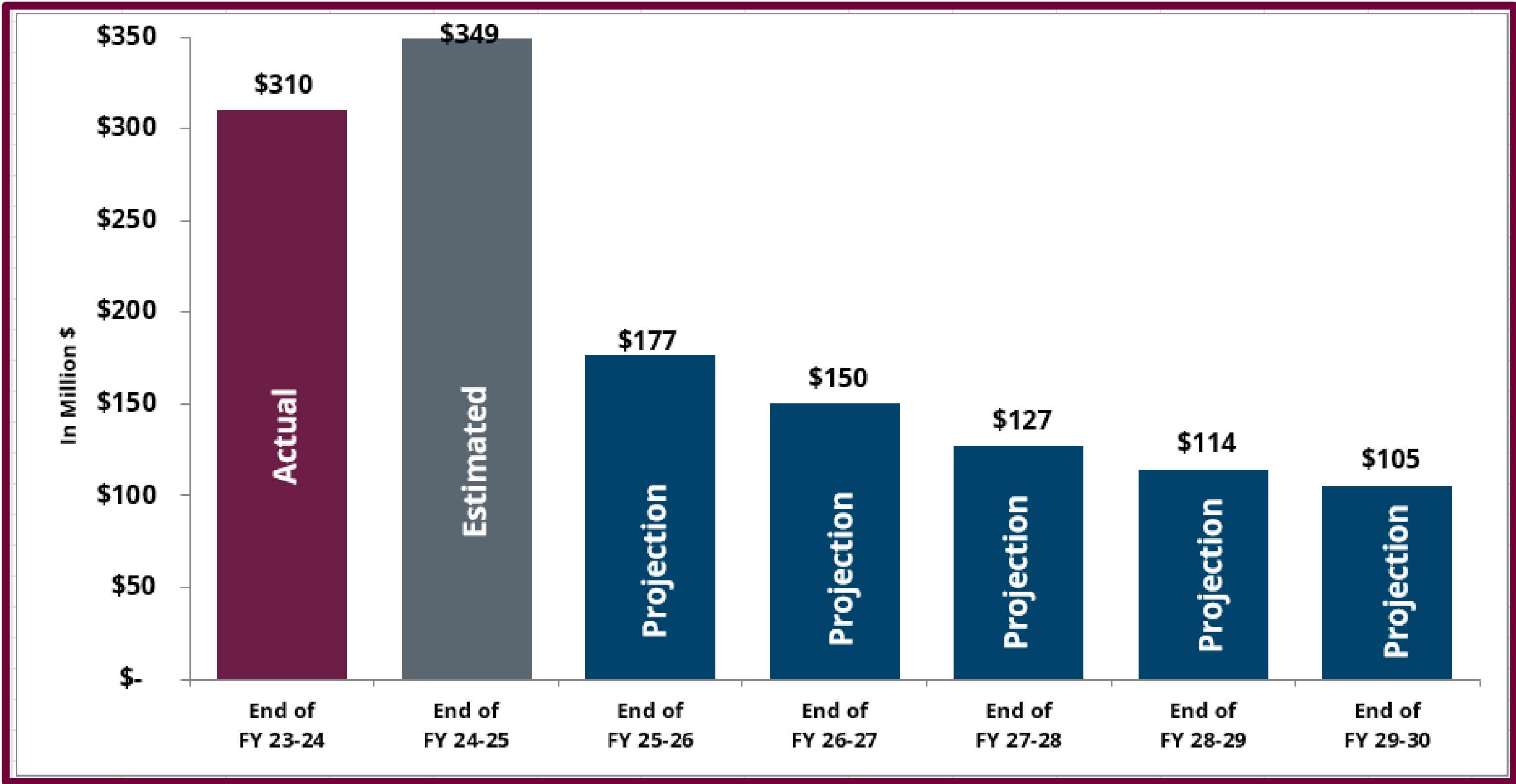
2 Reinvest in existing aging infrastructure and systems including projects that generate ongoing savings

3 New initiatives and capital that generate sustainable ongoing financial savings

4 Focus operating & capital spending to move forward strategic focus area action items

Appropriated 15% Contingency (\$55.3M of fund balance), Council Contingency \$350K (\$75K ongoing), and other reserves

