



# City Council Special Meeting

## Budget Workshop #1

Thursday, February 8, 2024  
4:00 p.m.

Council Chambers Conference Room  
88 E. Chicago St., Chandler, AZ



## Work Session - Budget Workshop #1



Pursuant to Resolution No. 4464 of the City of Chandler and to A.R.S. 38-431.01, notice is hereby given to the general public that the Chandler City Council will hold a SPECIAL MEETING on Thursday, February 8, 2024, at 4:00 p.m. in the Chandler City Council Chambers Conference Room, 88 E. Chicago Street, Chandler, Arizona. One or more members of the Chandler City Council may attend this meeting by telephone.

Persons with disabilities may request a reasonable modification or communication aids and services by contacting the City Clerk's office at 480-782-2181 (711 via AZRS). Please make requests in advance as it affords the City time to accommodate the request.

Agendas are available in the Office of the City Clerk, 175 S. Arizona Avenue.

## Agenda

### Call To Order/Roll Call

### Discussion

1. **Budget Workshop #1, Fiscal Year 2024-25**
  1. Opening Remarks
  2. Resident Budget Survey Feedback
  3. Financial Policies and Considerations
  4. Preliminary Budget
    - a. General Fund Forecast Inflows and Outflows
    - b. Major Revenues, Expenditures, and Drivers
    - c. Public Safety Personnel Retirement System (PSPRS)
    - d. Preliminary Capital Improvements Plan (CIP)
    - e. Property Tax Discussion
  5. Key Budget Dates
  6. Closing Remarks

### Adjourn



**City Council Memorandum      City Manager's Office Memo No. N/A**

**Date:** February 08, 2024  
**To:** Mayor and Council  
**From:** Dawn Lang, Deputy City Manager - Chief Financial Officer  
**Subject:** Budget Workshop #1, Fiscal Year 2024-25

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**Attachments**

Budget Workshop #1 Presentation\_



**CHANDLER**  
a r i z o n a

FY 2024-25

# Budget Workshop #1

Council Conference Room

Thursday, February 8, 2024 | 4:00 p.m.

# Agenda



## 1. Resident Budget Survey Feedback

FY 2024-25 Resident Budget Survey  
Foundations

## 2. Financial Policies and Considerations

FY 2024-25 Economic Updates

## 3. FY 2024-25 Preliminary Budget

General Fund Forecast Inflows and Outflows  
Major Revenues/Expenditures and Drivers  
Public Safety Personnel Retirement System (PSPRS)  
Preliminary Capital Improvement Plan (CIP)  
Overview  
Preliminary Property Tax Discussion

## 4. Key Budget Dates & Closing remarks

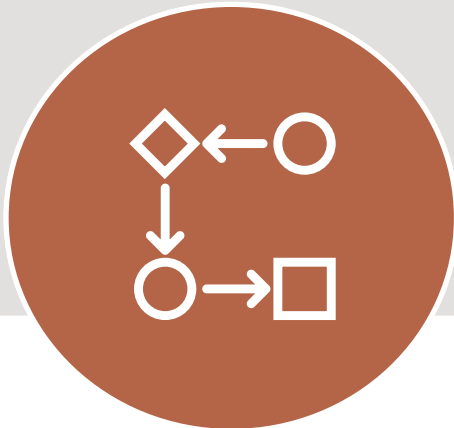
# FY 2024-25 Budget Theme

“ Making it Happen ”

## Our Vision

We are a world class city that provides an exceptional quality of life

# Chandler Budget Process Timeline



This year's theme: Making it Happen

Today

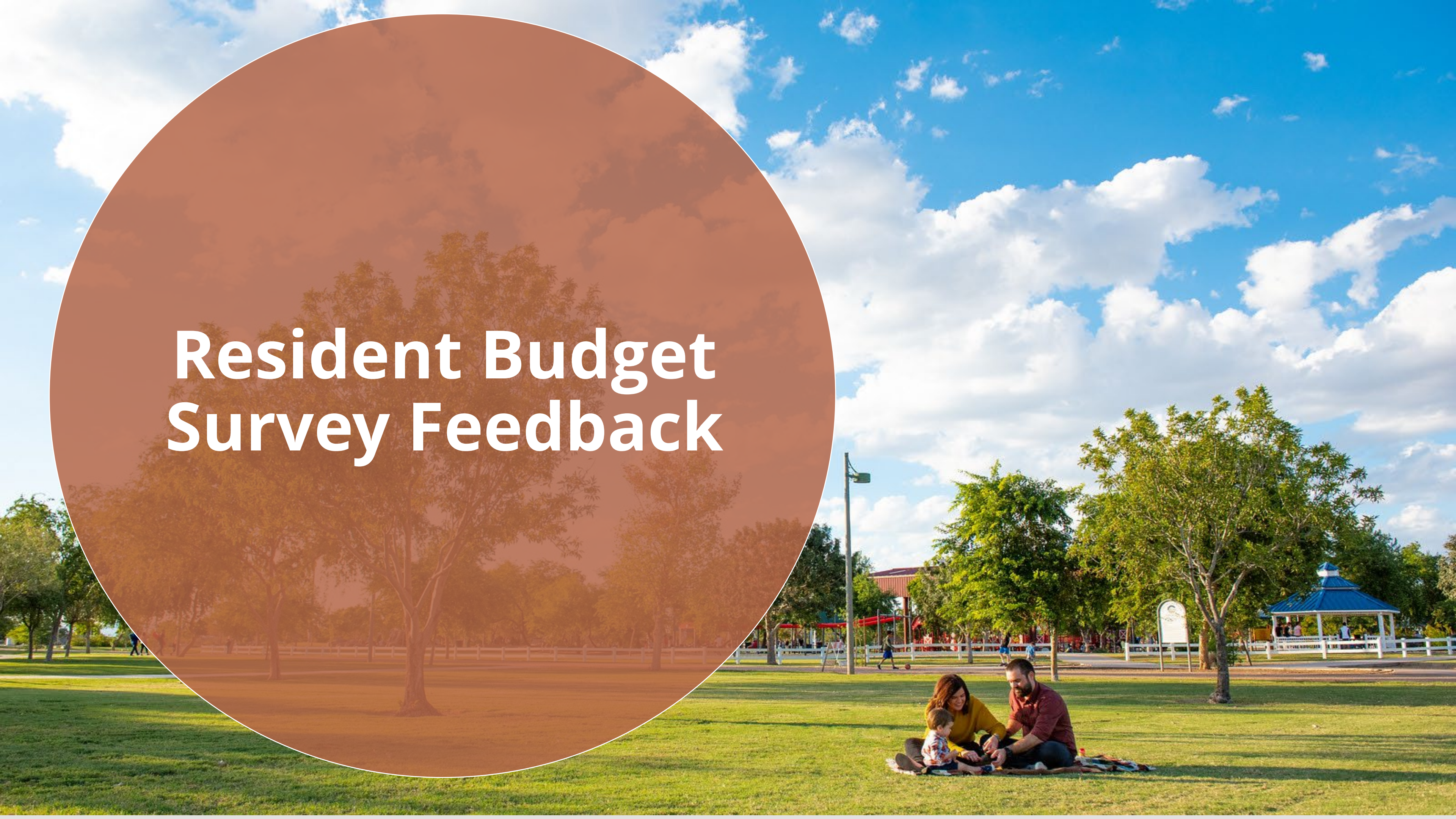
Budget Processes	Start	End	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Budget Kick-Off		10/19/23	█								
Resident Budget Survey/Poll Questions/Videos	11/27/23	1/12/24	█	█	█	█					
Depts Submit Decision Packages/CIPs	12/8/23	12/24/23	█	█	█						
Council Budget Workshop #1		2/8/24	█	█	█	█	█				
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 beings 7/1/2024

Council/Resident Process

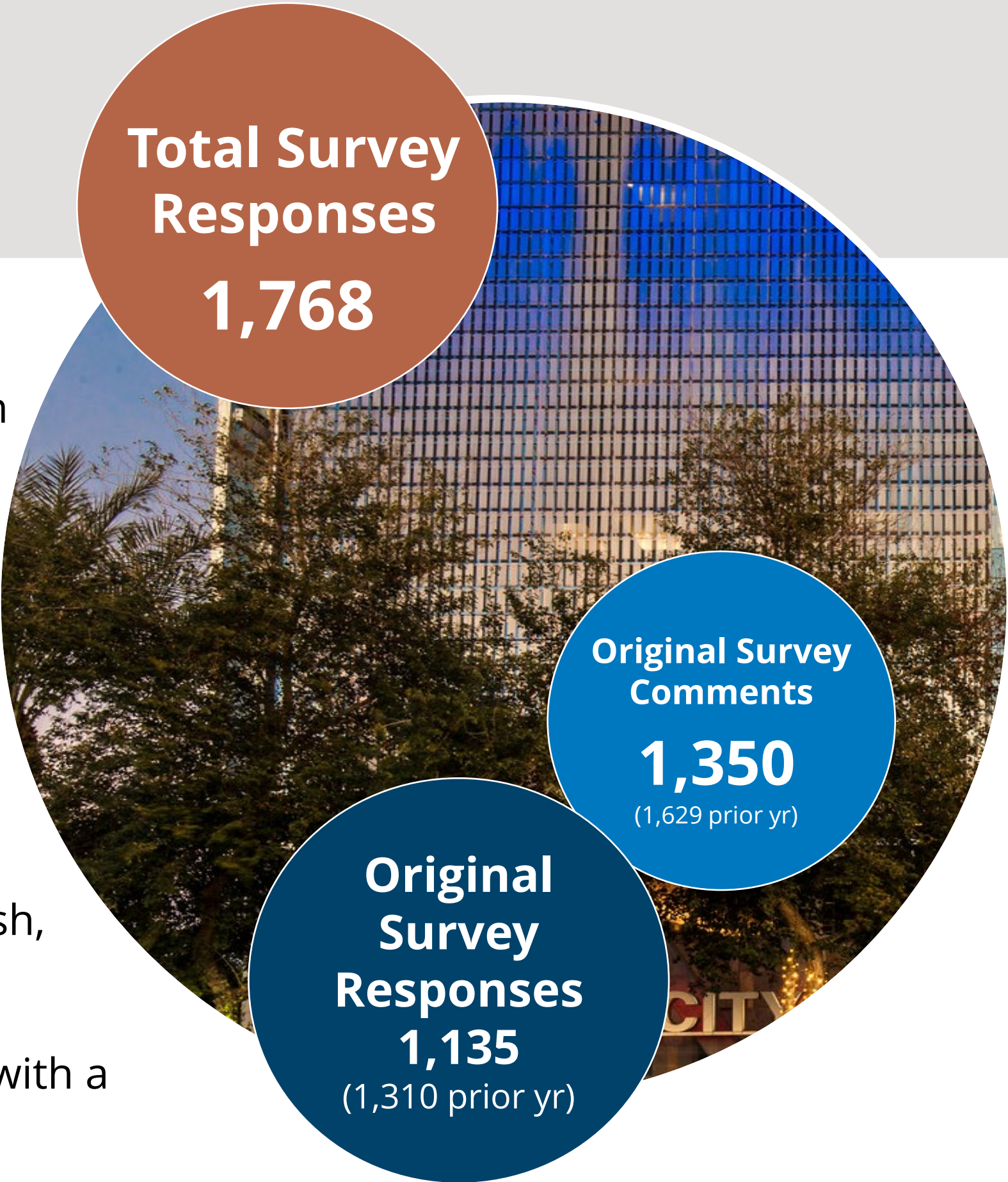
Staff Process

# Resident Budget Survey Feedback



# FY 2024-25 Resident Budget Survey

- The survey ran from November 27, 2023, through January 12, 2024
- CAPA assisted with a video ad campaign to encourage participation
- Continued expanded the outreach on social media
- Additional facilities provided paper copies, signage and survey QR codes
- Emailed working lists of residents to encourage participation with Boards & Commissions, Recreation and Library users
- The survey consisted of 17 total questions and was offered in English, Spanish, and Mandarin
- Each focus area was allotted 1-2 questions on the full survey, each with a comment box for written responses
- Tested a custom survey engine that provided an additional 633 responses for a total participation level of 1,768



