



FY 2024-25 Budget Kickoff with Mayor and Council

Council Conference Room
Thursday, October 19, 2023 | 4:00 p.m.



Agenda

- I. FY 2023-24 Budget Actions
- II. Budget Process
- III. Strategic Framework Focus Areas
- IV. FY 2024-25 Budgetary Impacts
- V. Capital Guidelines
- VI. Financial Policies and Budget Practices
- VII. Key Dates



- **Council Discussion Point**

FY 2023-24 Budget Actions



- Sales tax rates unchanged – one of the lowest in AZ
- Reduced property tax rate from \$1.1026 to \$1.0926 per \$100 of assessed value – 8th year of reduction
- Water/Wastewater/Reclaimed & Solid Waste Rate changes proposed to go into effect Jan. 1, 2024
- 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 to pay off the Public Safety Personnel Retirement System (PSPRS) unfunded liability (+73M / \$198.3M to date)
- Adds funding for labor association commitments and general employee pay increases
- Added positions in critical areas such as Public Safety, Clerk, IT, ED, HR, Parks, Neighborhoods, and Public Works
- Increased Budget Stabilization Reserve to \$20M and updated Financial policy so that only ongoing revenues are used to calculate minimum reserve balance

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) and 2 (March)



Proposed budget brought to Council for discussion at all-day briefing (April)

FY 2024-25 Budget Theme

“ Chandler:
Making it Happen ”





Strategic Framework Guides Our Decision Making

Focus Areas

- Economic Vitality
 - Sustainability and Technology
 - Connectivity
 - Neighborhoods
 - Quality of Life
 - Community Safety
- All CIP and Decision Package adds are now able to be tied to the Focus Area they relate to

Personnel/Staffing

- PSPRS unfunded liability should in essence be paid off, which allows for freed up ongoing funding (full effects not seen until FY 2025-26)
- Making progress on the number of vacancies
- Added 53 FTE (45% public safety) over last 2 years to reduce pressure in high need areas



Local Economic Impacts

- Local revenues continue to come in strong
- Industrial construction impacts are still being seen in our monthly revenues
- New retail that brought a destination-based shopping experience to Chandler now open
- State shared income tax continues at 18% to offset flat tax implications, and will level out
- Inflation continues to drive revenues higher
- Long tradition of strong financial management



The Challenges

FY 2024-25 Budgetary Impacts



Economy & Inflation

- Persistent effects still being felt in utilities, chemicals, construction materials and labor, vehicles, and equipment; potential recession
- Bond passed two years ago will not go as far

Technology



- Multi-year citywide Enterprise Resource Planning (ERP) system replacement
- Cybersecurity posture / Infrastructure
- Governance / speed to delivery
- Mobility and flexibility / more to do



Personnel/Staffing

- Retirement and vacancy impacts are still an issue
- Attracting talent to fill vacancies
- ERP system will require significant citywide staff effort
- Developing new labor association contracts
- Reliant on temp labor for critical services

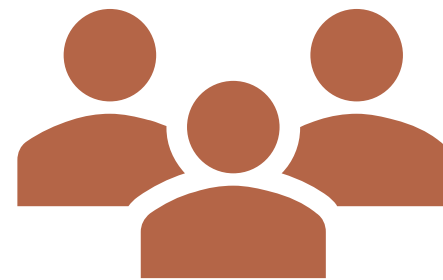


Legislative Impacts

- Legislative Impacts to local tax base and Model City Tax Code continue to be an issue (e.g., grocery tax)
- Residential rental tax removal bill passed (est. impact \$11M ongoing or about 6% of TPT revenue)
- Prop 400 extension will go to voters but future unknown

The Challenges

FY 2024-25 Budgetary Impacts



Services & Position Needs Citywide

- Analysis is underway with each Department to evaluate current services and staffing levels
- Framework will provide details into what would be accomplished with additional staff
- There may be additional ongoing requests this year as we evaluate needs city-wide
- Need to align one-time needs to one-time positions and services and ongoing needs to ongoing positions and services
- Decisions will be contingent on financing

Example One-time Funded Positions in FY 2023-24

Digital Media Producer, CAPA
Management Assistant, Community Services
Downtown Operations Coordinator, Cultural Dev.
IT Service Desk Technician, IT
Crime and Intelligence Analyst, Police

