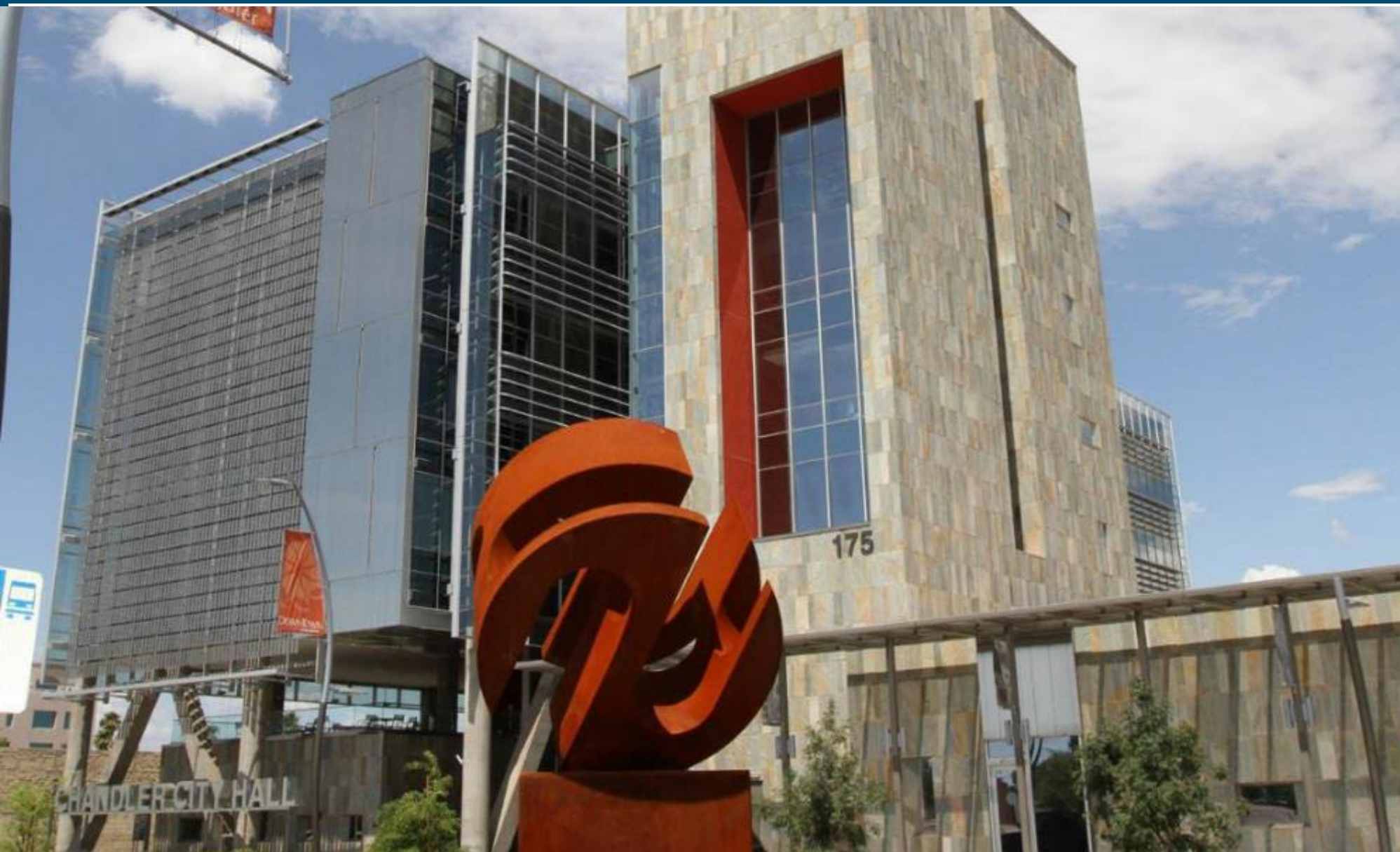


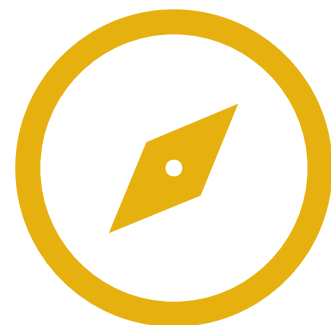
FY 2026-27 Budget Kickoff with Mayor and Council



Council Conference Room
Monday, October 13, 2025 | 4:30 p.m.