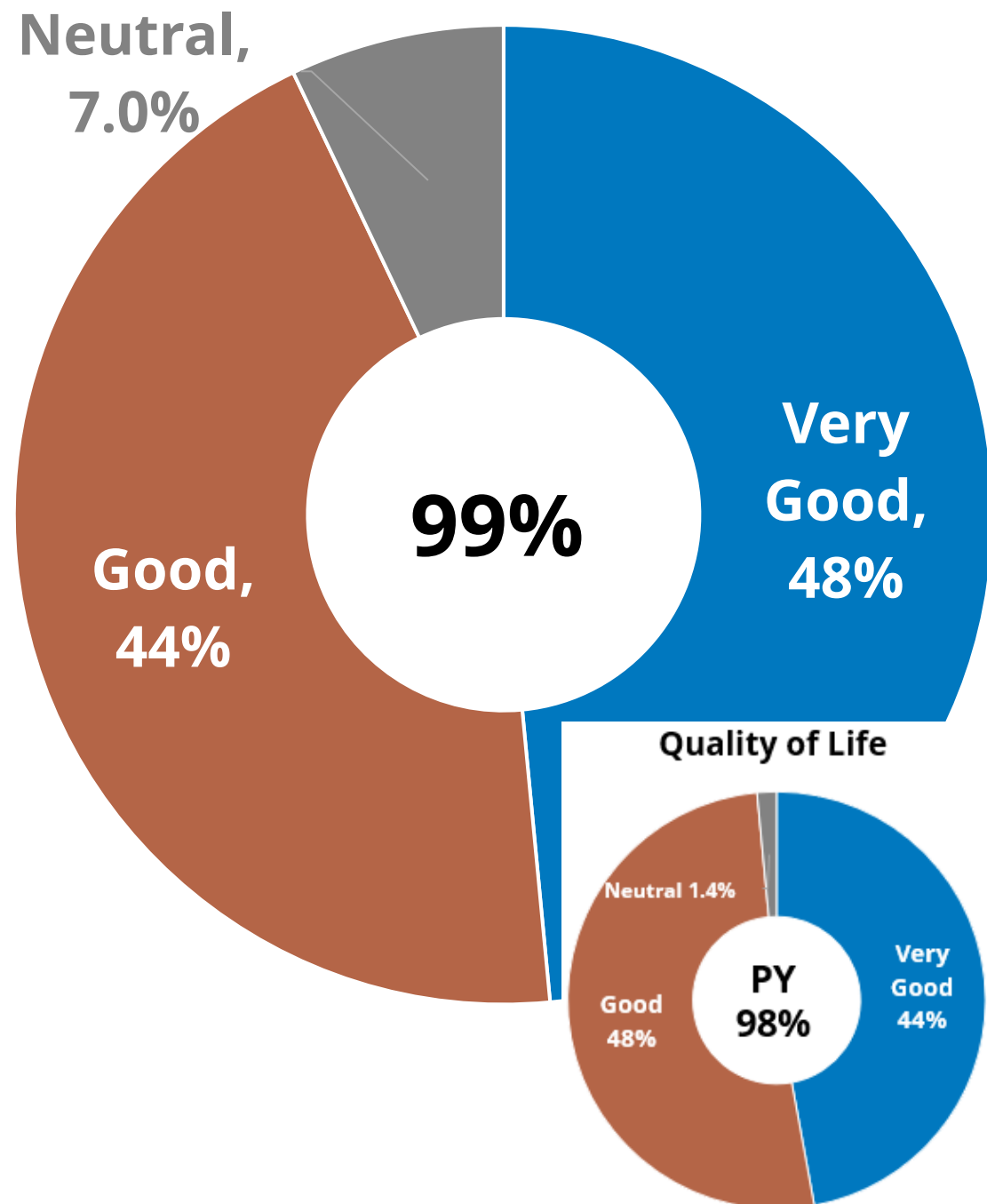
**Total Survey Responses**  
**1,768**

**Original Survey Comments**  
**1,350**  
(1,629 prior yr)

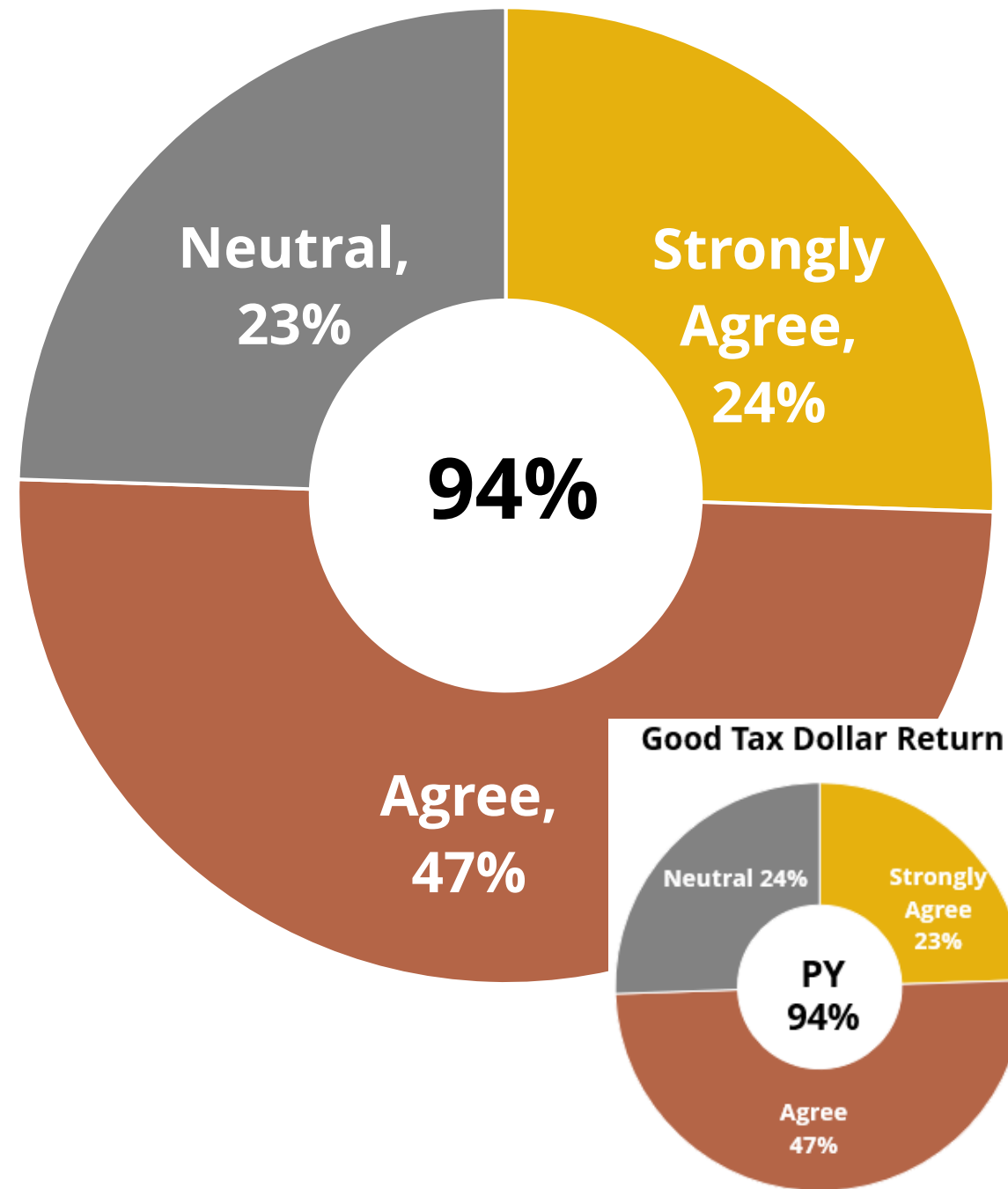
**Original Survey Responses**  
**1,135**  
(1,310 prior yr)