Example One-time Funded Services in FY 2023-24

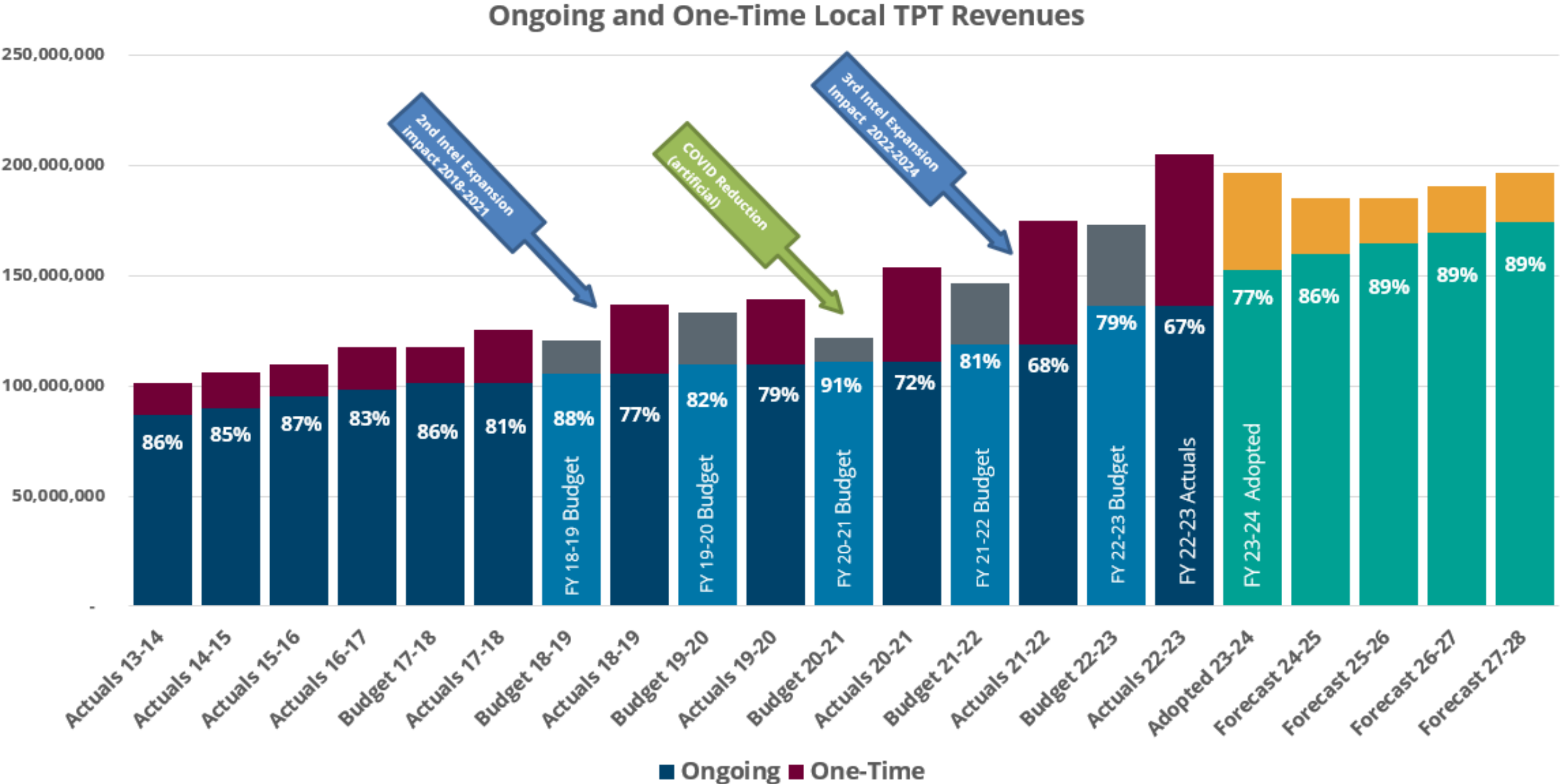
Contigo Special Event, DEI
Marketing & Promotional Campaigns, CAPA
Translation Services, CAPA
Court Security Officer Contract, City Magistrate
Managed Services and Various Contracts, IT
Homeless Services
Chemicals and Contract Increases