Agenda

- I. FY 2025-26 Budget Actions
- II. Budget Process
- III. Strategic Framework Focus Areas
- IV. FY 2026-27 Budgetary Impacts & Guidelines
- V. Capital Guidelines
- VI. Financial Policies and Budget Practices
- VII. Key Dates



– Council Discussion Point

FY 2025-26 Budget Actions

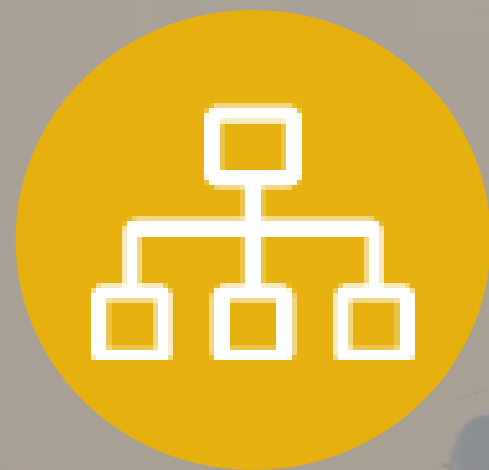


- Sales tax rates unchanged at 1.5% – lowest in AZ
- Reduced property tax rate from \$1.0826 to \$1.0818 per \$100 of assessed value – 10th year of reduction
- Planned changes to Water/Wastewater/Reclaimed & Solid Waste Rates to keep funds self supporting, while remaining one of the lowest costs in Arizona
- Added increases to capital budgets to compensate for inflation affected projects, maintain aging infrastructure, as well as finishing planned parks and arterial streets
- Continued to address pension debt through additional one-time funding (up to \$25M) to maintain the paid off status of the Public Safety Personnel Retirement System (PSPRS) unfunded liability
- Added funding for final year of labor association commitments and general employee pay increases
- Added 18 positions, 14 of which (78%) were either converted from one-time funded to ongoing or have an offset from grants or other revenue
- Maintains Budget Stabilization Reserve at \$10M

Where We Are in the Budget Process



Kickoff allows for Council direction on Strategic Focus Areas, policies & guidelines before budget process begins & Resident Budget Survey initiated



Decision Package and CIP recommendations submitted by departments in December



Financial forecast, funding decisions brought to Council during workshops 1 (February), 2 (March) and 3 on the CIP/Utility Rates (March)



Proposed budget brought to Council for discussion at All-Day Budget Briefing (May 1st)

FY 2026-27 Budget Theme

“Adding Sense to Dollars”



Strategic Framework Guides Our Decision Making



Budgetary Impacts

Personnel/Staffing

- PSPRS unfunded liability continues its paid off status, anticipating additional ongoing savings
- Making progress on reduced vacancies, especially in Police
- Added positions will help reduce pressure in high need areas and shift one-time funded positions to ongoing
- Use of Temps to fill short-term needs



Local Economic Impacts

- Local revenues in line with budget
- Industrial construction impacts are winding down with one-time revenues declining. Use of past one-time generated ongoing savings.
- New retail, entertainment concepts, and businesses continue to open.
- State shared income tax have adjusted to new normal bringing better predictability but less one-time funding
- Long tradition of strong financial management
- Current AAA rating on GO and ETRO Bonds will be re-evaluated in December for new sales



The Challenges

Budgetary Impacts

Economy & Inflation



- Costs, driven higher by prior year inflation, remain high; concern of recession continues
- Bond Election in process with results unknown

Technology



- Multi-year citywide Enterprise Resource Planning (ERP) system replacement continues
- Cybersecurity posture / Infrastructure
- Governance / speed to delivery
- AI mobility and flexibility

Personnel/Staffing



- New MOU agreement outcome must be sustainable
- Retirement and vacancy impacts will continue
- ERP system will require significant citywide staff effort/temp backfill