# Budget Survey Results

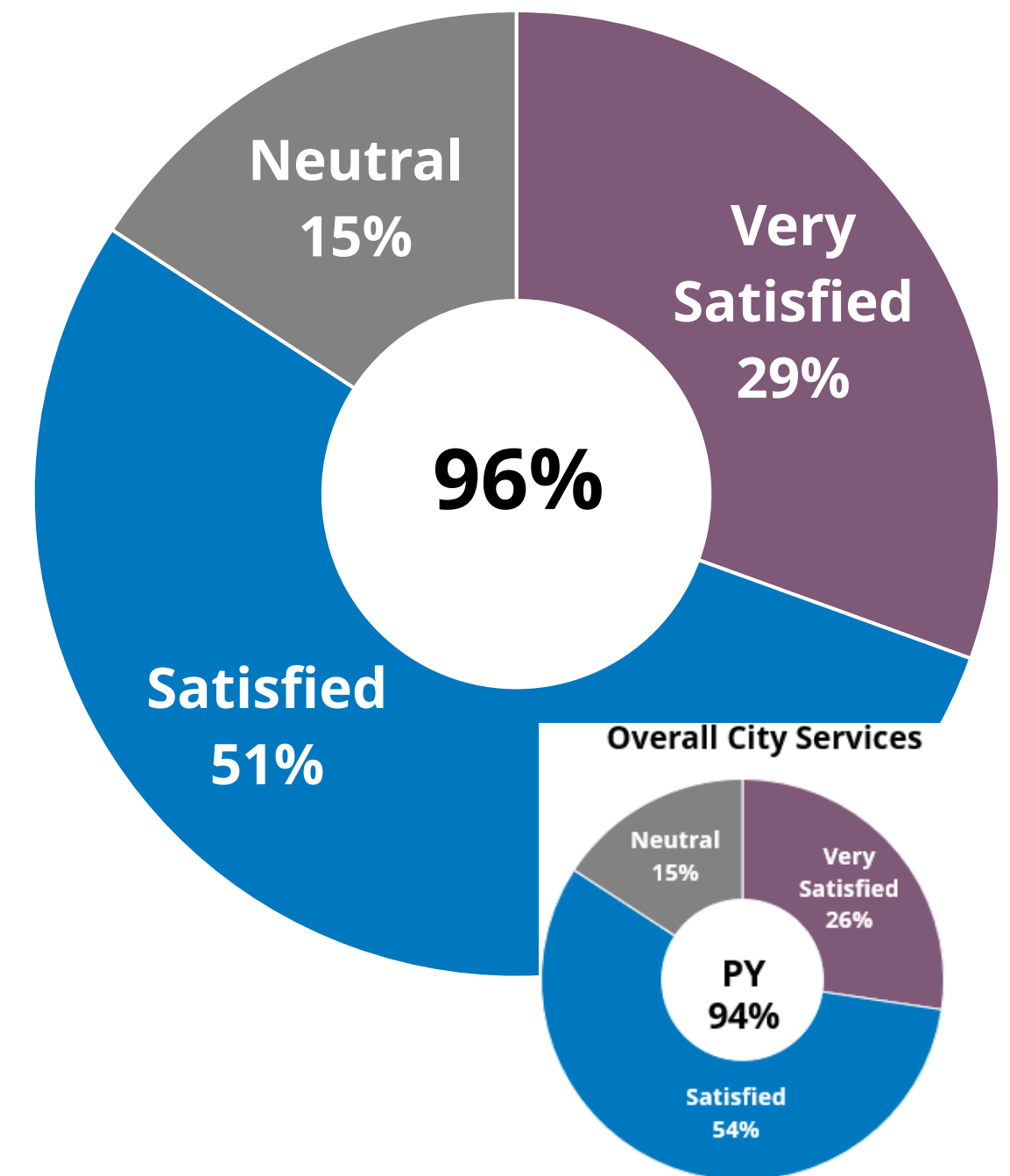
## Quality of Life



## Good Tax Dollar Return



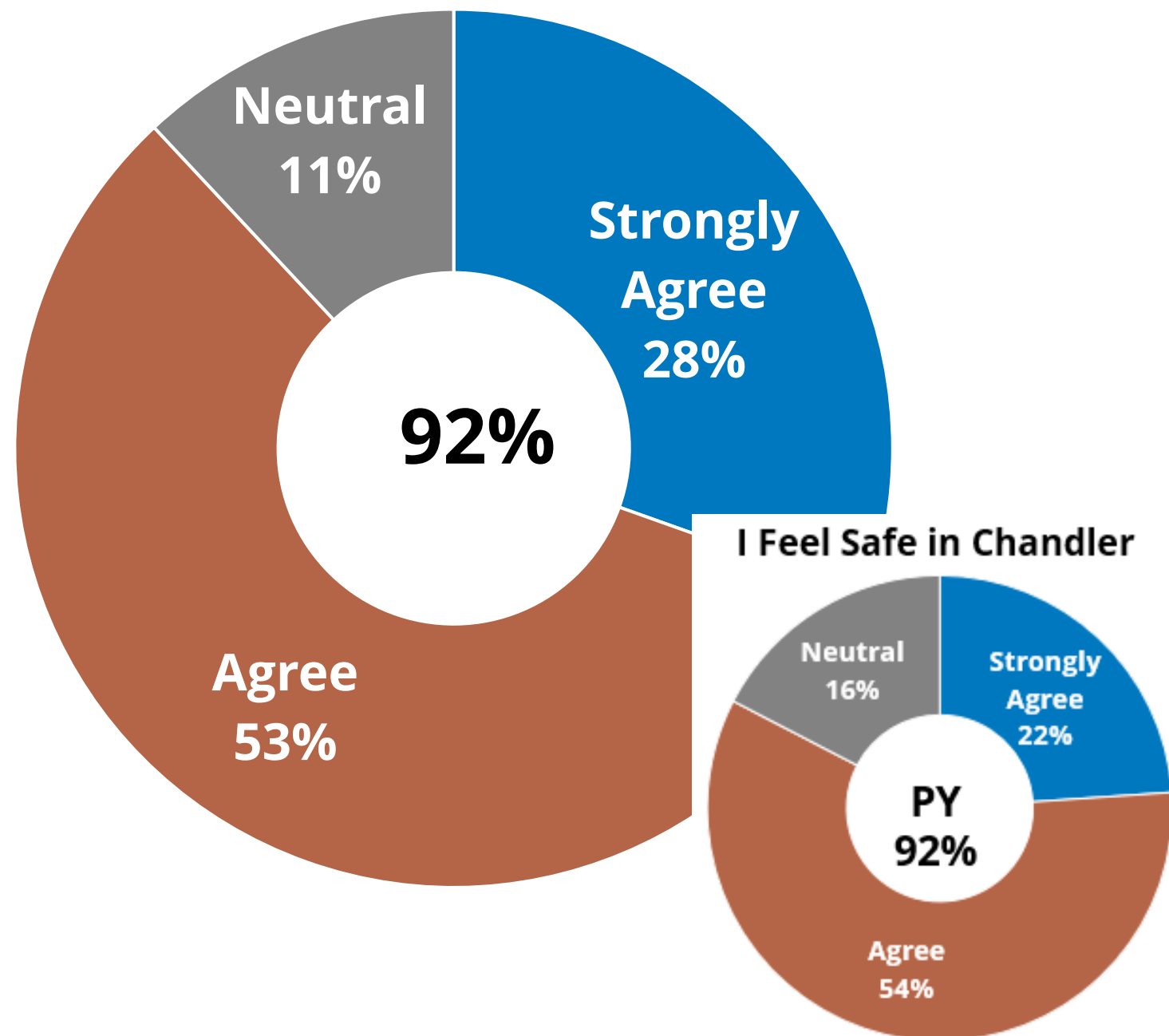
## Overall City Services



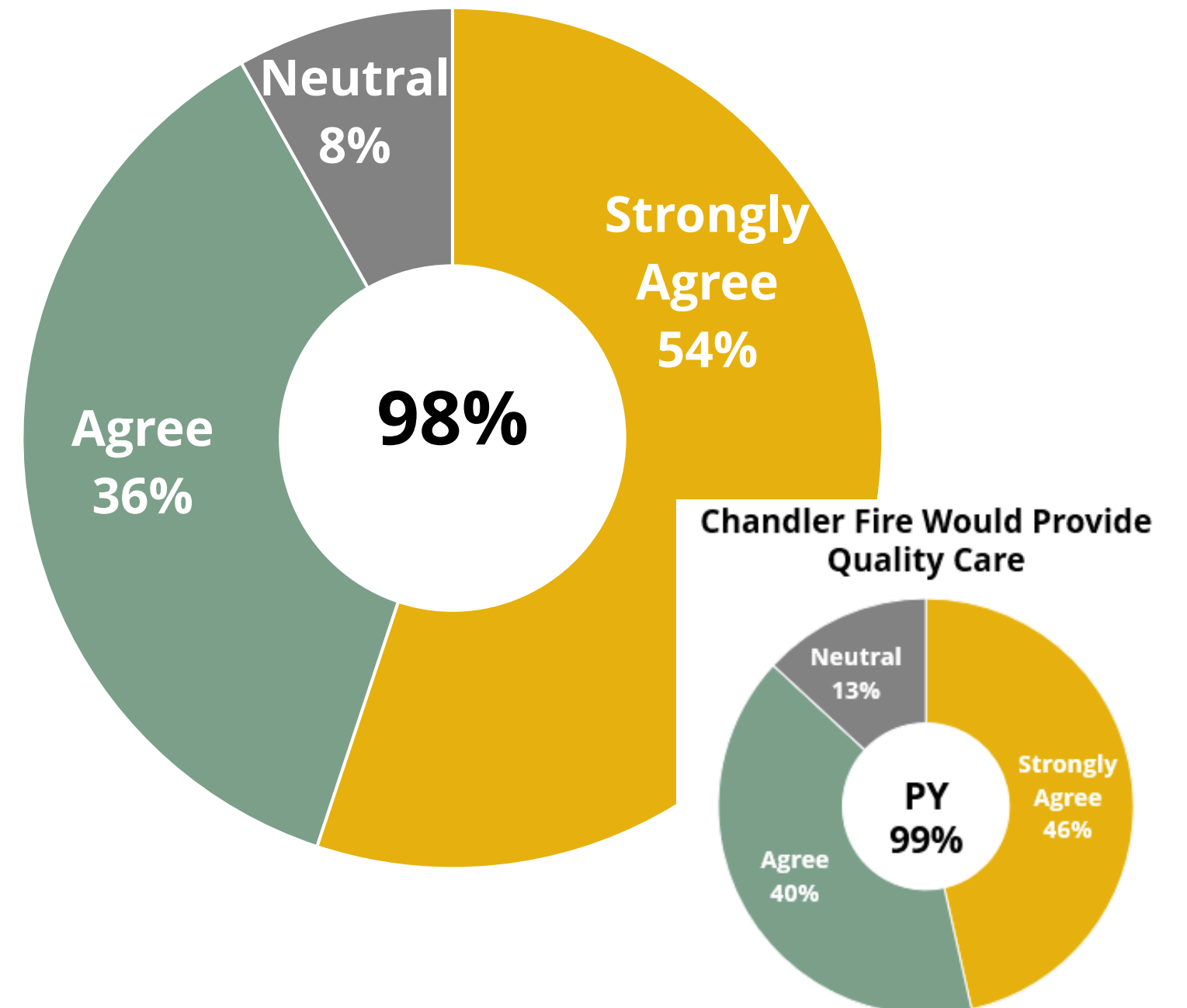
Provides residents a convenient way to share feedback regarding City services, amenities and infrastructure that are important to their quality of life in Chandler

# Budget Survey Results

## I Feel Safe in Chandler



## Chandler Fire Would Provide Quality Care



# Original Budget Survey Comment Themes

## Community Safety



Theme	# of Comments
General Police Support/Positive Experiences	76
Requests for Increased Police Presence	34
Improvements Needed on Training/Resident Interactions/Diversity	30
Feeling Unsafe/Crime Rate Concern	28

## Connectivity



Theme	# of Comments
Doing a Good Job in this Area	32
Enhanced or More Safe Non-motorized Transit Options	27
More Transit Options and/or Locations	26
Would Like to see Continued Improvements and Maintenance	12

## Economic Vitality



Theme	# of Comments
Taxes/Cost of Living too High	30
Increase Contemporary/Diverse Businesses	27
Decrease Empty/Unused Lots/Industrial Development	22
Good Improvements in Downtown/Chandler	19

## Neighborhoods



Theme	# of Comments
Need Additional Lower Cost Housing Options	46
Better or More Code Enforcement	40
Doing a Good Job in this Area	33
Could use some Additional Work or Funding in this Area	15

# Original Budget Survey Comment Themes

## Quality of Life



Theme	# of Comments
Expansion of/More Access to City Facilities	68
Positive Park/Recreation Feedback	45
Updates/Improvements Needed- Facilities/Parks	39
Poor City Image/Aesthetics	29

## Sustainability & Technology

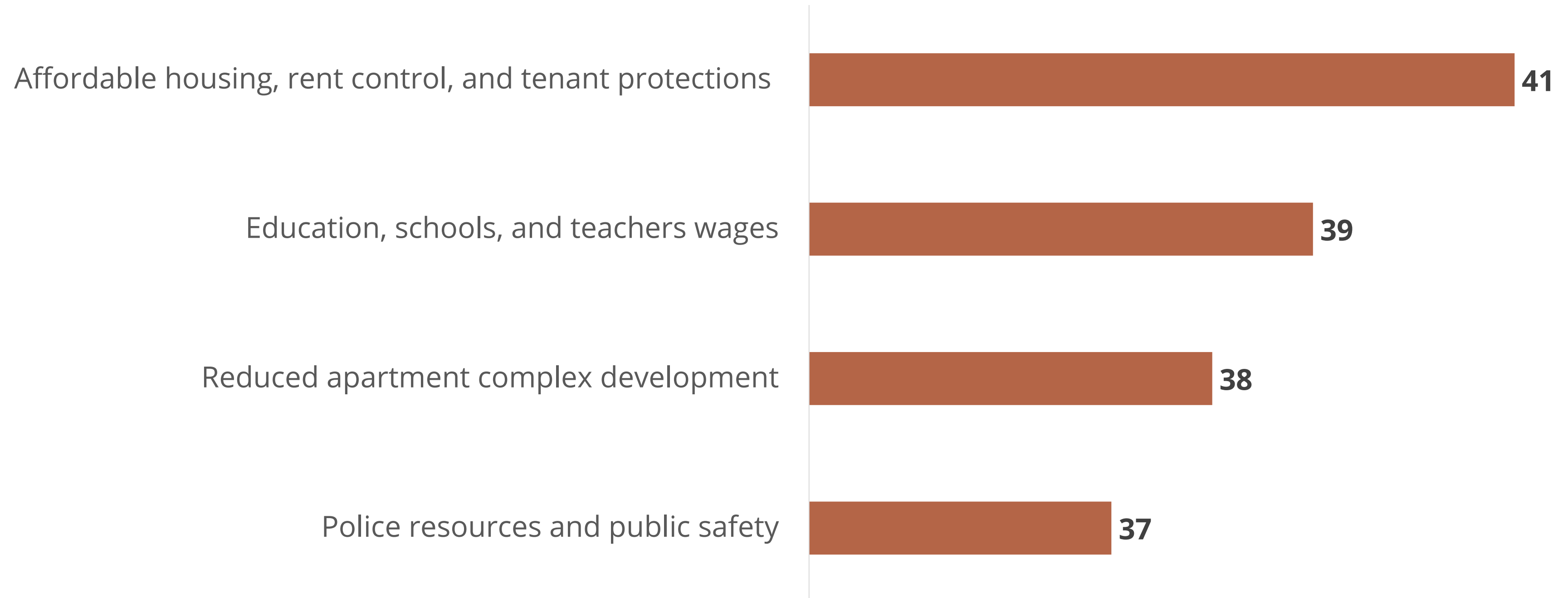


Theme	# of Comments
Support Water Conservation Efforts	35
Sustainability/Environmental Support	27
Positive Feedback on City Efforts	14
Increase Solar Efforts	13

# Custom Survey Comment Themes



Based on which focus area respondents felt could use additional emphasis or funding



# Financial Policies and Considerations



# Strategic Framework Guides Decision Making

**Our Brand:** A safe, diverse, equitable and inclusive community that connects people, chooses innovation and inspires excellence.

## Focus Areas:



Community Safety



Connectivity



Economic Vitality

Neighborhoods



Quality of Life



Sustainability & Technology



# Chandler's 9 Financial Policies Institutionalize Strong Financial Management Practices

Operating Management \*

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Capital Management

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Reserves (Apr. 27, 2023)

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Debt Management \*

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Long-Range Financial Planning

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Grant Management \*

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Investment (May 28, 2020) \*

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Accounting, Auditing, and Financial Reporting \*

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Pension Funding (annual update; April 27, 2023) \*

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\*Recommended updates included on February 8, 2024 Council agenda, Res. #5768



## Financial Policies

(Revised and updated by Council January 14, 2016)

# FY 2024-25 Financial Considerations

Economy has seen inflation and supply chain issues easing. Federal Reserve monetary policy is being closely watched.

Growth of sustainable (ongoing) revenue was reset in FY 2023-24 to reflect forecasted development increases but is being reviewed for additional growth.

Continue finalizing large infrastructure projects and spending on federal grants (ARPA, ERA, etc.). Decisions on related ongoing levels continue.

Possible recession or self-inflicted downturn remains in most economists' predictions due to consumer confidence, interest rates, fuel pricing and a potential drop in home values.

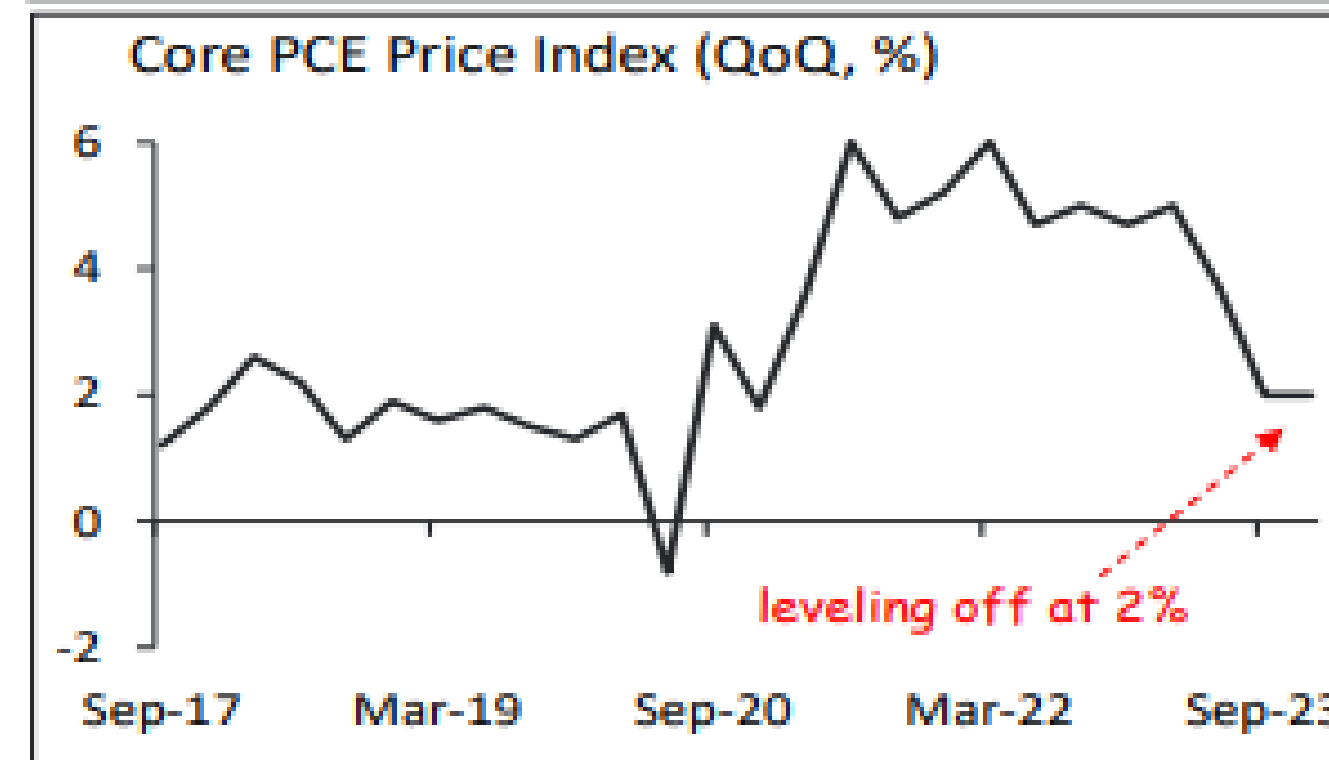
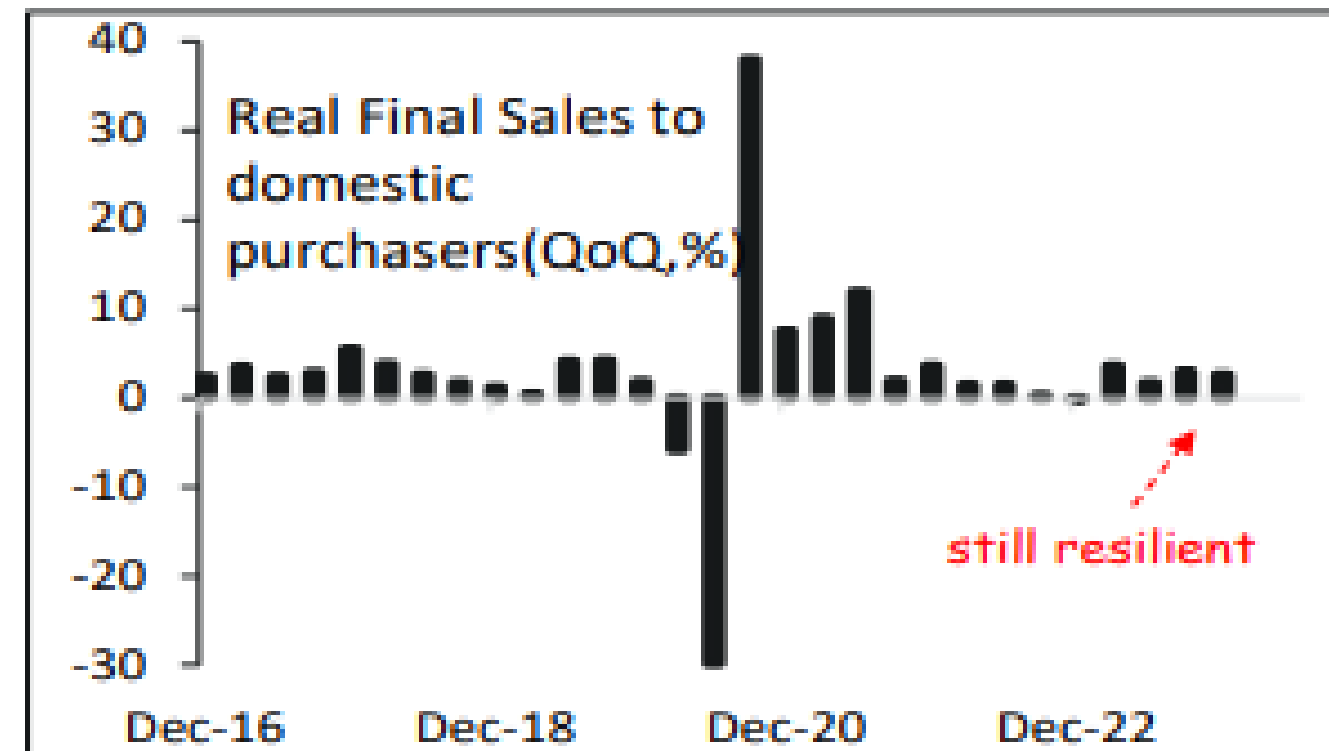
Residential Rental legislation impact will start January 2025, with full \$11M ongoing impact realized in FY 2025-26. Also, anticipate Intel development through 2026.