The Challenges

FY 2024-25 Budgetary Impacts

Delineating Ongoing vs. One-Time

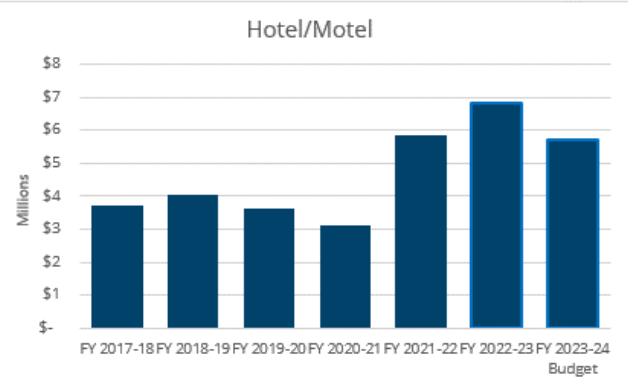
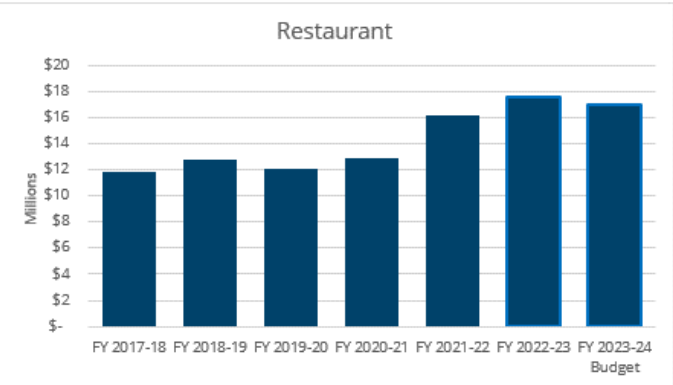
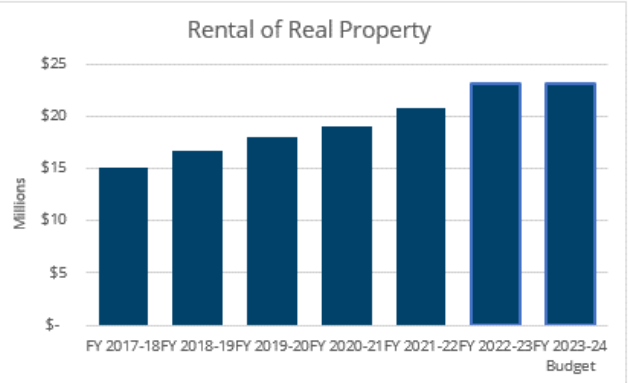
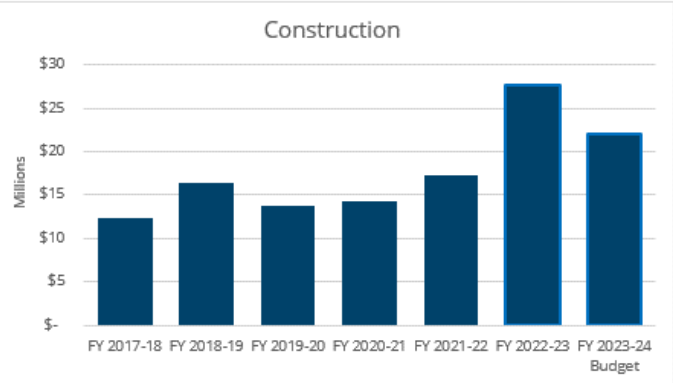
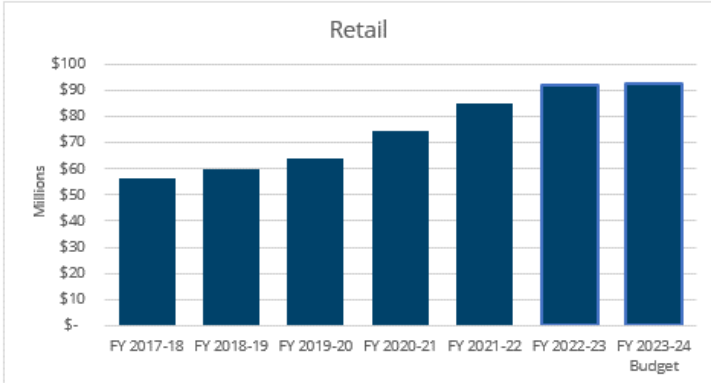
This year 77% ongoing and 23% one-time was budgeted