Legislative Impacts

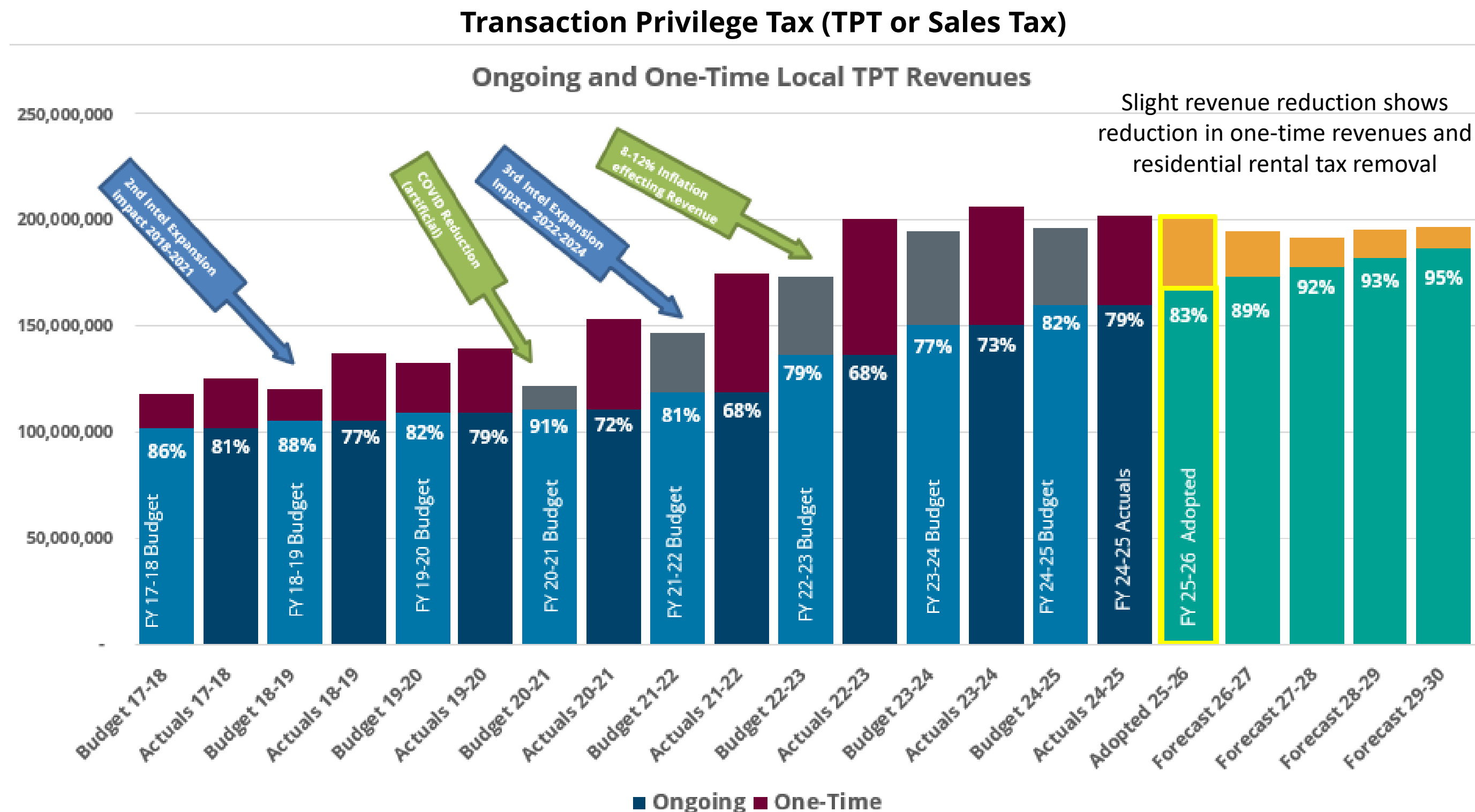


- Legislative Impacts to local tax base and Model City Tax Code continue to be watched
- Federal uncertainty for Neighborhood Resource programs
- Impacts of unpredictable federal government
 - Chandler must remain fiscally resilient