Development revenues lower on single family residential but increasing again with 197 permits issued in last 6 months.

# National Economic Indicators

Economy reflects healthy spending after increased wages & inflation vs. federal stimulus

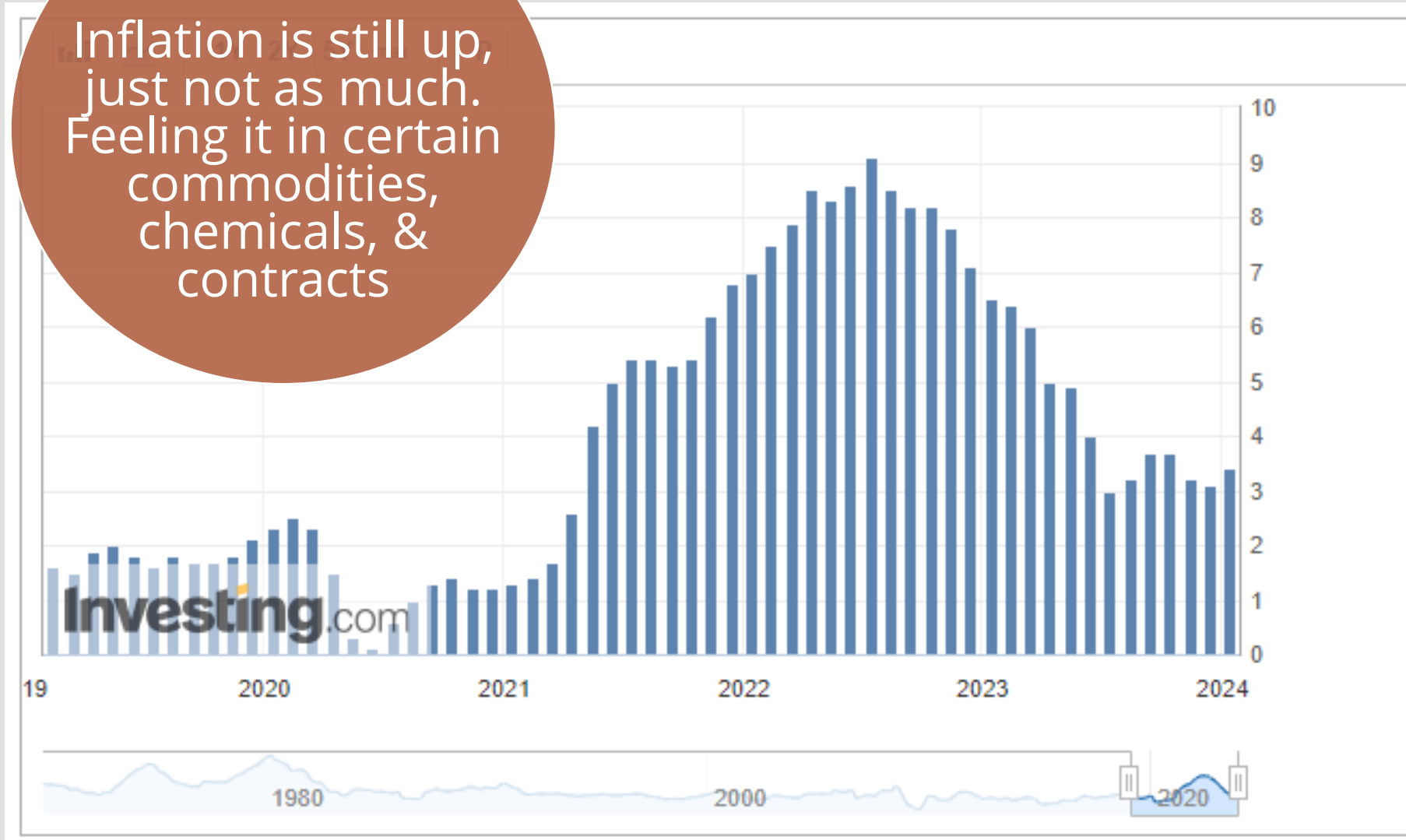
Contributions (%) to Q4 2023



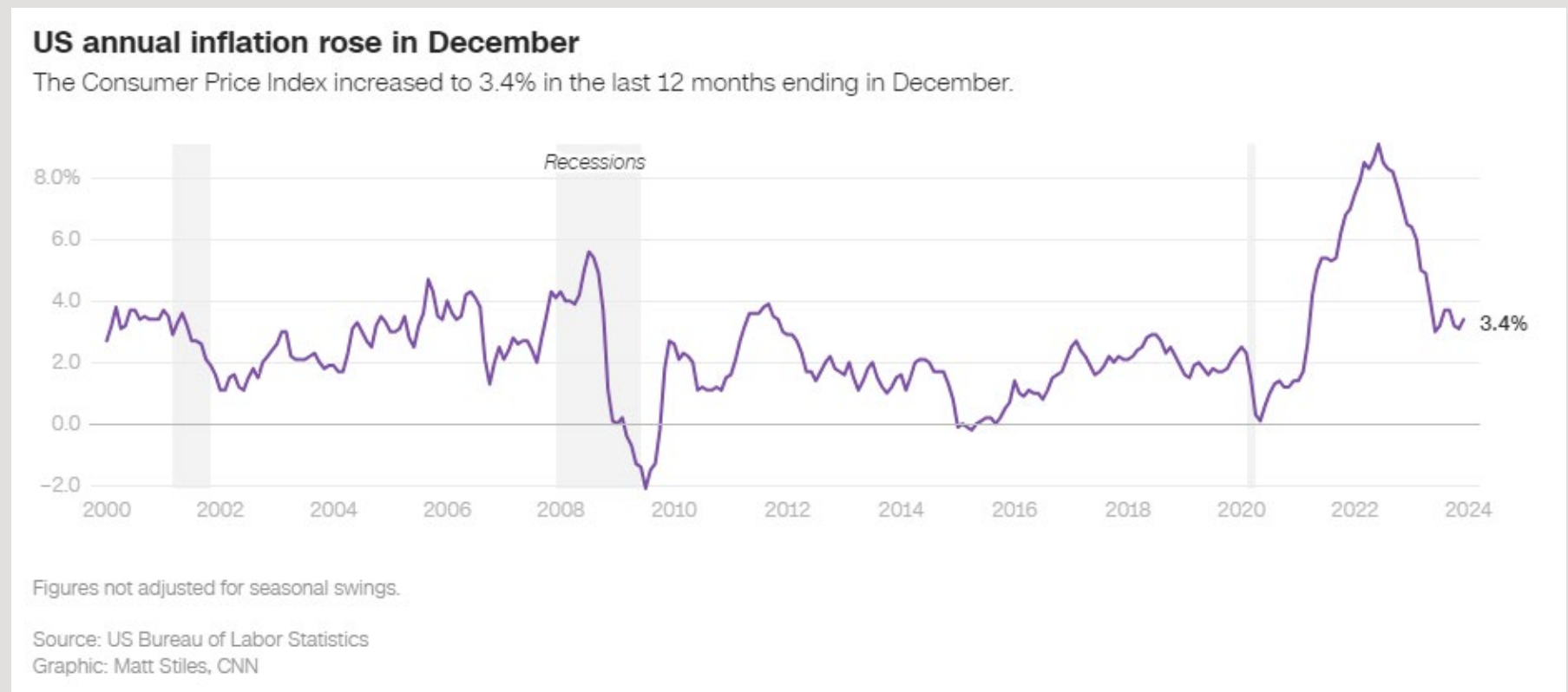
Source: BEA, Federal Reserve, Piper Sandler

# National Inflation Now Trending Lower

Inflation is still up, just not as much. Feeling it in certain commodities, chemicals, & contracts



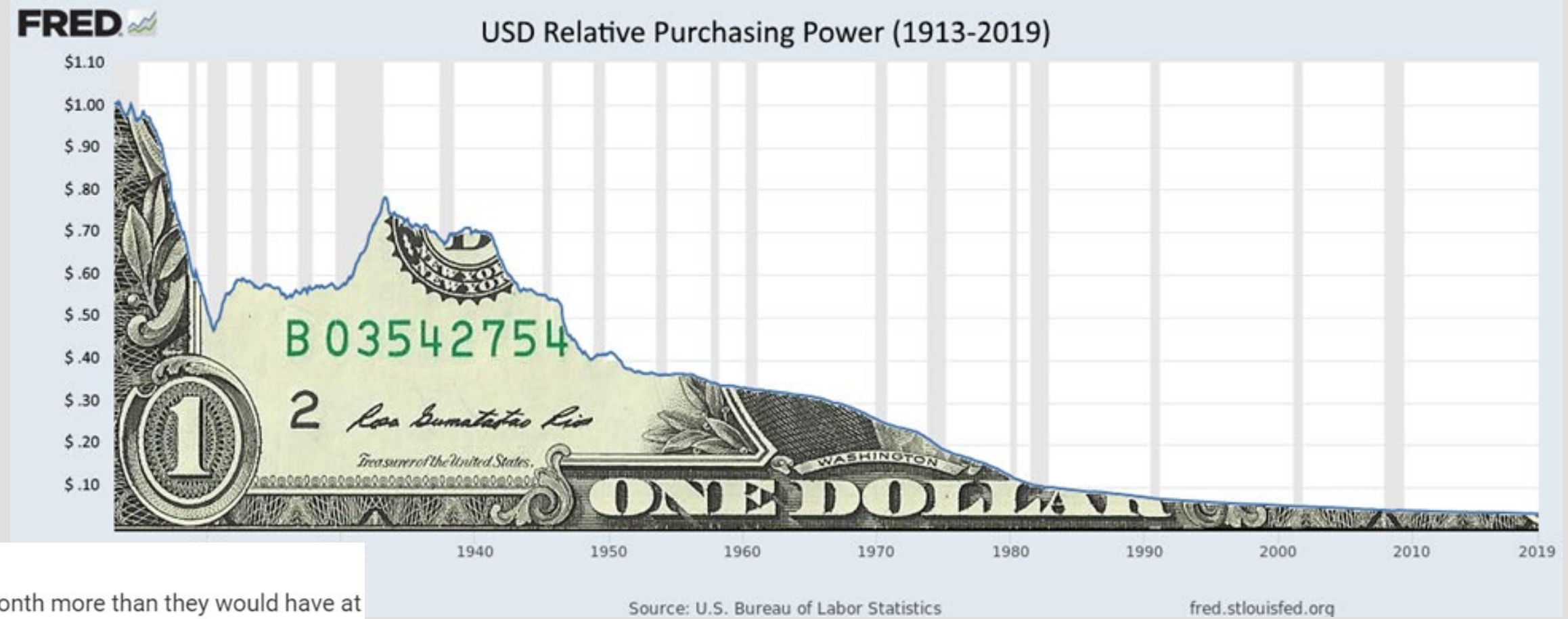
Source: [Investing.com](https://www.investing.com) as of January 2024



Source: U.S. Bureau of Labor Statistics as of January 2024

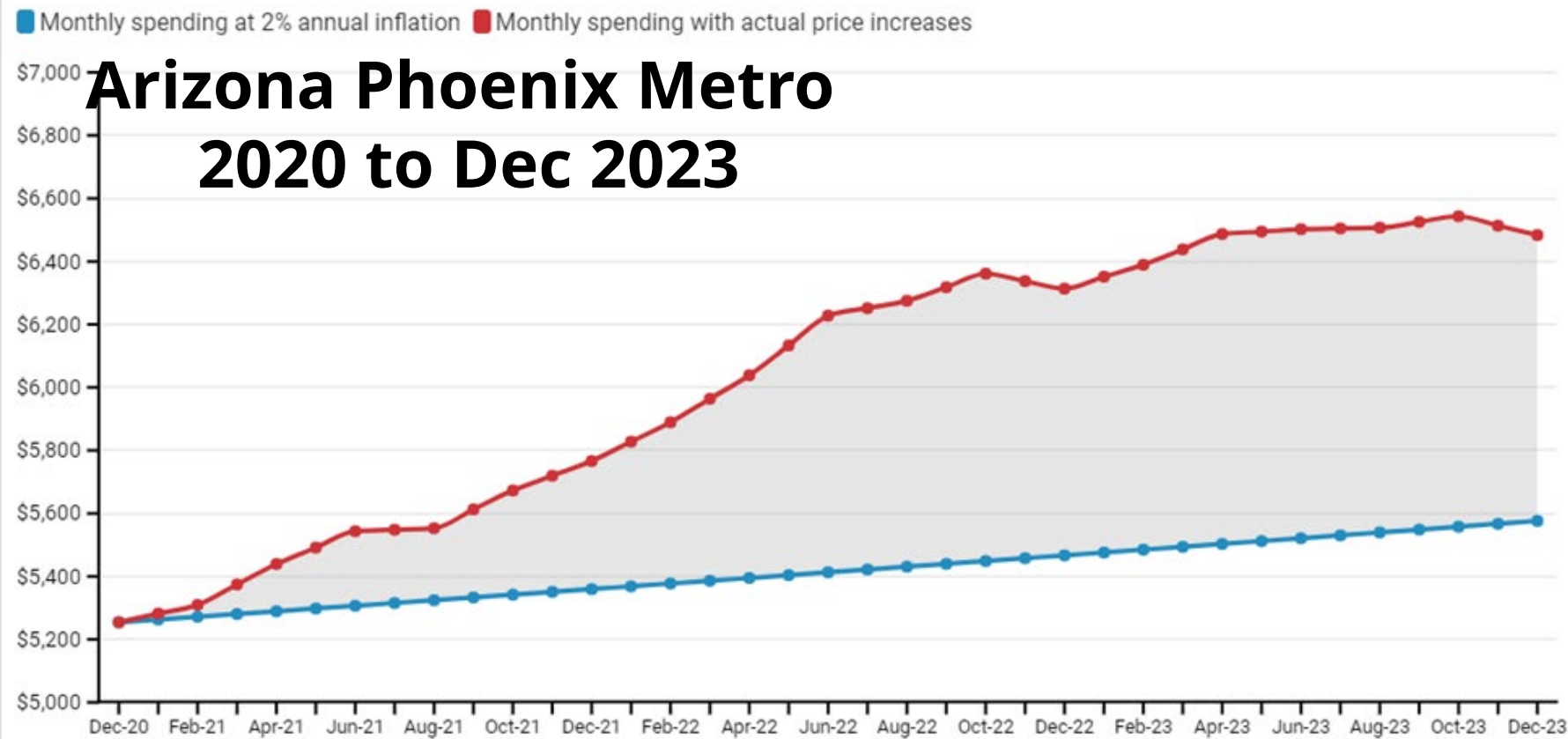
# Lower Inflation means prior year high spending remains, but new increases are lower