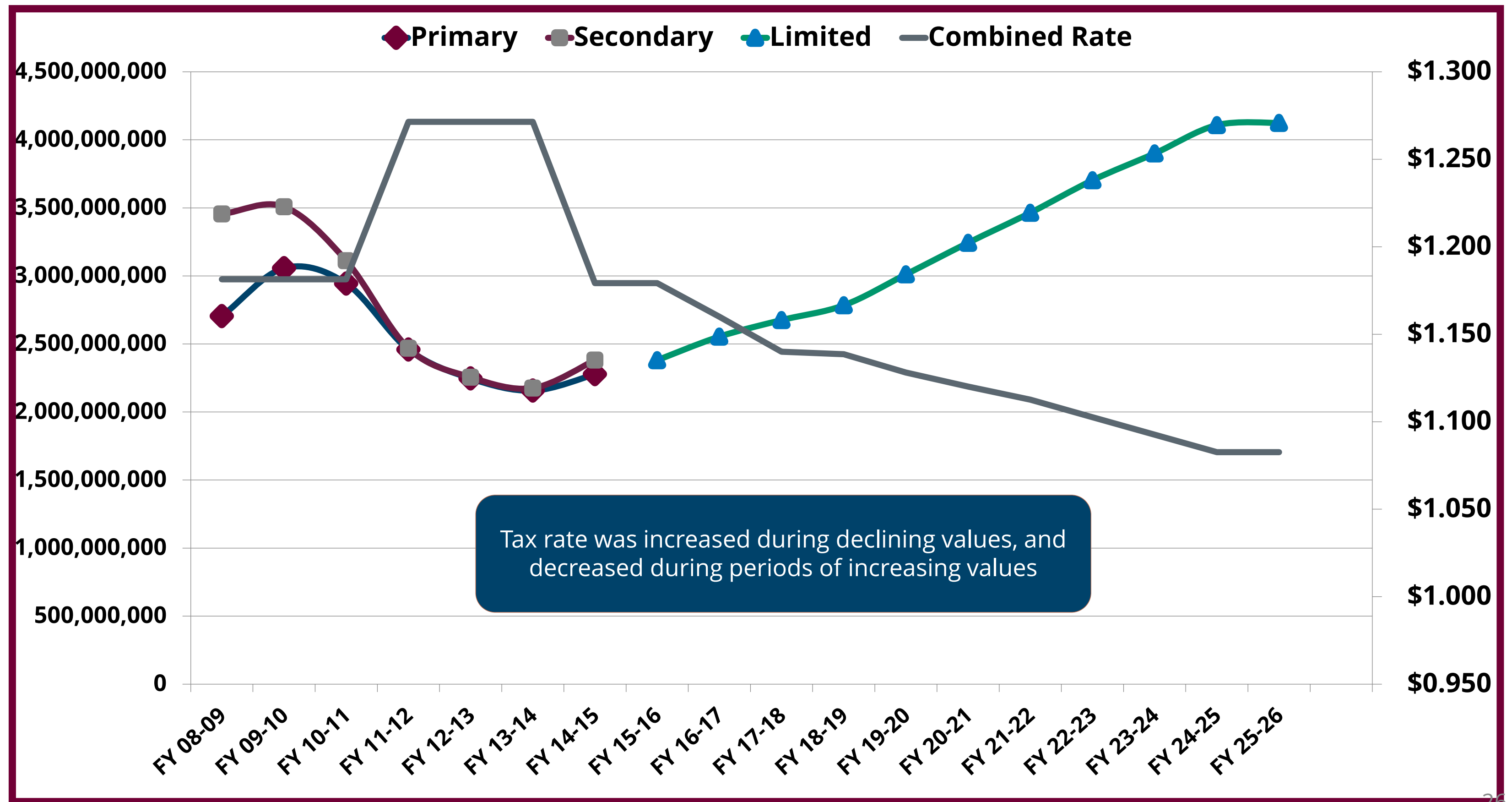
Proposed 5-Year One-Time General Fund Balance Forecast