The History

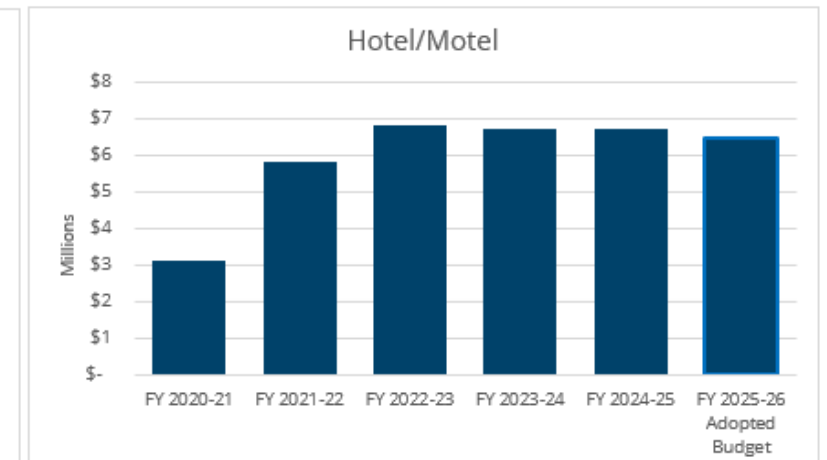
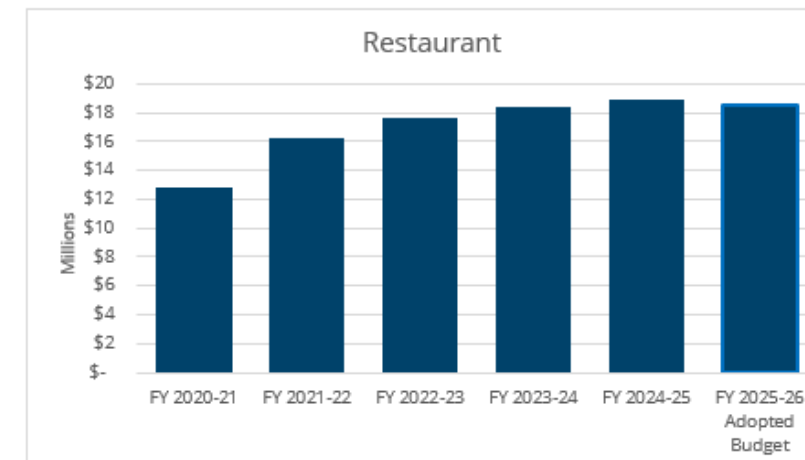
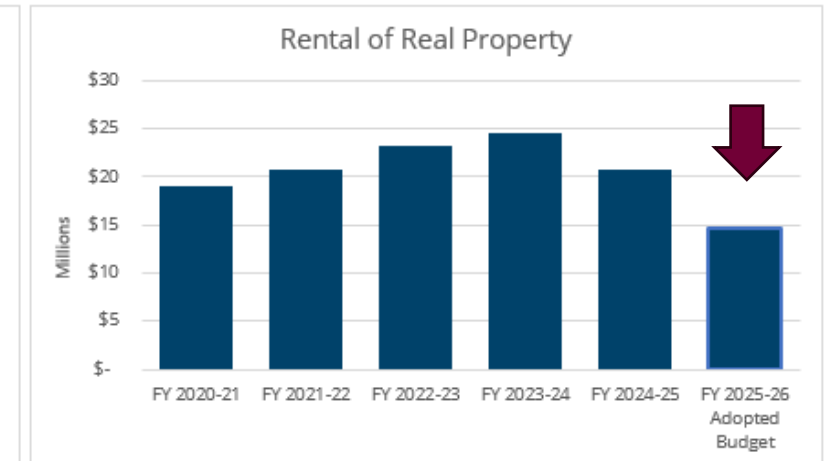
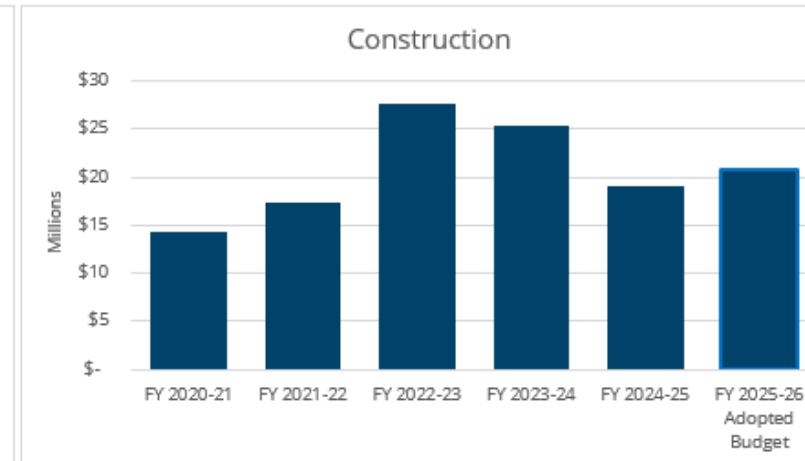
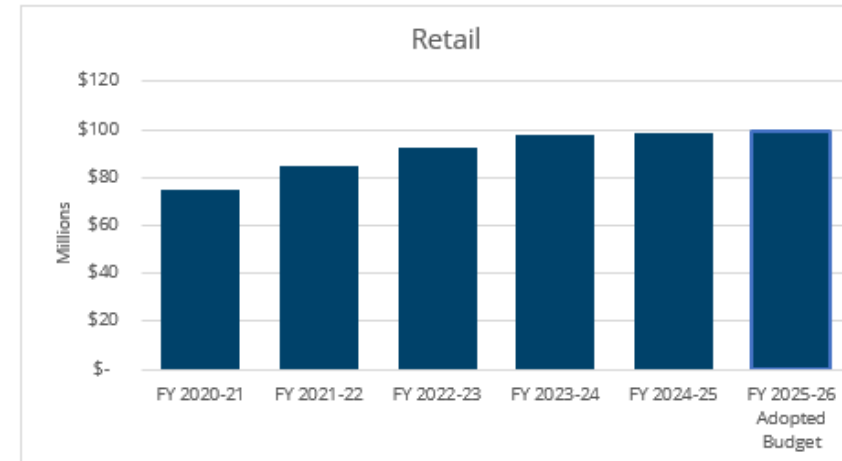
Fiscal Year (FY) 2025-26 Budgetary Impacts Delineating Ongoing vs. One-Time