Maintaining services levels requires higher spending

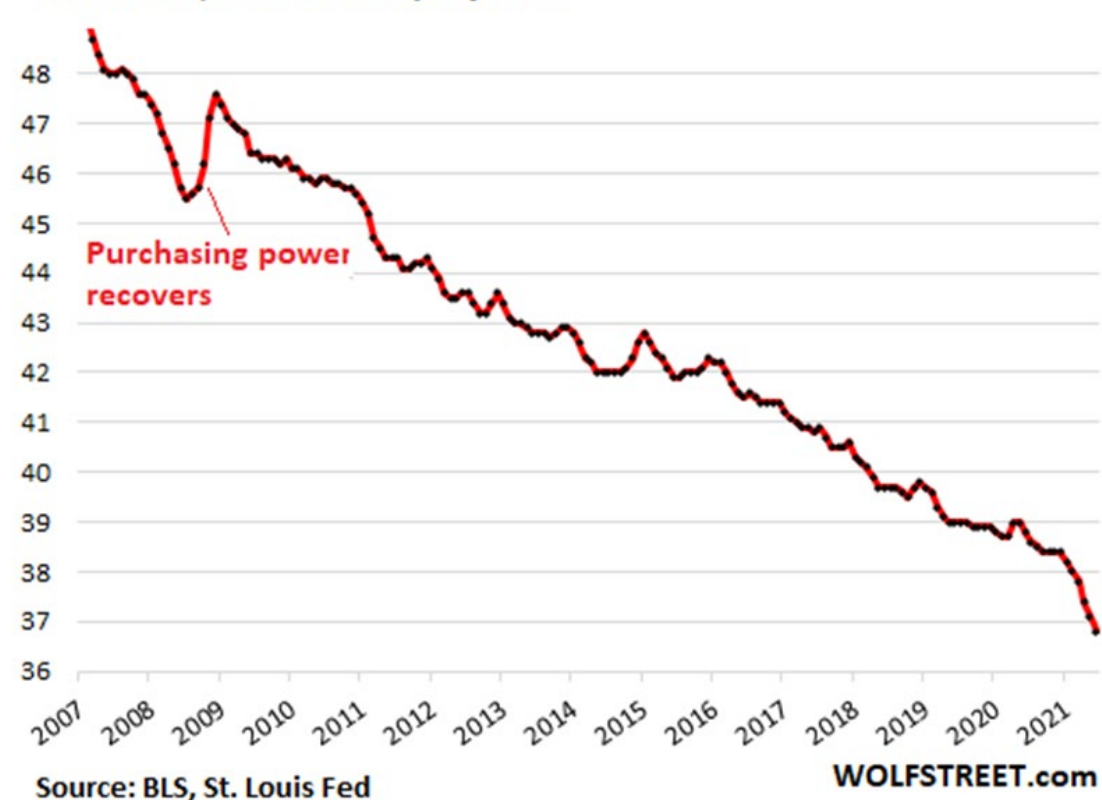


## Monthly household spending since 2020 after inflation

As of December '23, the average Phoenix area household was spending \$907/month more than they would have at a 2% inflation rate



## "Purchasing Power of Consumer Dollar" Index value, not seasonally adjusted



# Citywide Inflationary Impacts

## Operating

- Many contracts, chemicals and utilities have continued to see increases

## Capital

- Projections again increased +8.5% 1<sup>st</sup> year, then +5%, then +3.5% thereafter
- Materials still showing effects of inflation are asphalt, steel, pipes, data fiber, anything cement-based, and anything with a computer chip
- Projects are being costed based on market causing faster use of existing bond authorization

Year over Year  
December  
National  
Inflation +3.4%  
& Local +2.7%

### Construction, park improvements on hold: How inflation is hitting one metro Phoenix city

Many other cities in metro Phoenix, from Avondale to Scottsdale, also have scrambled to find money to complete big projects.

PEORIA



### Inflation, rising costs affect big public projects in Scottsdale, city budget shows

Record revenue will help officials keep Scottsdale's planned projects afloat for now, but it's unclear if that's sustainable.

SCOTTSDALE Sam Kmack



### Metro Phoenix cities scramble to scrape together millions for big projects. Here's why

Avondale's aquatics center and Scottsdale's upgrades around its Civic Center are costing millions more amid inflation, delays and labor shortages.

PHOENIX Renata Cló and Maritza Dominguez

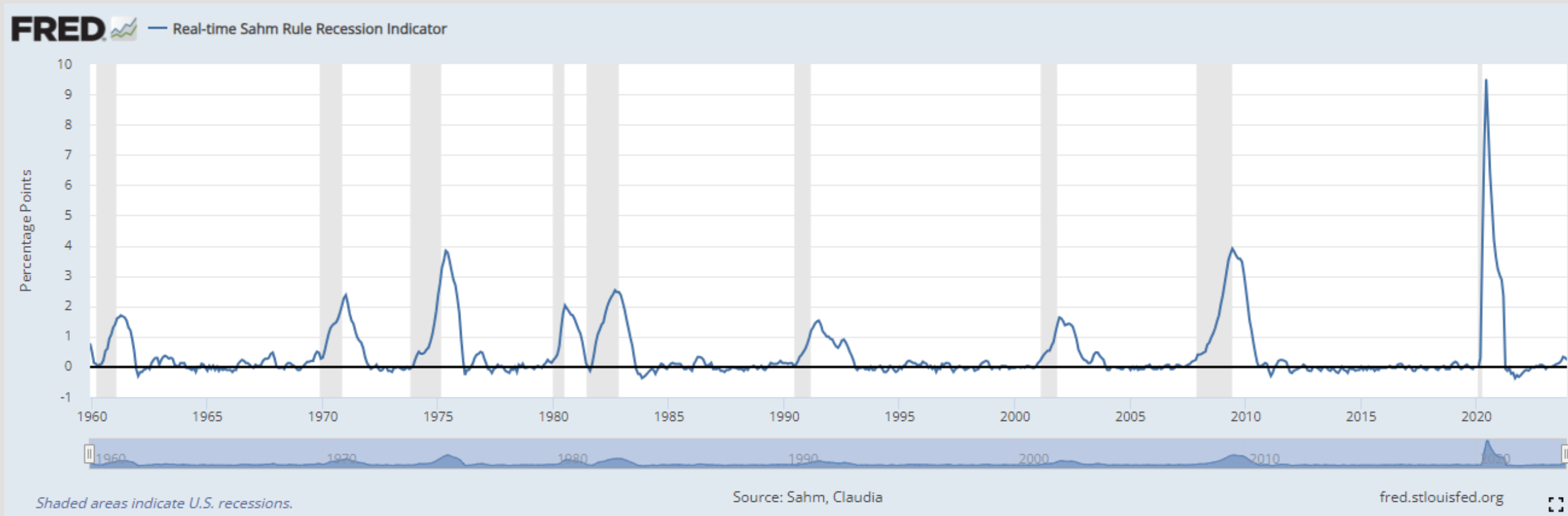


### Scottsdale to hold bond election as early as November

Scottsdale could hold a bond election as early as November that would ask voters to raise property taxes to pay for capital projects.

SCOTTSDALE Beth Duckett



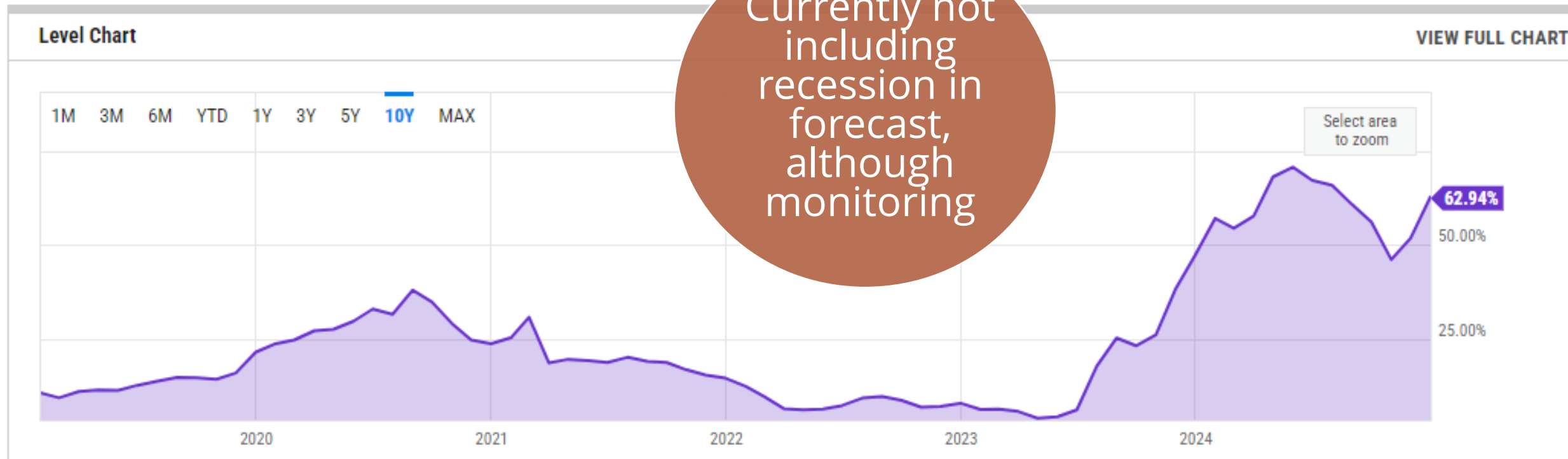


# National Recession Gauge showing mixed results

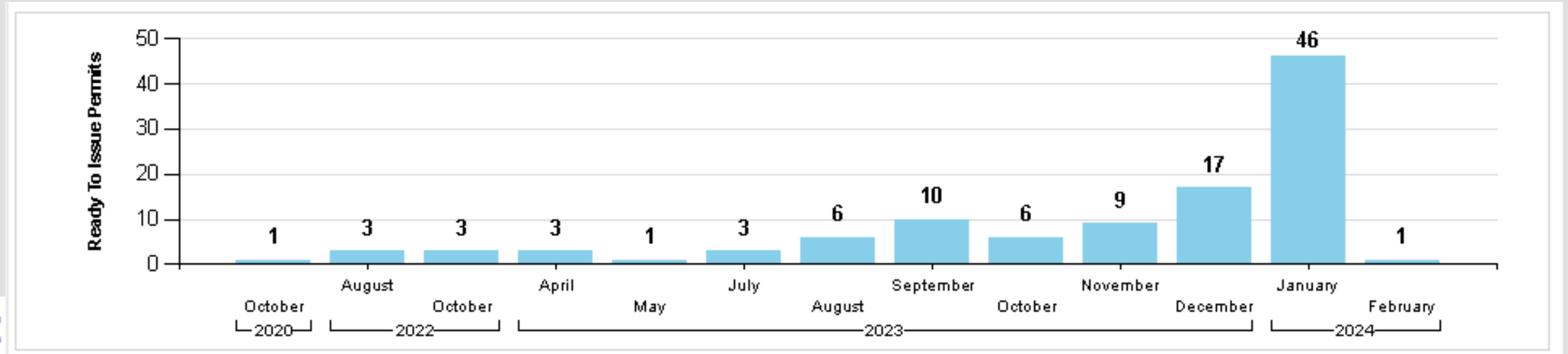
## US Recession Probability (I:USRPEM)

62.94% for Dec 2024

Overview Interactive Chart



# Local Growth still projected



## Phoenix-Mesa-Scottsdale MSA Forecast

Phoenix-Mesa-Scottsdale MSA Forecast*	2022	2023	2024	2025	2026
Personal Income (\$ mil)	302,702.8	322,047.5	342,475.0	364,519.6	387,391.7
% Chg from Year Ago	5.0%	6.4%	6.3%	6.4%	6.3%
Retail Sales (\$mil)	121,171.0	124,682.0	128,160.0	134,933.0	141,848.0
% Chg from Year Ago	11.5%	2.9%	2.8%	5.3%	5.1%
Total Nonfarm Employment (000s)	2,319.2	2,375.6	2,426.8	2,478.5	2,530.3
% Chg from Year Ago	4.4%	2.4%	2.2%	2.1%	2.1%
Population (000s)	5,040.4	5,122.7	5,201.3	5,284.8	5,368.7
% Chg from Year Ago	1.9%	1.6%	1.5%	1.6%	1.6%
Residential Permits (units)	47,267.0	43,143.8	36,628.2	38,160.2	38,275.4
% Chg from Year Ago	-6.6%	-8.7%	-15.1%	4.2%	0.3%

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Ready to issue Permits numbers as of February 1, 2024 (109)