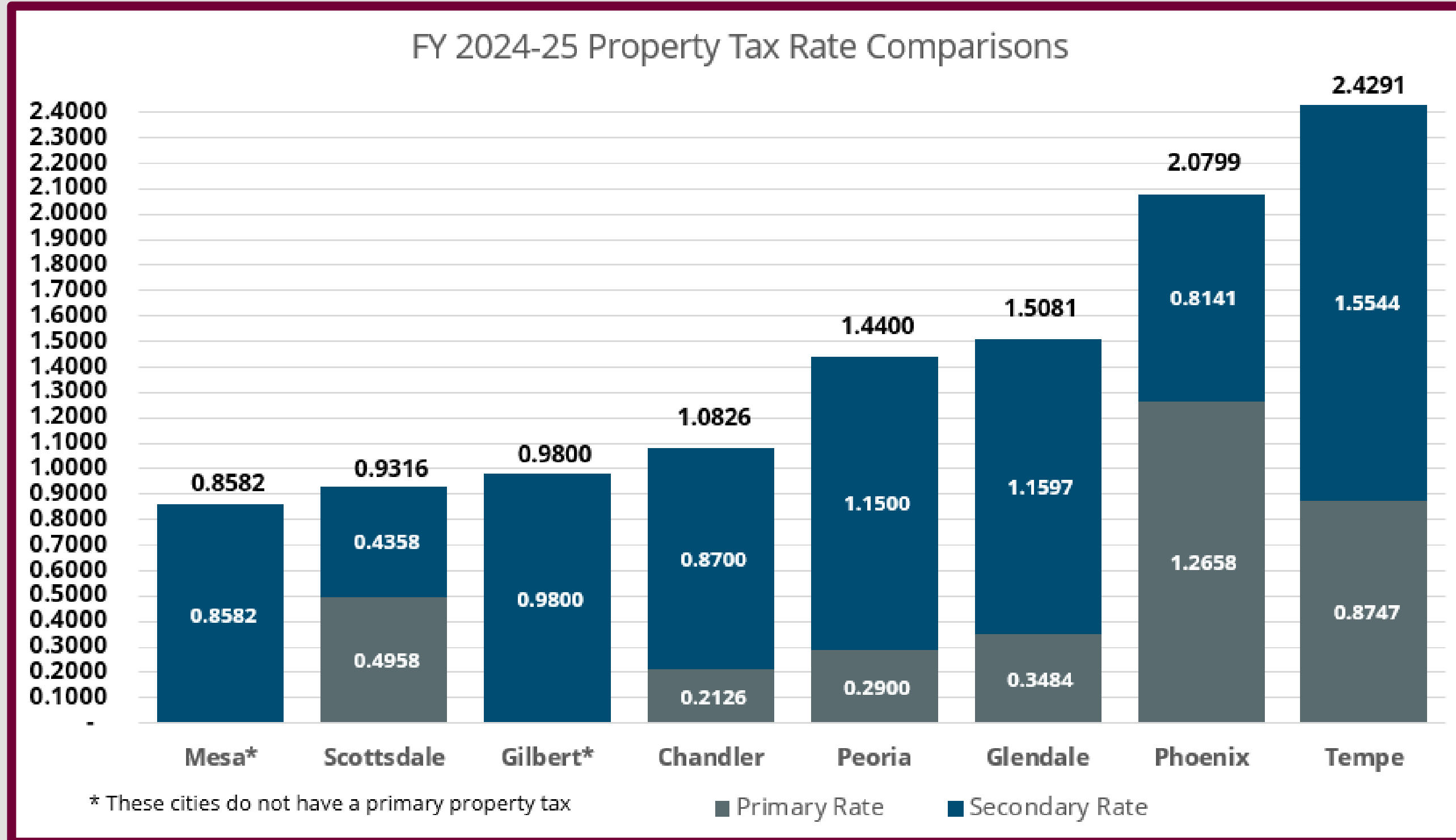
Assessed Valuation and Property Tax Update