This year 83% ongoing GF TPT revenues and 18% one-time was budgeted



The History

Fiscal Year (FY) 2025-26 Budgetary Impacts Delineating Ongoing vs. One-Time



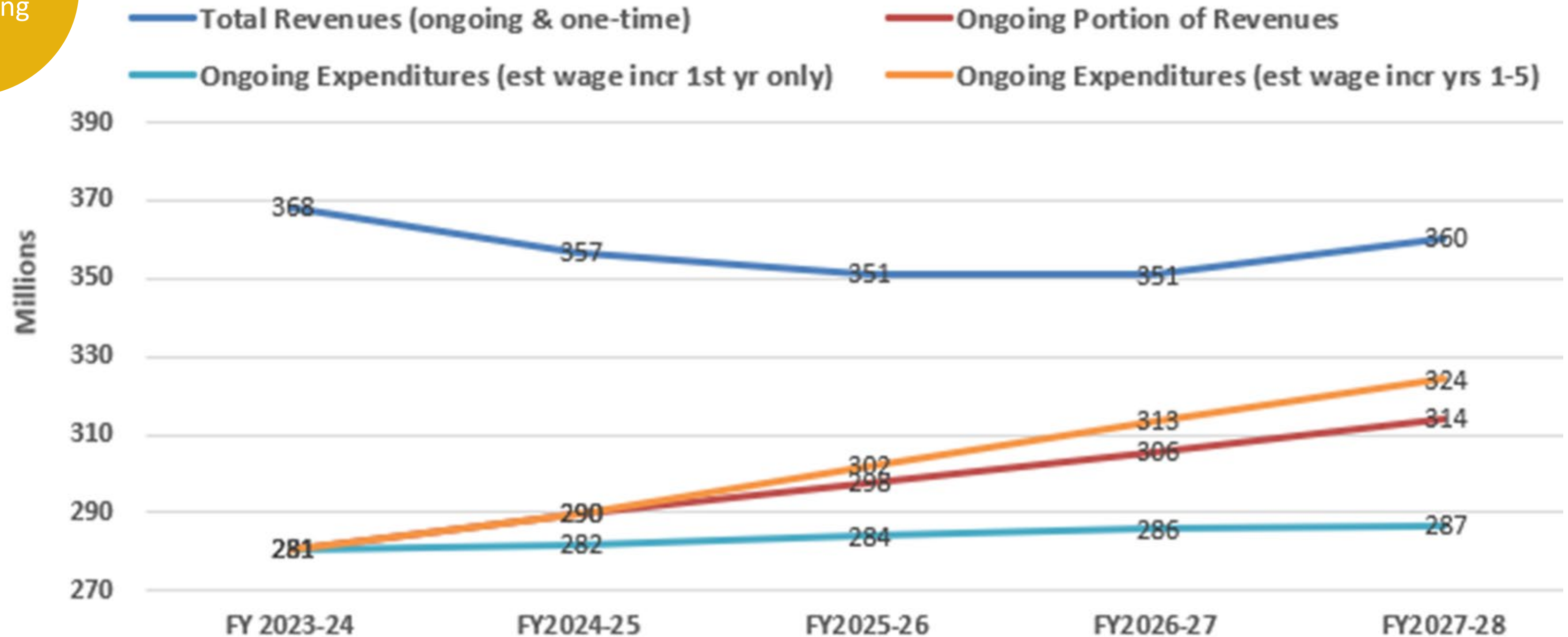
Tax Category	FY 2024-25 Actuals	FY 2025-26 Budget	Ongoing Estimate	One-time Estimate
Utilities Tax	\$ 21,104,109	\$ 26,265,000	\$ 24,765,000	\$ 1,500,000
Telecommunications Tax	1,677,975	1,648,000	1,648,000	-
Publishing/Adv/Printing/Transp Tax	208,311	213,000	213,000	-
Restaurant & Bars Tax	18,924,739	18,540,000	13,040,000	5,500,000
Amusements Tax	1,963,222	1,575,000	1,275,000	300,000
Real Property Rental Tax ←	20,707,698	14,731,000	13,231,000	1,500,000
Tangible Personal Property Rental Tax	6,315,805	5,356,000	2,356,000	3,000,000
Hotels & Transient Lodging Tax	6,726,031	6,489,000	5,289,000	1,200,000
Contracting Tax	19,093,138	20,766,000	12,266,000	8,500,000
Retail Tax	98,165,564	99,395,000	91,435,000	7,960,000
Use Tax	6,909,195	6,522,000	2,482,000	4,040,000
Totals	\$ 201,795,787	\$ 201,500,000	\$ 168,000,000	\$ 33,500,000
			83%	17%

Evaluation is done for each TPT category and their ongoing versus one-time components