The Challenges

FY 2024-25 Budgetary Impacts

Delineating Ongoing vs. One-Time



Tax Category	Prior Year Actuals	Current Year Budget	Ongoing estimate	One-time estimate
Utilities Tax	\$ 16,856,222	\$ 18,100,000	\$ 16,100,000	\$ 2,000,000
Telecommunications Tax	1,764,220	1,550,000	1,550,000	-
Publishing/Adv/Printing/Transp Tax	216,469	200,000	200,000	-
Restaurant & Bars Tax	17,583,604	17,000,000	11,500,000	5,500,000
Amusements Tax	1,491,849	1,300,000	1,000,000	300,000
Real Property Rental Tax	23,201,895	23,100,000	16,600,000	6,500,000
Tangible Personal Property Rental Tax	5,214,792	5,000,000	2,500,000	2,500,000
Hotels & Transient Lodging Tax	6,815,308	5,700,000	3,500,000	2,200,000
Contracting Tax	27,599,546	22,000,000	13,500,000	8,500,000
Retail Tax	92,114,309	93,000,000	79,700,000	13,300,000
Use Tax	6,825,378	8,000,000	3,960,000	4,040,000
Totals	\$ 199,683,592	\$ 194,950,000	\$ 150,110,000	\$ 44,840,000
			77%	23%

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

Council Priorities for One-Time Dollars



1. Reinvest in aging infrastructure, neighborhoods & systems

2. Operating & Capital spending to move strategic focus area action items

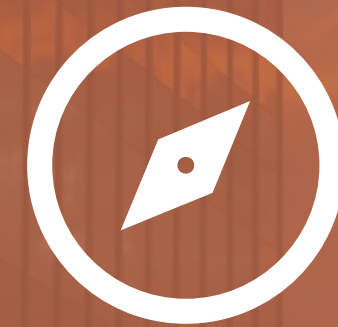
3. Maintain Reserves sufficient to meet financial policies

4. New initiatives and Capital including sustainability



- Minimize increase in secondary property taxes
- ~~Maintain, enhance or re-imagine existing infrastructure~~
- Re-imagine 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
- Deliver on commitments made to residents through 2021 bond election
- Balance inflation, workload, and timely completion of high visibility and grant funded projects

Capital Guidelines

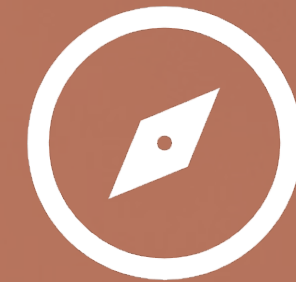


Resident Budget Survey

- Run from Nov. – Jan., with Council outreach videos
- Run ad campaign to encourage participation
- Expand the outreach on social media
 - Weekly poll questions
 - 5 total polls- one for each focus area
- Offer in English, Spanish, and Mandarin
- 15 questions, 1-2 in each focus area with comment box

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

(214 for FY 2022-23 | 1,310 for FY 2023-24)





Financial Policies

- Operating Management
- Capital Management
- Reserves (updated Apr. 27, 2023)
- Debt Management
- Long-Range Financial Planning
- Grant Management
- Investment
- Accounting, Auditing, and Financial Reporting
- Pension Funding (annual update; Apr. 27, 2023)