**Total Building Value in permits ready to issue: \$124.4M**



**Sound  
Budgeting  
Practices  
Support  
Financially  
Sustainable  
Goals**

- Chandler maintained AAA Bond Ratings from Moody's, Fitch, and S&P rating agencies and increased ETRO rating from Moody's
  - Continued adherence to all fiscal policies & strong reserves
  - Planned pay-off of pension obligation
  - Re-affirmed ratings at end of 2023
- Chandler is structurally balanced
  - Ongoing revenues support ongoing expenditures
  - One-time revenues support one-time expenditures
- Chandler maintains strong reserves
  - 15% General Fund contingency reserve
  - Recommend Budget Stabilization Reserve at \$10M
- Chandler manages expenditures to meet service demands
  - Maximize grant opportunities
  - Weigh positions vs. contracting
  - Ensure service continuity – Temp vs Employee
  - Start Modified Zero Based Budgeting to verify funding requirements to provide services
- Control Primary Property Tax
  - Provide options to match expenditure needs or right size



# FY 2024-25 Preliminary Budget



# FY 2023-24 General Fund Operating Revenues and Expenditures

## Annual Inflows



82% Local taxes and licenses and  
State shared revenues

10.7% Primary Property taxes



7.3% Other Charges for services (i.e.,  
parks, rec., building, planning, library)



## Annual Outflows



57.5% Ongoing Personnel  
(Wages/Benefits)

17.2% Ongoing Base Budget  
(i.e., Ops./maint., supplies, utilities)

25.3% One-time & other needs (i.e.,  
PSPRS, consultants, pilot programs)



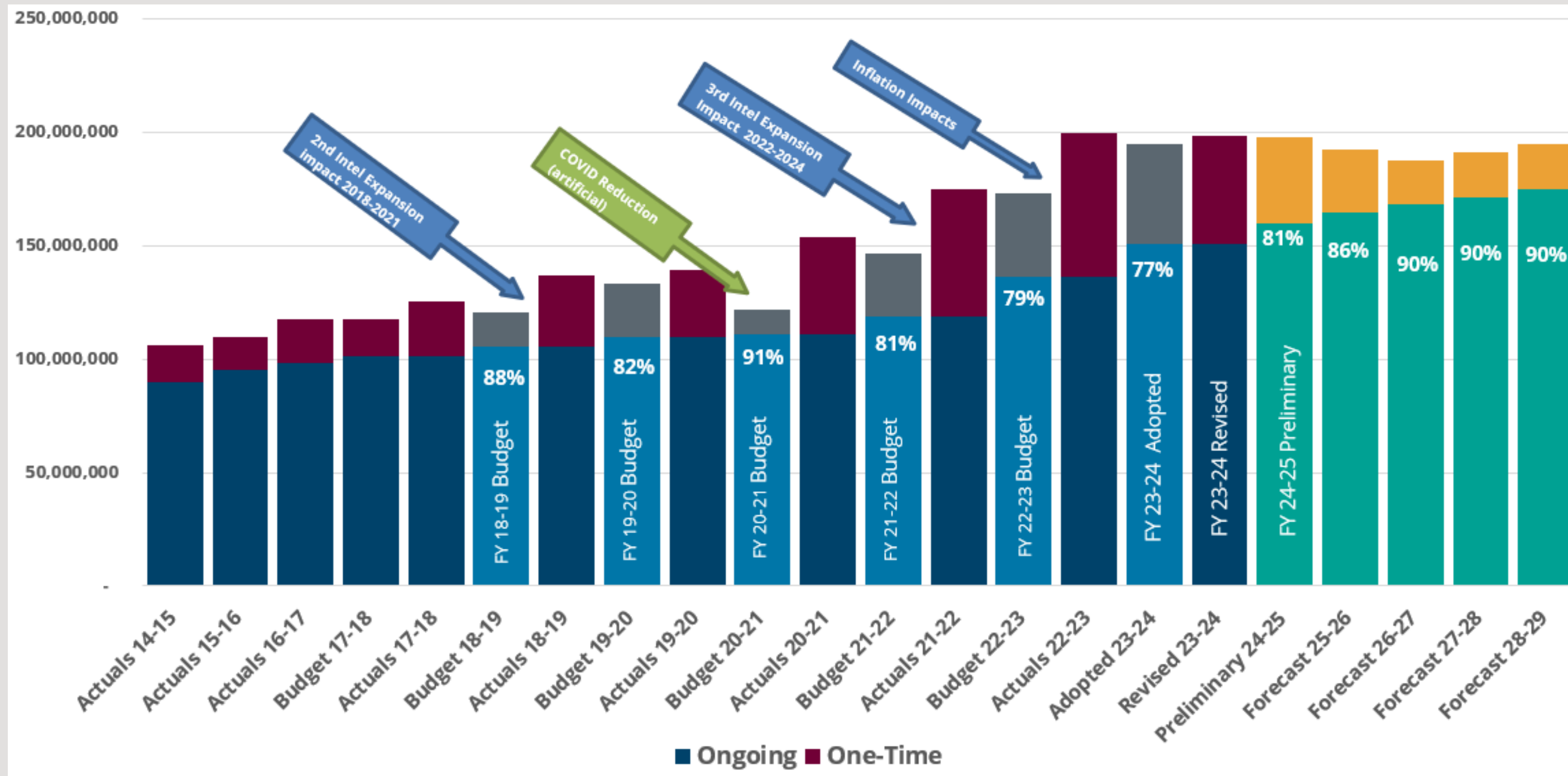
**If Revenues exceed Expenditures, General Fund Balance increases**

Based on FY 2023-24 Adopted Budget (reflects 74% of revenues as ongoing with the rest supporting one-time needs)

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



Prior year legislative reduction of Residential Rental TPT beginning Jan. 2025



55% of FY 2023-24  
General Fund  
revenue

Sales tax revenues  
fluctuate due to  
economic volatility,  
including increased  
development,  
inflation and  
consumer  
confidence

# New & Expanding Employers

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Manufacturing  
\$20B investment  
3,000 jobs



Manufacturing  
Expansion in campus  
100 jobs



Manufacturing  
104,000 SF facility  
233 jobs



R&D/Manufacturing  
147,000 SF facility  
400 jobs



Manufacturing  
Multi-facility project  
400 jobs



Manufacturing  
104,000 SF  
280 jobs



Manufacturing  
200,000 SF  
200 jobs



Manufacturing  
75,000 SF facility  
100 jobs

# New & Expanding Employers

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IT Solutions  
HQ Relocation  
1,500 jobs



Manufacturing  
617,000 SF campus  
500 new jobs



Semiconductor Svcs.  
38,000 SF expansion  
100 new jobs



Semiconductor/Dist.  
50,000 SF expansion  
25 jobs



Adv. Business Svcs.  
30,000 SF office  
150 jobs



Manufacturing  
123,000 SF facility  
100 jobs



Manufacturing  
76,000 SF facility  
140 jobs



Recreation Products  
130,000 SF U.S. HQ  
150 jobs

# New & Expanding Employers

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Healthcare  
100,000 SF office  
500 jobs



Financial Services  
63,000 SF office  
300 jobs



Autonomous Vehicles  
66,000 SF testing &  
maintenance facility



Manufacturing  
222,000 SF facility  
150 jobs



Manufacturing  
118,000 SF new HQ  
90 jobs



Manufacturing  
70,000 SF new HQ  
85 jobs

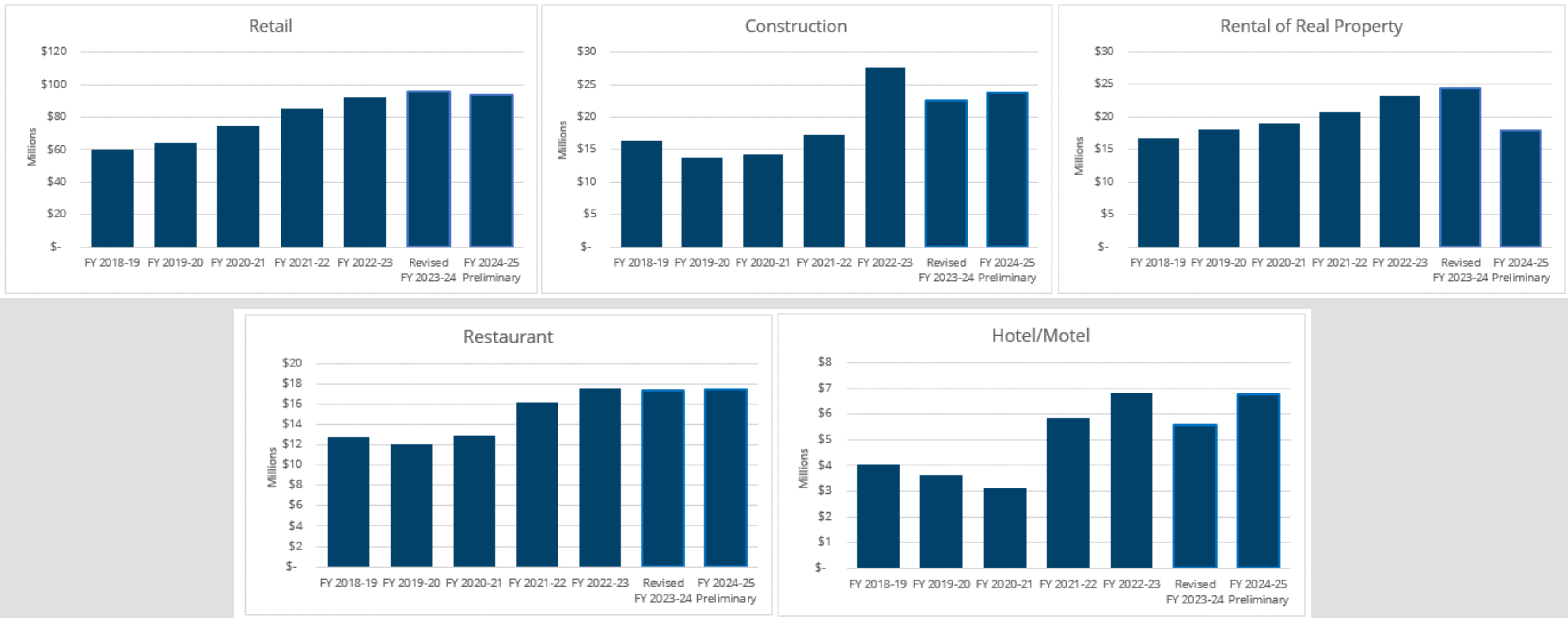


R&D/Manufacturing  
29,000 SF facility  
40 jobs



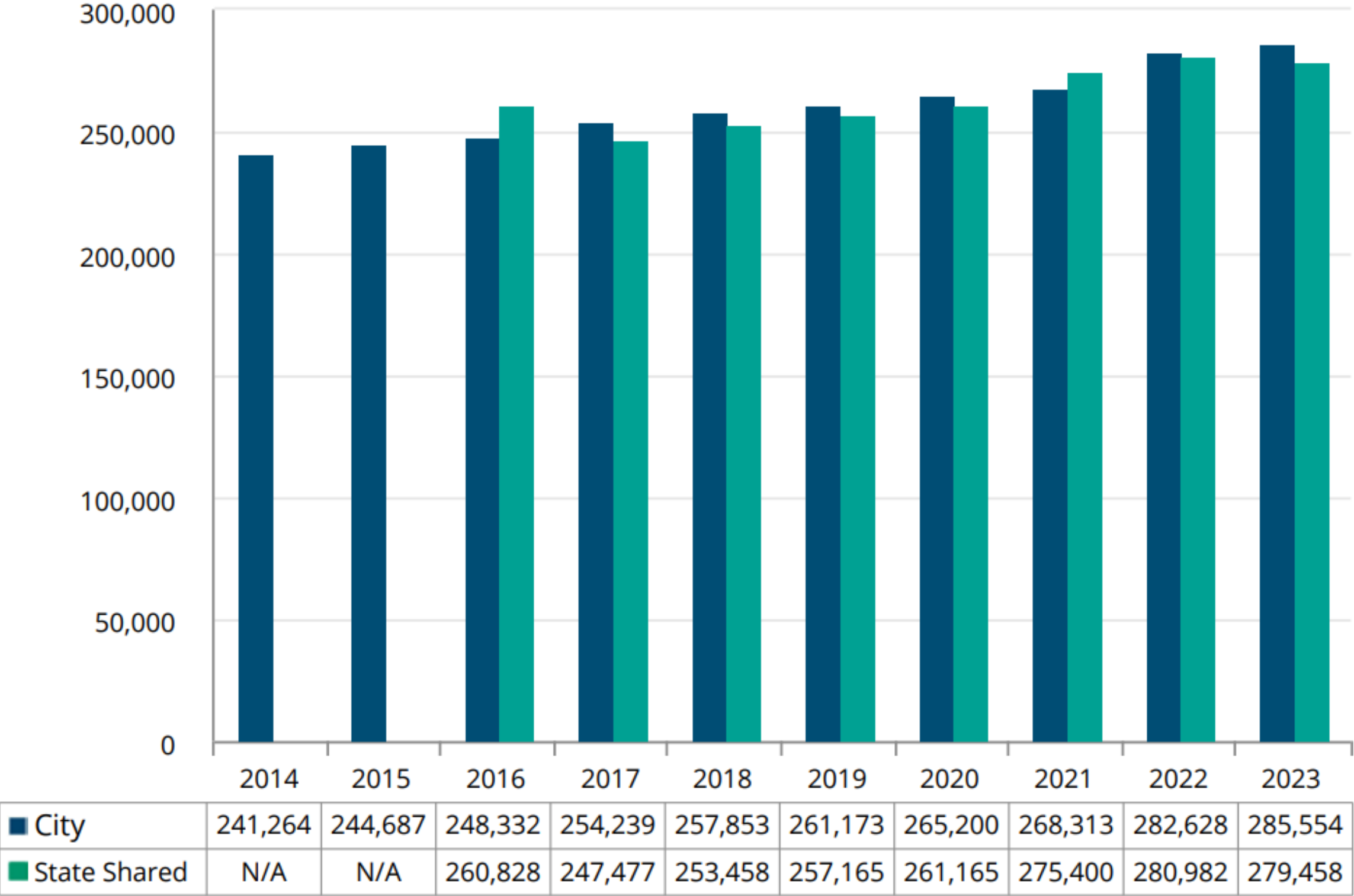
Showroom/Logis.  
74,000 SF facility  
40 jobs