5-Year General Fund Ongoing

FY 2023-24 Forecast Revenues vs Expenditures

Gap
narrowing

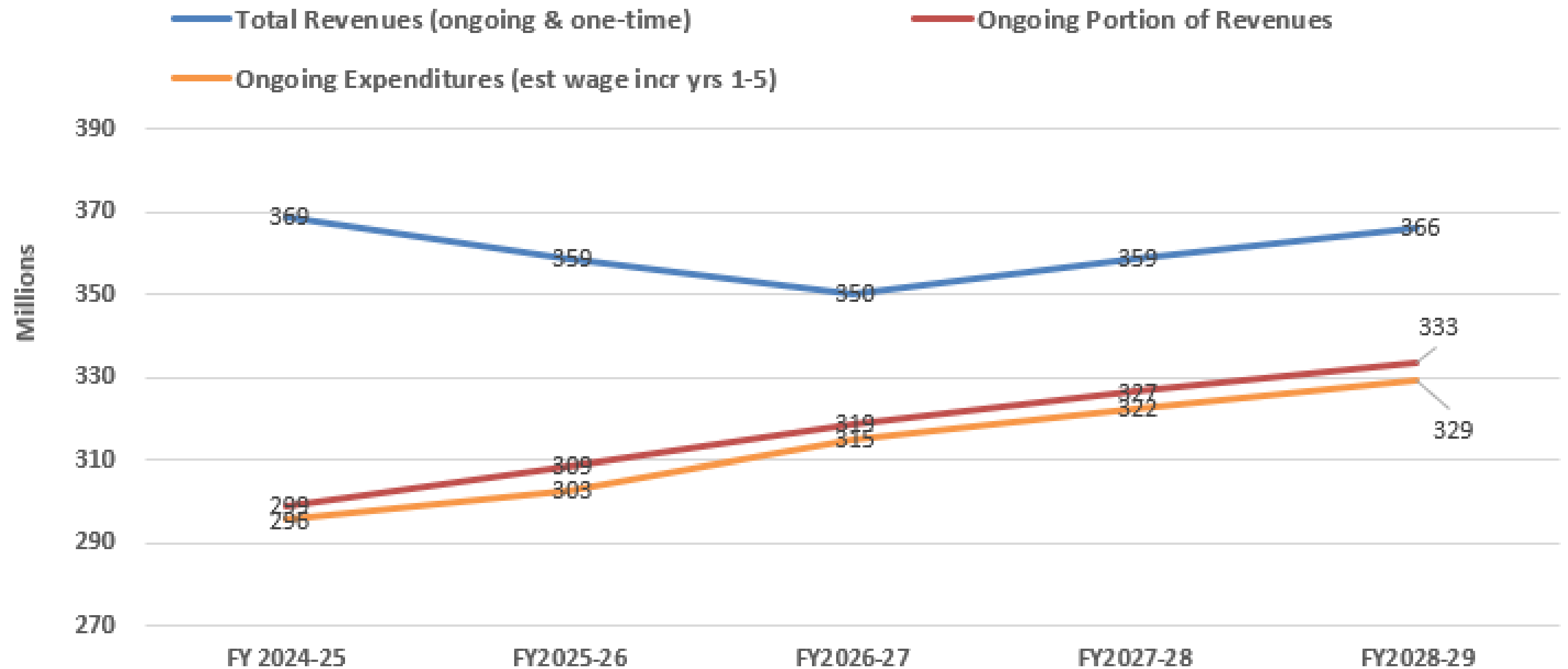


Significant One-time payment to PSPRS was made which helped align ongoing expenses back under ongoing revenue