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

- 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

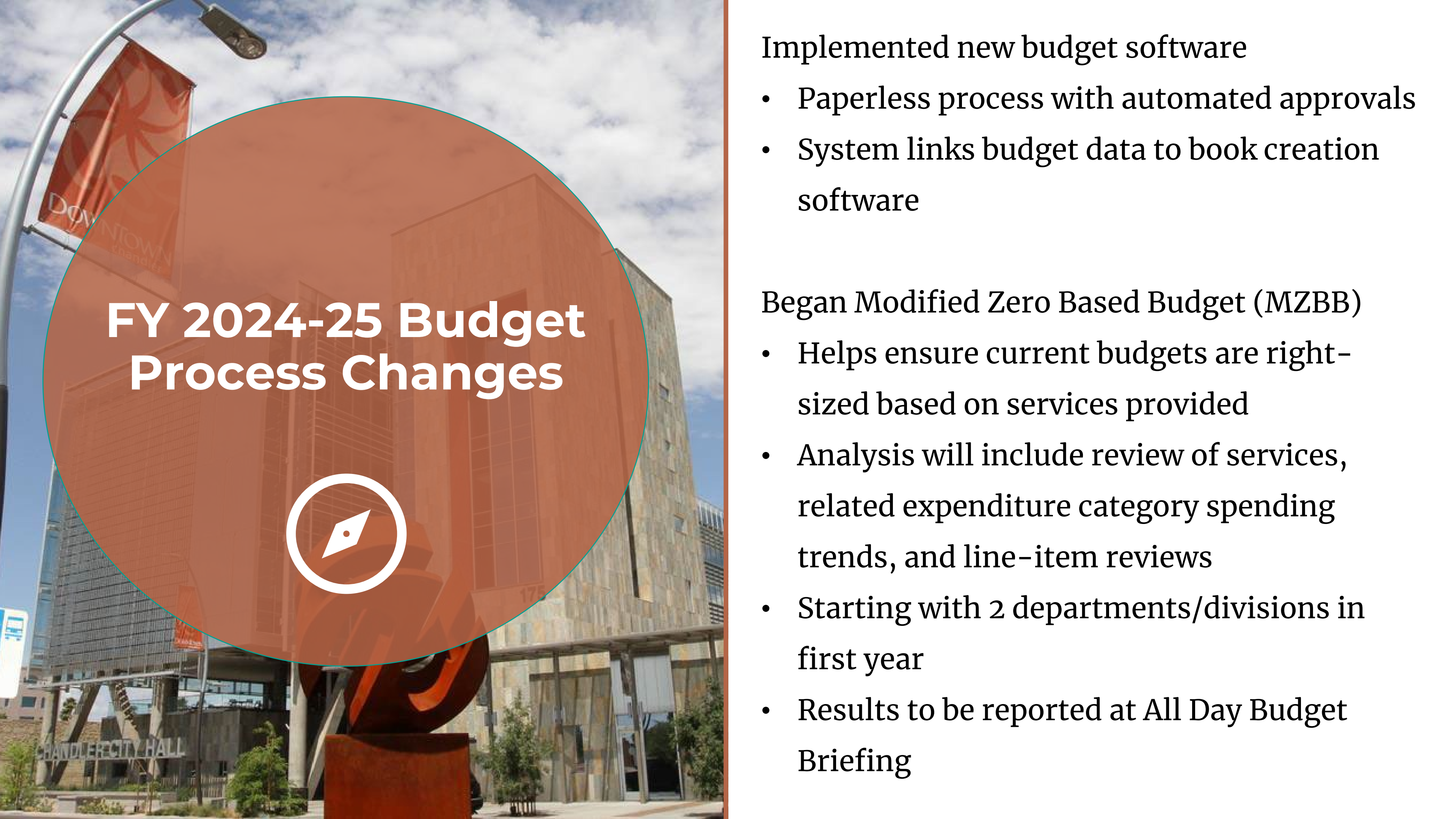
- Focus on maintaining and/or modernizing existing services

Control Primary Property Tax

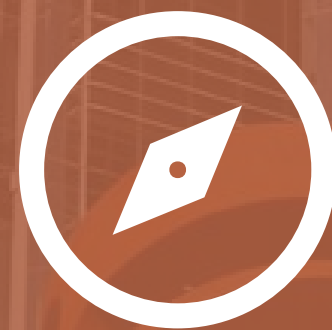
- Provide options should the forecast allow reduction



**Council Approved
Budgeting Practices
Support Financial
Sustainability**

The background features a photograph of a modern, multi-story building with a glass and metal facade. A large, semi-transparent orange circle is overlaid on the left side of the image. Inside this circle, the text 'FY 2024-25 Budget Process Changes' is written in white, bold, sans-serif font. Below the text is a white circular icon containing a stylized compass needle pointing towards the top-right. In the foreground, there is a large, abstract sculpture made of dark, rusted metal. A banner on a pole to the left reads 'DOWNTOWN' and 'Grand'. The sky is blue with light clouds.

FY 2024-25 Budget Process Changes



Implemented new budget software

- Paperless process with automated approvals
- System links budget data to book creation software

Began Modified Zero Based Budget (MZBB)

- Helps ensure current budgets are right-sized based on services provided
- Analysis will include review of services, related expenditure category spending trends, and line-item reviews
- Starting with 2 departments/divisions in first year
- Results to be reported at All Day Budget Briefing

Council Process Feedback from FY 2023-24 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
- Provide Council a “Review Guide” to help with budget book review process
- Hold All-Day Budget Briefing on non-Council meeting week

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



Tentative Key Budget Dates

Budget Event		Date
Council Budget Kickoff		Tonight
Resident Budget Survey with Council Outreach Videos		Nov 2023–Jan 2024
Council Workshop 1		February 8, 2024
Council Workshop 2		March 23, 2024
All-Day Budget Brief		April 26, 2024
Council Meetings:	Amendment Discussion	May 23, 2024
	Tentative Adoption	May 23, 2024
	Public Hearing & Final Adoption	June 13, 2024
	Adoption of Tax Levy	June 27, 2024

Questions?