Property Valuation and Tax Rate History

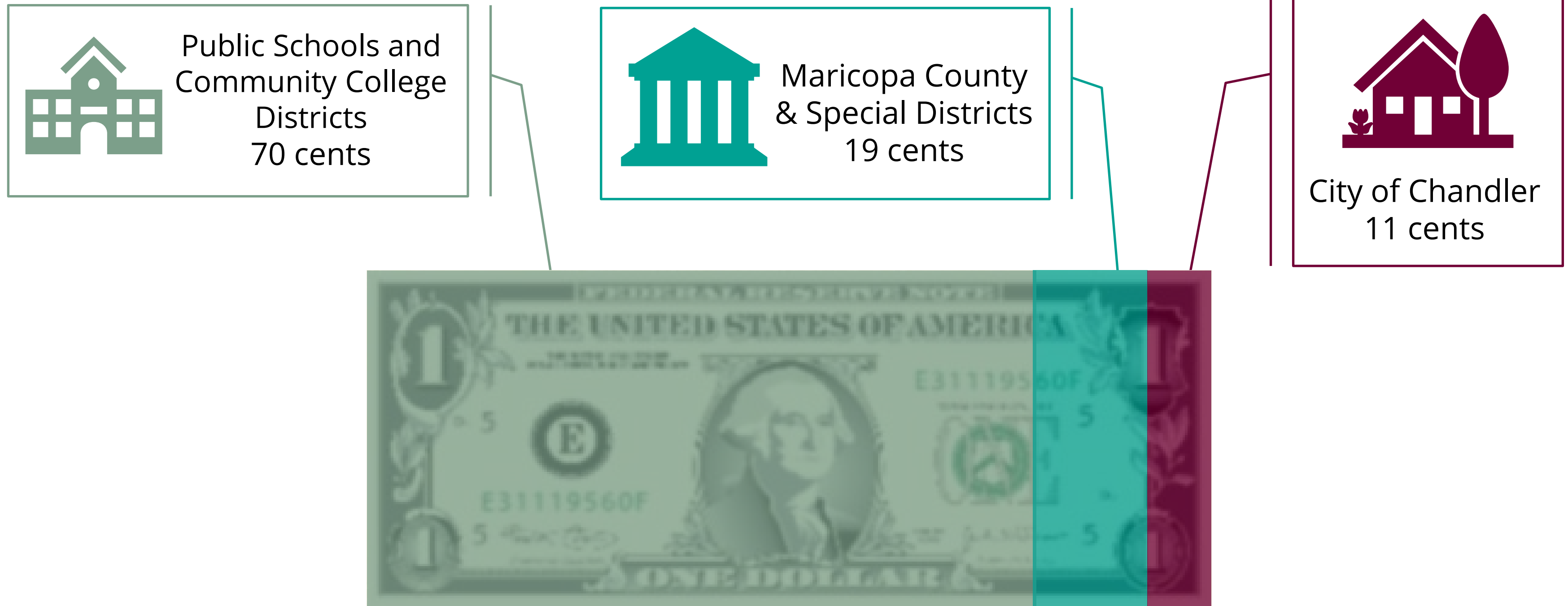


Property Tax Rate Comparison



Per \$100
of
Assessed
Value

Breakdown of \$1 of Typical Chandler Property Tax Bill



*Based on 2024 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 2024-25 (Primary)	\$4,108,053,847	+5.3%	\$0.2126	\$8,733,722
(Secondary)			\$0.8700	\$35,740,068
FY 2024-25 Total			\$1.0826	\$44,473,790
FY 2025-26 (Primary)	\$4,124,257,465	+0.39%	\$0.2126	\$8,768,171
(Secondary)			\$0.8700	\$35,881,040
FY 2025-26 Total			\$1.0826	\$44,649,211
		Levy Increase over Prior Year		\$175,421
Net Centrally Valued	\$33,048,130	-7.8%	-0.9% Appreciation +1.3% New Property	
Net Real Property	\$3,696,949,426	3.2%		
Net Personal Property	\$378,056,291	-40.5%		



Council directive at Workshop #1:
1. Leave secondary rate alone
2. Discuss options on primary

Impact to Median Value Homeowner Primary Tax Rate Options

Primary Tax Rate Adjustments	2025 Current At \$0.2126	2025 Leave Rate Flat at \$0.2126	2025 \$0.01 Reduction to \$0.2026
Full Cash Value	\$414,800	\$440,300	\$440,300
Limited Property Value (capped at 5%)	\$244,210	\$256,421	\$256,421
Assessed Limited Cash Value (10%)	\$24,421	\$25,642	\$25,642
Primary (from \$0.2126 to...)	\$51.92	\$54.52	\$51.95
Secondary (\$.87/\$100 Assessed)	\$212.46	\$223.09	\$223.09
Total City Property Tax Bill	\$264.38	\$277.60	\$275.04
Annual Increase from Current Year		\$13.22	\$10.66
		\$1.10/month	\$0.89/month
Ongoing Revenue Reduction			(\$412,426)



**\$0.01 change to
Property Tax Rate
equals \$412,426**

**FY 2025-26 budget draft assumes primary tax rate remains flat,
allowing for capture of ongoing revenue which will not require a Truth-in-Taxation process**

Notes: FY 2009-10 was last time Truth-in-Taxation process was required. There have been 9 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		3/27/2025
All Day Budget Briefing		5/2/2025
Council Meetings	Tentative Adoption	05/22/2025
	Public Hearing and Final Adoption	06/12/2025
	Adoption of Tax Levy & Fee Action	06/26/2025

Questions?