5-Year General Fund Ongoing

FY 2024-25 Forecast Revenues vs Expenditures

Gap
narrowing

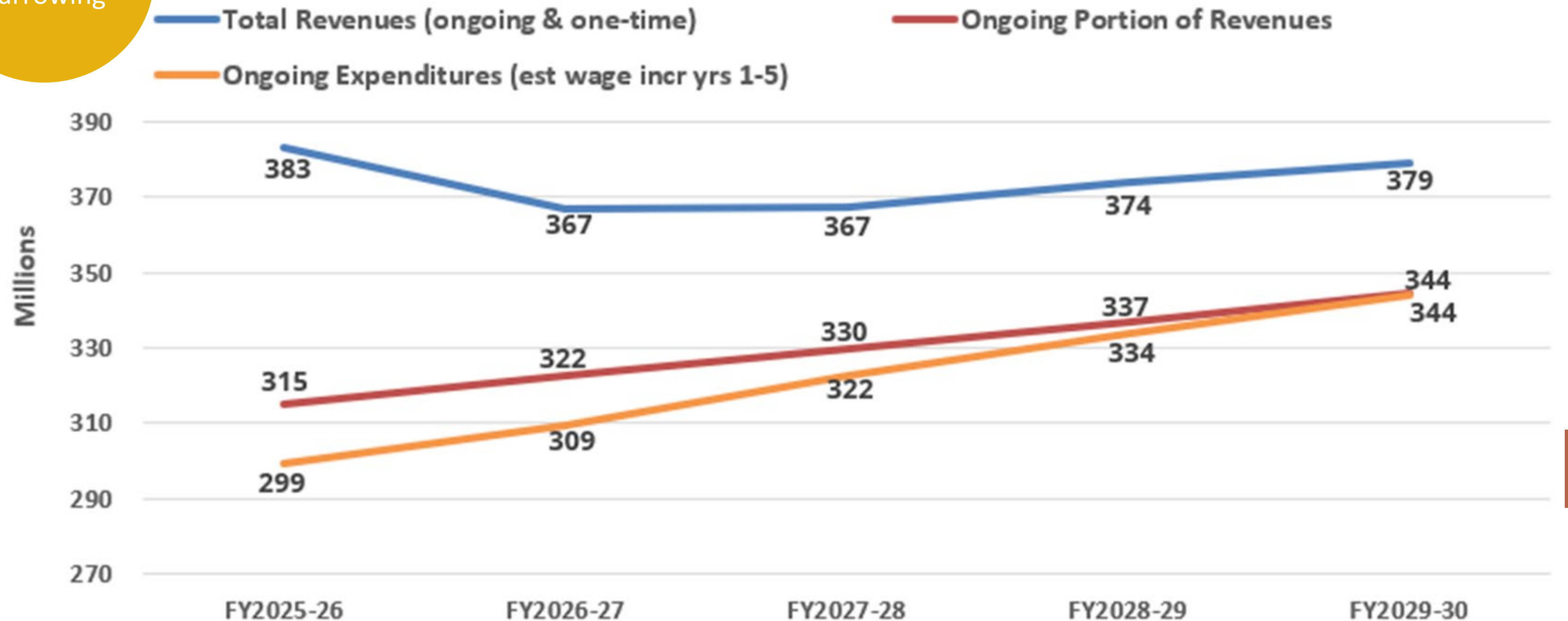


Once ongoing savings from PSPRS incorporated forecast got back in balance

5-Year General Fund Ongoing

FY 2025-26 Forecast Revenues vs Expenditures

Gap
narrowing



Total revenues change 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.

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



Council 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

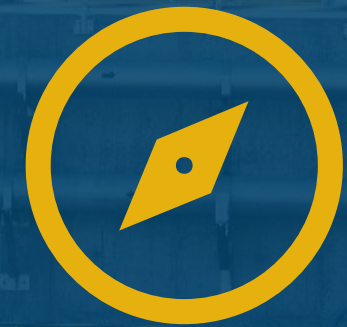
3. **New** initiatives and capital that generate sustainable ongoing financial savings

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



- Maintain secondary property tax rate flat
- Reimagine resident amenities scheduled for replacement
- Prioritize aging infrastructure
- Finish planned construction of streets, parks, fiber and utility systems
- Prior to adding capital, ensure related ongoing O&M can be supported
- Utilize master plans to guide long-term capital investment
- Ensure sufficient bond authorization exists to complete projects desired by residents
- Balance timely completion and coordination of capital projects with impacts to neighborhoods and businesses
- **Emphasize redevelopment infrastructure**

Capital Guidelines



Resident Budget Survey

- Run from Nov. – Jan.
- Run ad campaign to encourage participation
- Expand outreach on social media
- Facility signage added with QR codes
- Encouraged participation with B&C and Recreation/Library users
- Offer in English, Spanish, and Mandarin
- 15 questions, 1–2 in each focus area with comment box
- Additional updates to questions or process?

**Maintain similar
Budget Survey
process to generate
community
involvement**

(1,135 for FY 2024-25 | 1,343 for FY 2025-26)



A photograph of a man in a blue shirt and cap playing a guitar on a sidewalk. In the background, there is a building with a sign that says 'Saba's'. A large blue circle is overlaid on the left side of the image, containing the text 'Financial Policies'.

Financial Policies

- Operating Management
- Capital Management
- Reserves Debt Management
- Long-Range Financial Planning
- Grant Management
- Investment
- Accounting, Auditing, and Financial Reporting
- Pension Funding

Will review and bring to Council any recommended updates along with the required update for the pension policy

Maintain AAA bond ratings from Moody's, Fitch and S&P (rating reviews in November)

- Continue adherence to all fiscal policies

Remain Structurally balanced

- Ongoing revenues support ongoing expenditures
- One-time revenues support one-time expenditures