# Key Local Sales Tax Revenues by Category



Higher fluctuations (increased one-time) experienced during Intel expansions

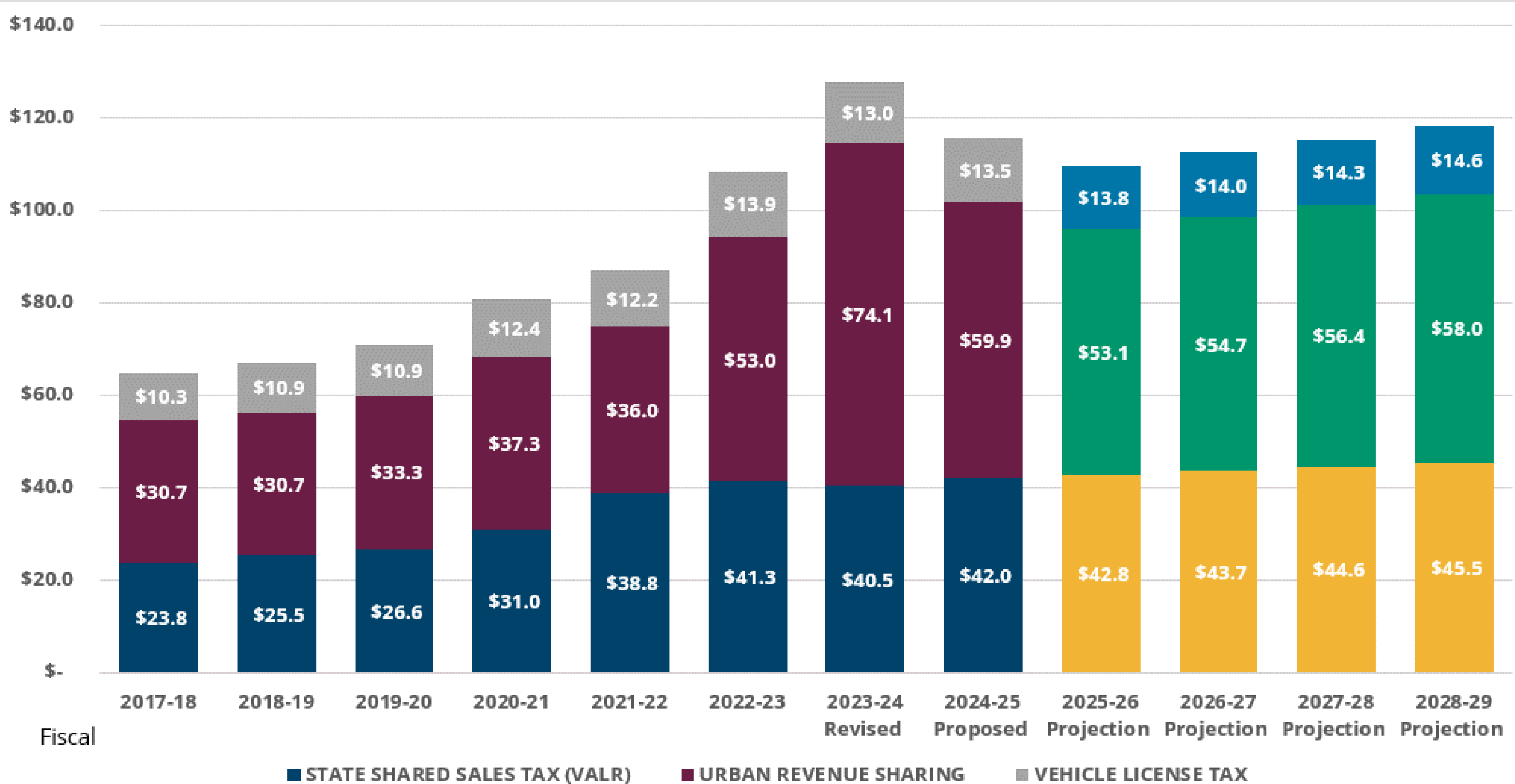
# Expanding Resident Base

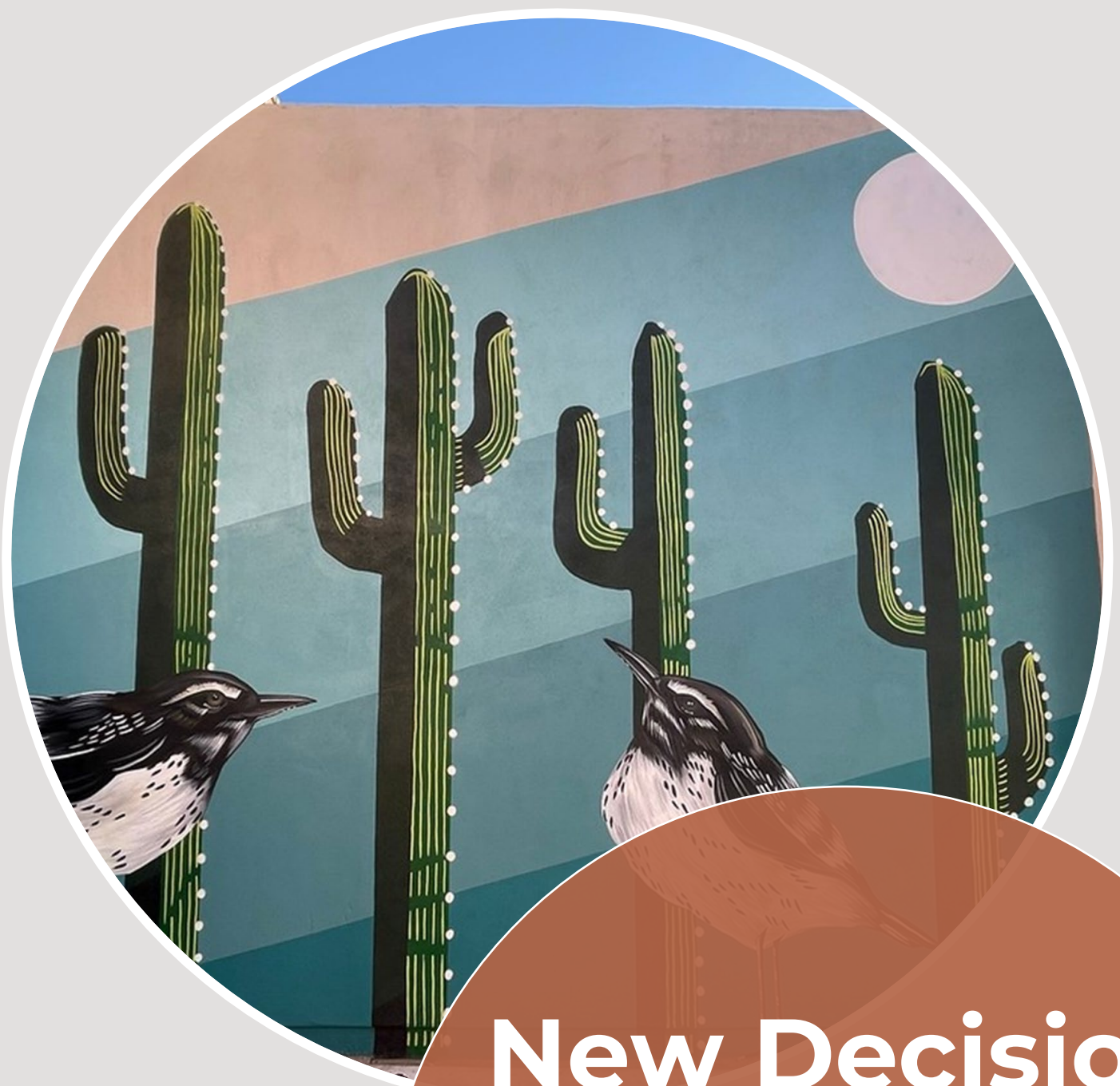


Population has increased 12.3% since 2017

# State Shared Revenues (in Millions)

34.7% of General Fund in FY 2023-24





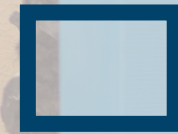
**New Decision Package Requests Expenditures “Outflows”**

Ongoing Requests Net of Offsets	One-time Requests Net of Offsets
General Fund \$16.8M	General Fund \$17.5M
Total of All Funds \$26.9M	Total of All Funds \$20.3M
<b>Total Decision Package Requests Net of Offsets: \$47.2</b>	

Prioritize Ongoing Demands (Maintain > Enhance > New)  
 \$39.4M      \$4.7M      \$3.1M  
 All Funds net of offsets

Requests just to maintain service levels are higher again this year due to high use of amenities, contract increases, and inflation

# Optional Priorities for Ongoing Dollars



1. Maintain existing service levels within core programs and strategic focus areas



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



3. Execute Strategic Framework priorities



4. Continue to honor pension and other labor and personnel commitments to remain an employer of choice

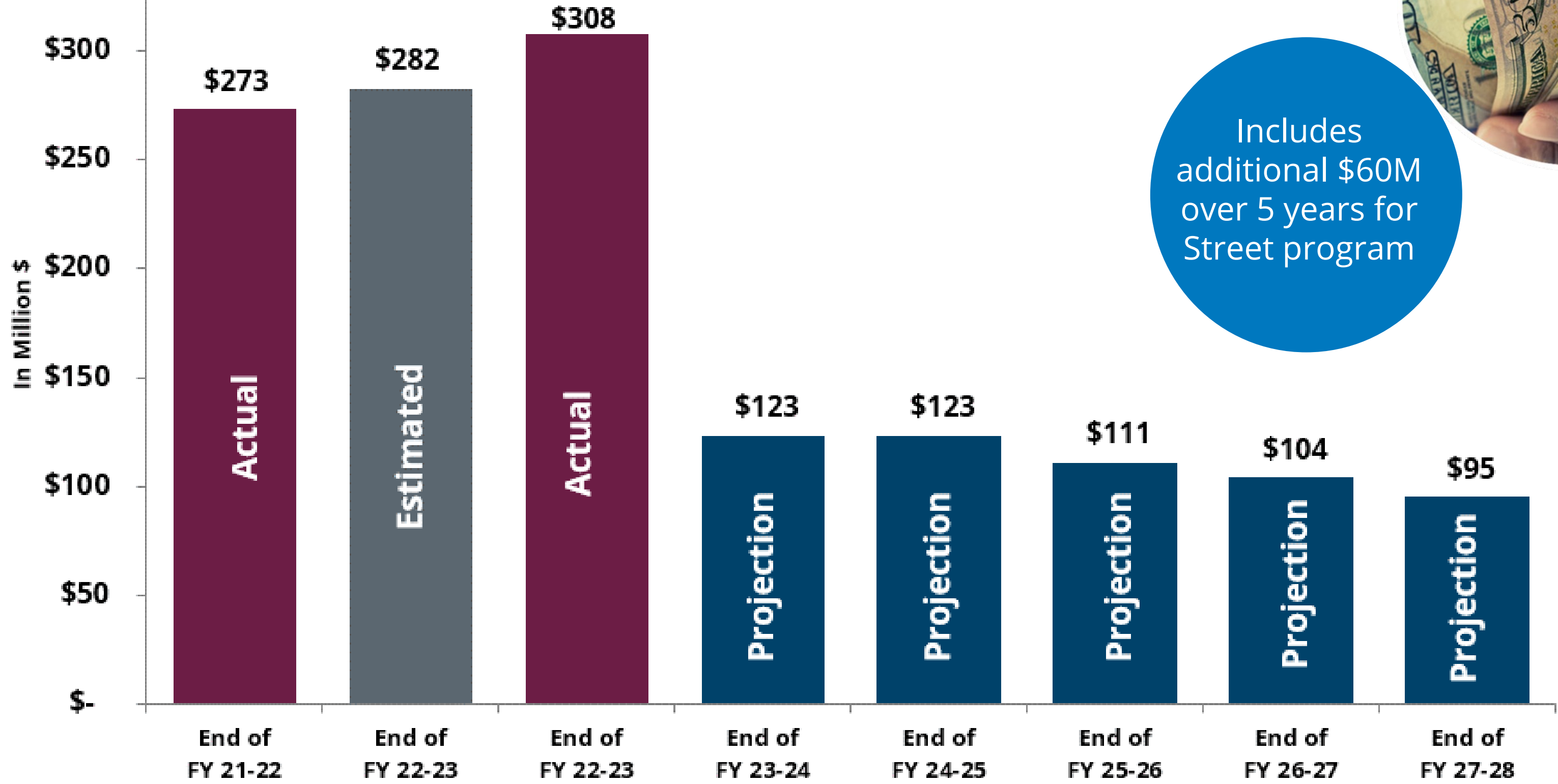


5. Service enhancements or additions, considering the option of one-time pilot programs first

# Effect of Strong Revenue Growth on One-Time Fund Balance

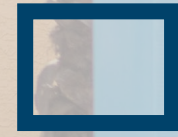


## General Fund FY 2023-24 Balance Projection

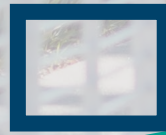


Includes additional \$60M over 5 years for Street program

# Priorities for One-Time Dollars



1. Reinvest in existing aging infrastructure, neighborhoods & systems



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**



# Public Safety Personnel Retirement System Update





## PSPRS Unfunded Liability Pay-Down Benefits



- Generates ongoing savings by reducing annual contribution (est. cumulative \$8-10M over next three years; already built into forecast to fund projected public safety wage needs)
  - June 30, 2023 Actuarial Valuation Report reflects \$50M
  - \$73M payment not reflected until June 2024
- Annual unfunded liability now managed through smaller one-time payments
  - Market conditions and public safety salary growth will impact annual projections
- Secured future of public safety personnel

# PSPRS Actuarial Report Results 6/30/23

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



Police \$68.4M



Fire \$31.7M

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Total \$100.1M

Tier 1 & 2 funded status increased to 83.3%  
combined:

78.8% to 85.9% for Fire  
73.1% to 81.7% for Police

Tier 3 funded status still over 100%:

110.6% to 109.7% for Fire  
106.9% to 109.8% for Police

**Note: \$73M payment not yet reflected**



Normal portion  
of contribution  
48%

Unfunded liability  
portion of  
contribution  
58%

Based on  
current  
wages/counts,  
reduction for  
FY 2024-25 is  
\$3.1M

# PSPRS Net Unfunded Liability Balances Update

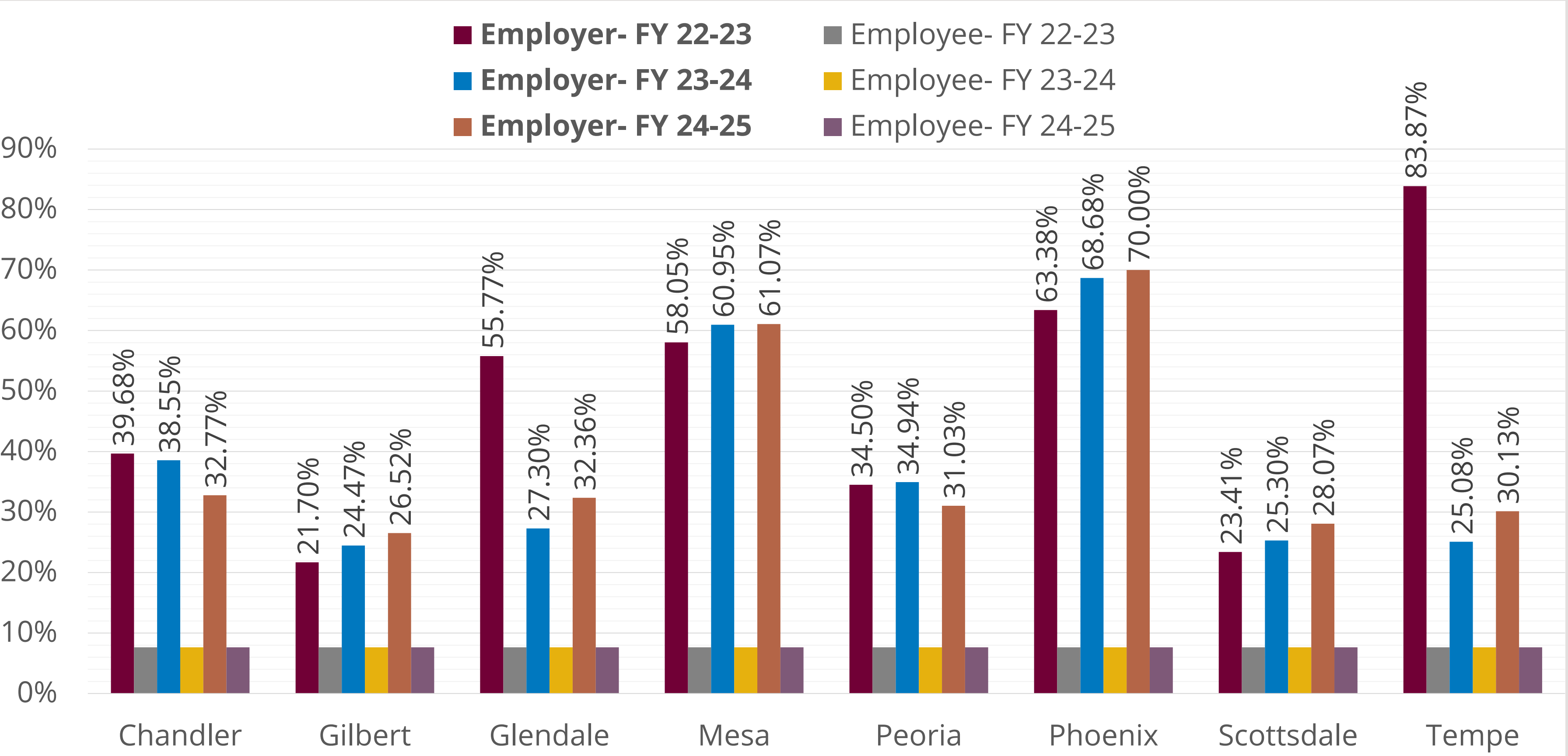
	June 2022	June 2023	Difference	% Change
Chandler	\$136M	\$100M*	-\$36.4M	-26.7%
Gilbert	\$32M	\$49M	\$17M	54.5%
Glendale	\$59M**	\$95M	\$36M	60.8%
Mesa	\$720M	\$748M	\$28M	3.8%
Peoria	\$73M	\$63M	-\$10M	-13.9%
Phoenix	\$3.5B	\$3.7B	\$215M	6.2%
Scottsdale	\$182M	\$183M	\$1M	0.8%
Tempe	\$30M**	\$61M	\$31M	105.6%

**Chandler  
% Funded**  
2023- 83.3%  
2022- 75.2%

\*Excludes \$73M overpayment made in July 2023

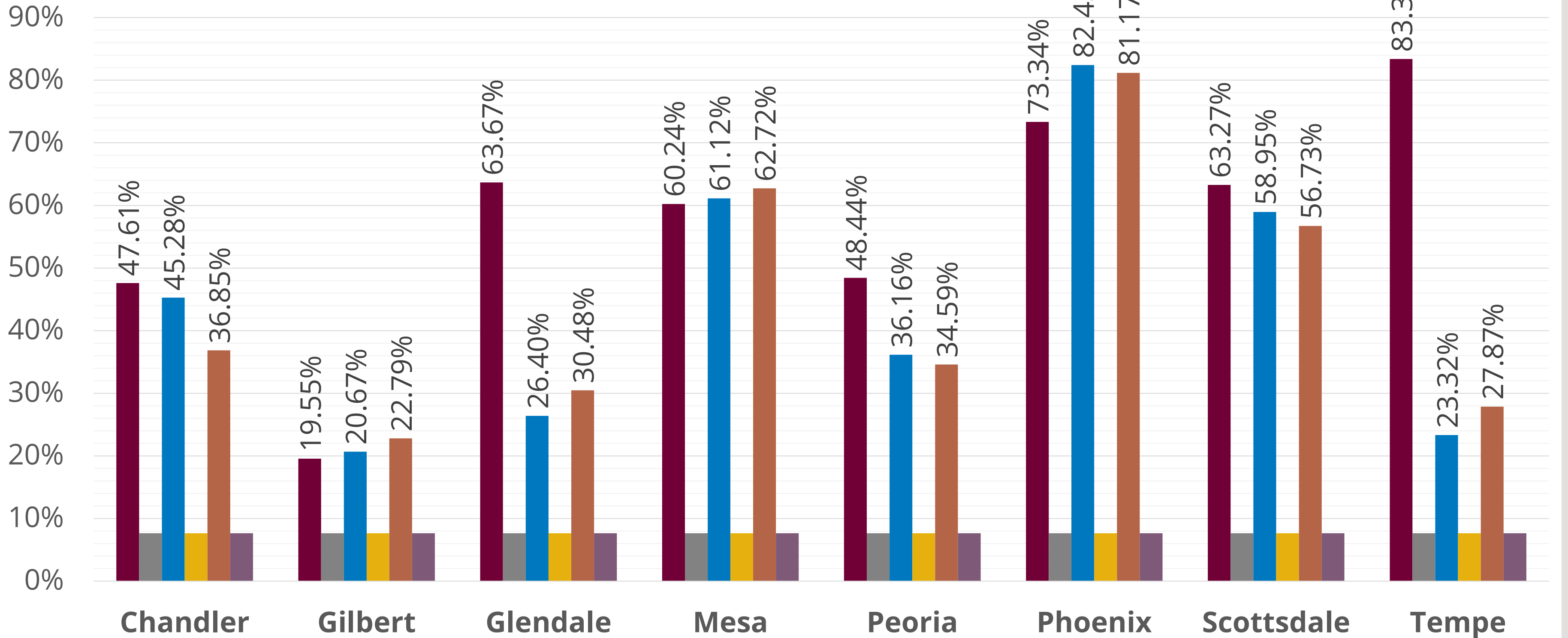
\*\*Sold Pension Obligation Bonds and converted ongoing to a debt service payment

# PSPRS Employee/Employer Rates Comparison | Fire



# PSPRS Employee/Employer Rates Comparison | Police

■ Employer- FY 22-23   ■ Employee- FY 22-23  
■ Employer- FY 23-24   ■ Employee- FY 23-24  
■ Employer- FY 24-25   ■ Employee- FY 24-25





# Preliminary Discussion: Capital Improvement Plan (CIP)





**Fiscal  
Foundations –  
“Making it  
Happen”**

## **Current 10-Year CIP Council Guidelines**

- Minimize increase in property taxes
- 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

# Continued Focus on Chandler's Aging Infrastructure



65.7 square miles



2,090 miles of streets



28,515 Street lights



238 signalized intersections



1,238 miles of potable water lines



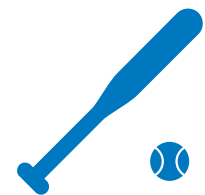
958 miles of sanitary sewer



31 operating wells



69 developed parks (1,317 acres)



51 lighted fields



61 municipal buildings



821 fleet vehicles/trucks



Maintaining high quality of life for our **285,554** residents



## Capital Project Review in Workshop #3

# New Year CIP Considerations

- Inflation continues to cause project cost increases
- Bond authorization being utilized at faster pace. Additional authorization will be needed sooner
- Studies completed which may cause some CIP adjustments
- Some scope creep on projects needs addressed
- Prop 400 extension is crucial funding stream for many transportation projects
  - Financial Impact if referendum fails is \$12M Operating and \$101.8M Capital in current CIP

# Preliminary Property Tax Discussion

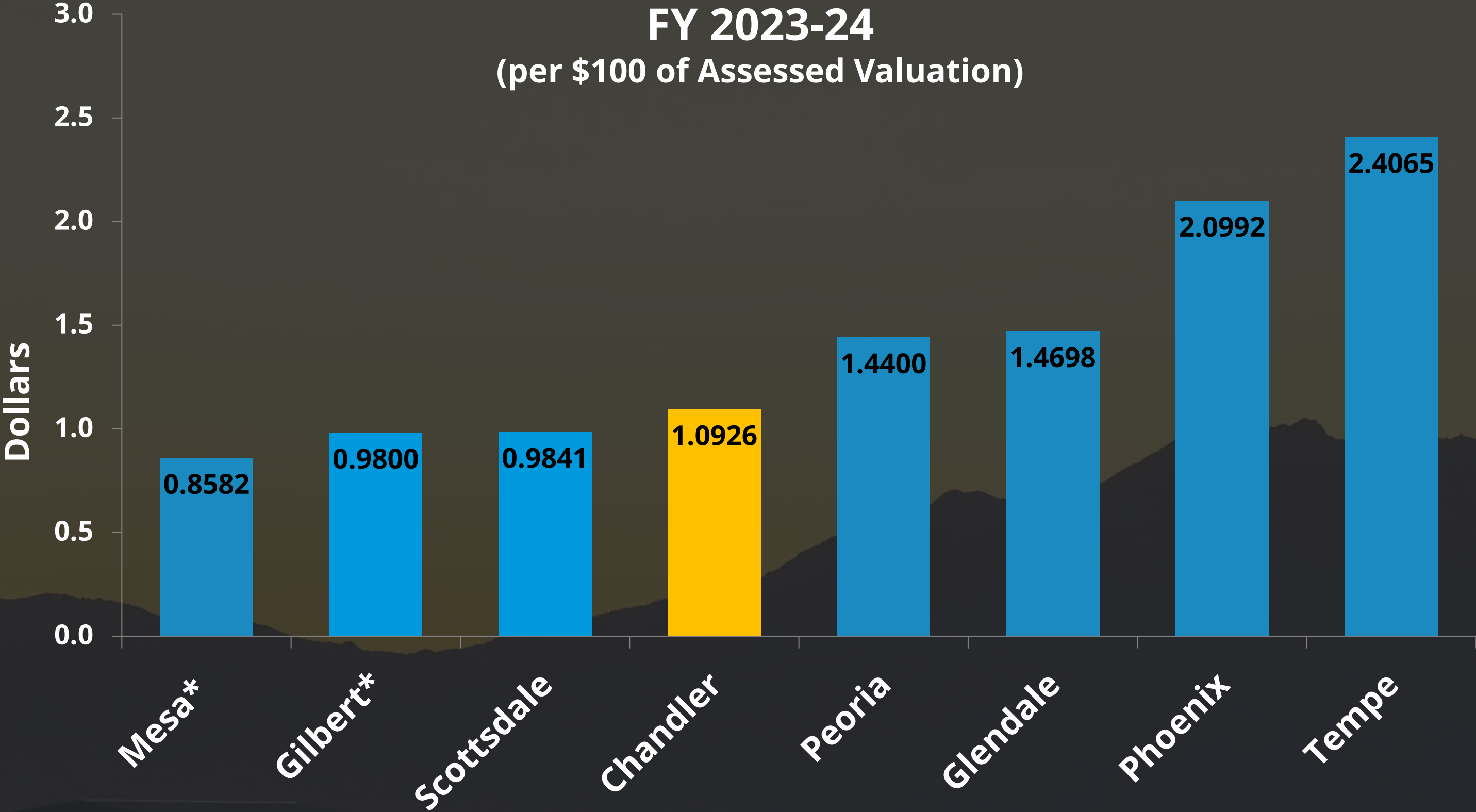
Assessed Values  
Not Yet Received



# Property Tax Rate Comparison

FY 2023-24

(per \$100 of Assessed Valuation)



\* Do not have a primary property tax rate, only secondary rate

# 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.

- Maintain Secondary Rate since bond election anticipated an increase in assessed values
- Evaluate Primary Rate options
  - Offset appreciation in assessed values, if expenditure levels allow
  - Offset entire increase for primary rate, if expenditure levels allow
  - Keep rate flat to capture the increased valuation
- Primary Rate will be continuously evaluated until Tentative Budget adoption and can be revisited if revenue needs change



**Property Tax  
Policy  
Recommendation**

# Key Budget Dates

Budget Event		Date
Council Budget Kickoff		Completed 10/19/23
Citizen Budget Survey		11/27/23 - 1/12/2024
Council Workshop #1		Tonight 2/8/2024
Council Workshop #2		03/18/2024
Council Workshop #3 CIP Focused		03/21/2024
All Day Budget Briefing		04/26/2024
Council Meetings	Tentative Adoption	05/23/2024
	Public Hearing and Final Adoption	06/13/2024
	Adoption of Tax Levy	06/27/2024



**CHANDLER**  
arizona

**Questions?**