Maintain strong reserves

- 15% General Fund contingency reserve
- Budget Stabilization reserve

Balanced expenditure growth

- Focus on maintaining and/or modernizing existing services

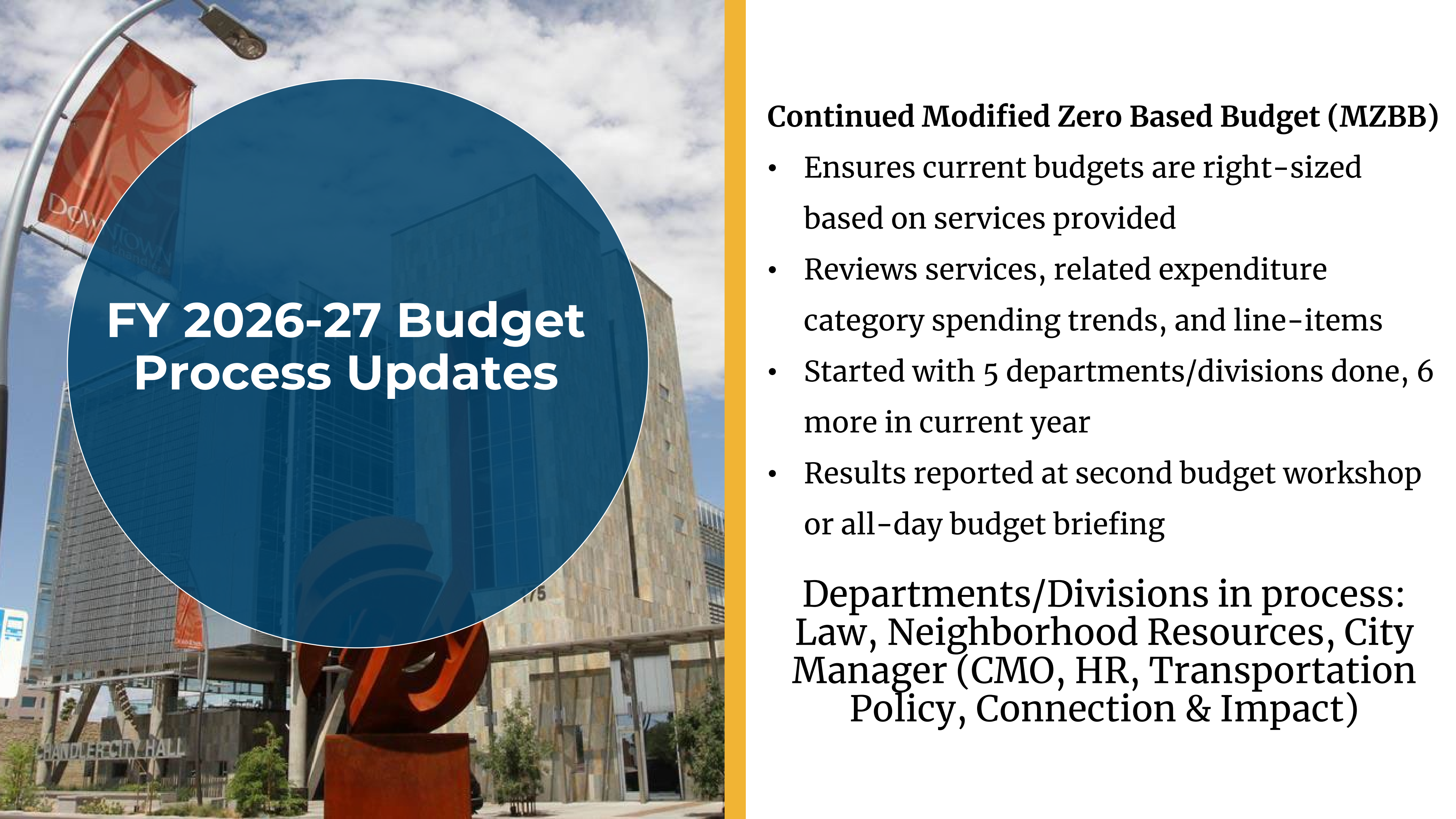
Evaluate Primary Property Tax



**Council Approved
Budgeting Practices
Support Financial
Sustainability**



**37 consecutive
GFOA
Distinguished
Budget Awards**



FY 2026-27 Budget Process Updates

Continued Modified Zero Based Budget (MZBB)

- Ensures current budgets are right-sized based on services provided
- Reviews services, related expenditure category spending trends, and line-items
- Started with 5 departments/divisions done, 6 more in current year
- Results reported at second budget workshop or all-day budget briefing

**Departments/Divisions in process:
Law, Neighborhood Resources, City
Manager (CMO, HR, Transportation
Policy, Connection & Impact)**

Council Process changes implemented in FY 2025-26 Budget

- List department accomplishments without making them the focus of the presentation ✓
 - List all capital projects and decision packages, but focus presentations on the highlights ✓
 - Additional discussion of timing of projects where policy direction may be needed ✓
 - Hold All-Day Budget Briefing on non-Council meeting week ✓
-
- New process changes for FY 2026-27?

**Feedback
Received Last
Budget Process
Additional
Thoughts?**



Tentative Key Budget Dates

Budget Event		Date
Council Budget Kickoff		Tonight
Resident Budget Survey with Outreach Videos		Nov 2025-Jan 2026
Council Workshop 1		February 19, 2026
Council Workshop 2		March 23, 2026
Council Workshop 3 (incorporate how CIP impacts utility rates)		March 26, 2026
All-Day Budget Brief		May 1, 2026
Council Meetings:	Tentative Adoption	May 21, 2026
	Public Hearing & Final Adoption	June 11, 2026
	Adoption of Tax Levy	June 25, 2026

Public comment opportunities are now a part of all of these budget meetings

Questions?

