



FY 2024-25 Budget Workshop #3 CIP

City Council Conference Room
Thursday, March 21, 2024 | 4:00 pm

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.

**Overview of
Proposed
10-Year Capital
Improvement
Program (CIP)**

02.

**Chandler Water
and Wastewater
Utilities – Major
Projects and
Rates**

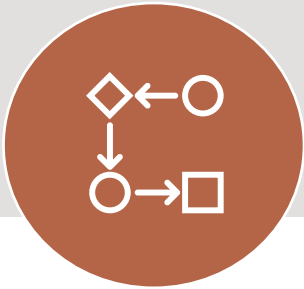
03.

**Review List of
Projects in
Proposed
10-Year Capital
Improvement
Program (CIP)**

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

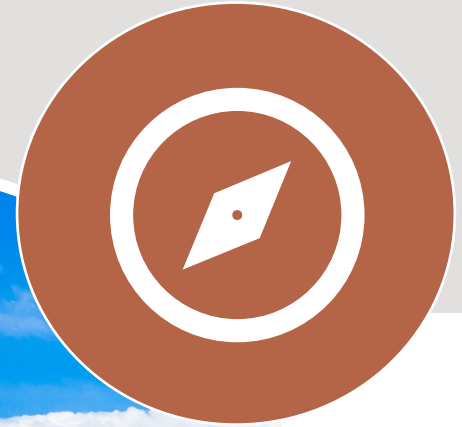
Council/Resident Process

Staff Process

Strategic Framework Guides Our Decision Making

Focus Areas

- Economic Vitality
- Innovation and Technology
- Mobility
- Neighborhoods
- Quality of Life
- Good Governance



Proposed 10-Year Capital Improvement Program (CIP)





Fiscal Foundations –

Current 10-Year CIP Council Guidelines

- Minimize increase in property taxes
- Maintain, enhance, or re-imagine existing 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

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

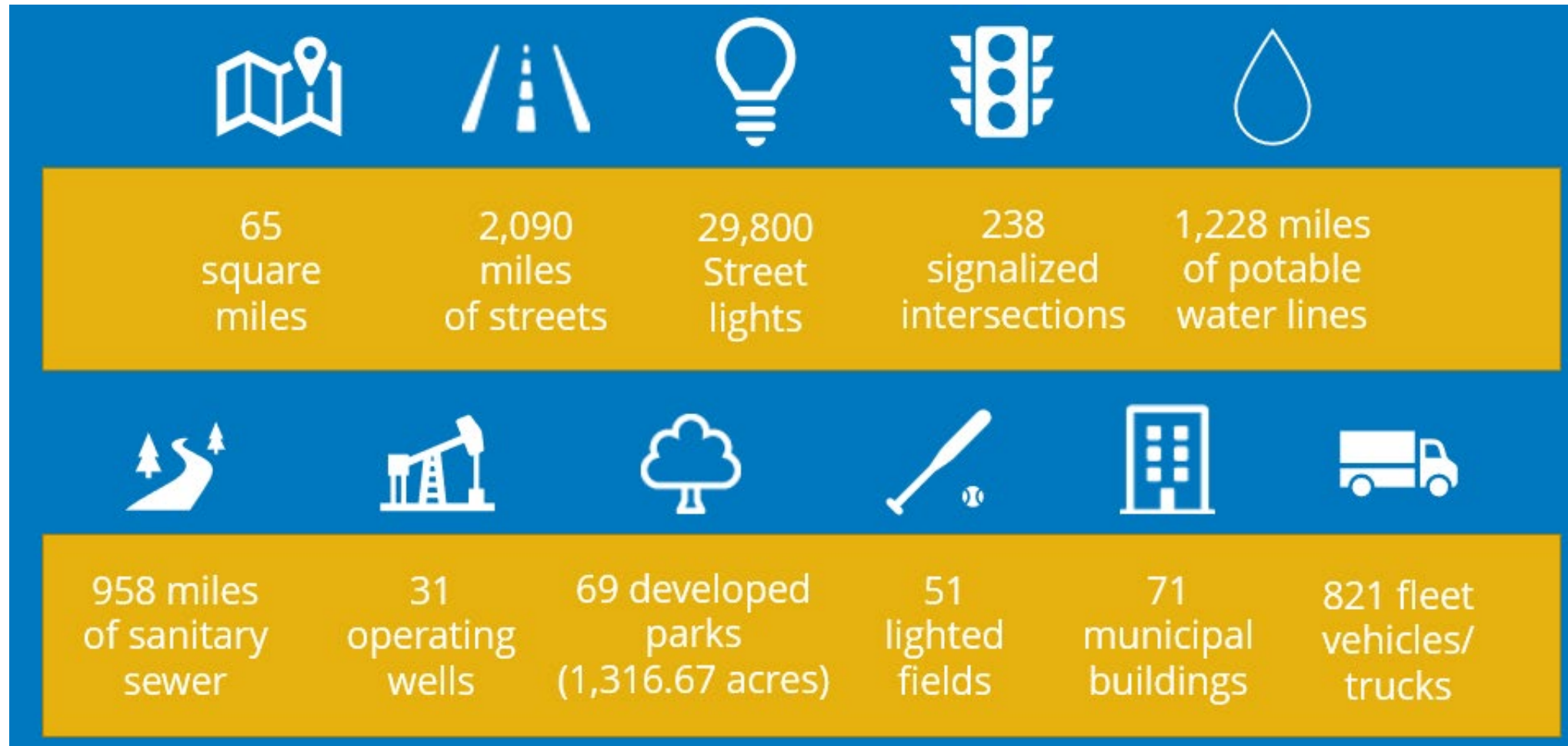
3. Maintain reserves sufficient to meet financial policies

4. New initiatives and capital, including sustainability



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

Summary of City-wide Core Infrastructure



Focus on improving overall quality in rising cost environment

10-Year CIP Overview

- 2025-2034 CIP total is \$2,493,804,031 (\$529.8M more than the 2024-2033 CIP)
- Updated to reflect continued inflationary pressures
- Continued focus on aging infrastructure
- Includes \$299M in key aging infrastructure projects for water and wastewater
- Additional capacity was gained from secondary levy growth higher than anticipated (+5.3% versus +4%)



10-Year CIP Comparison by Department

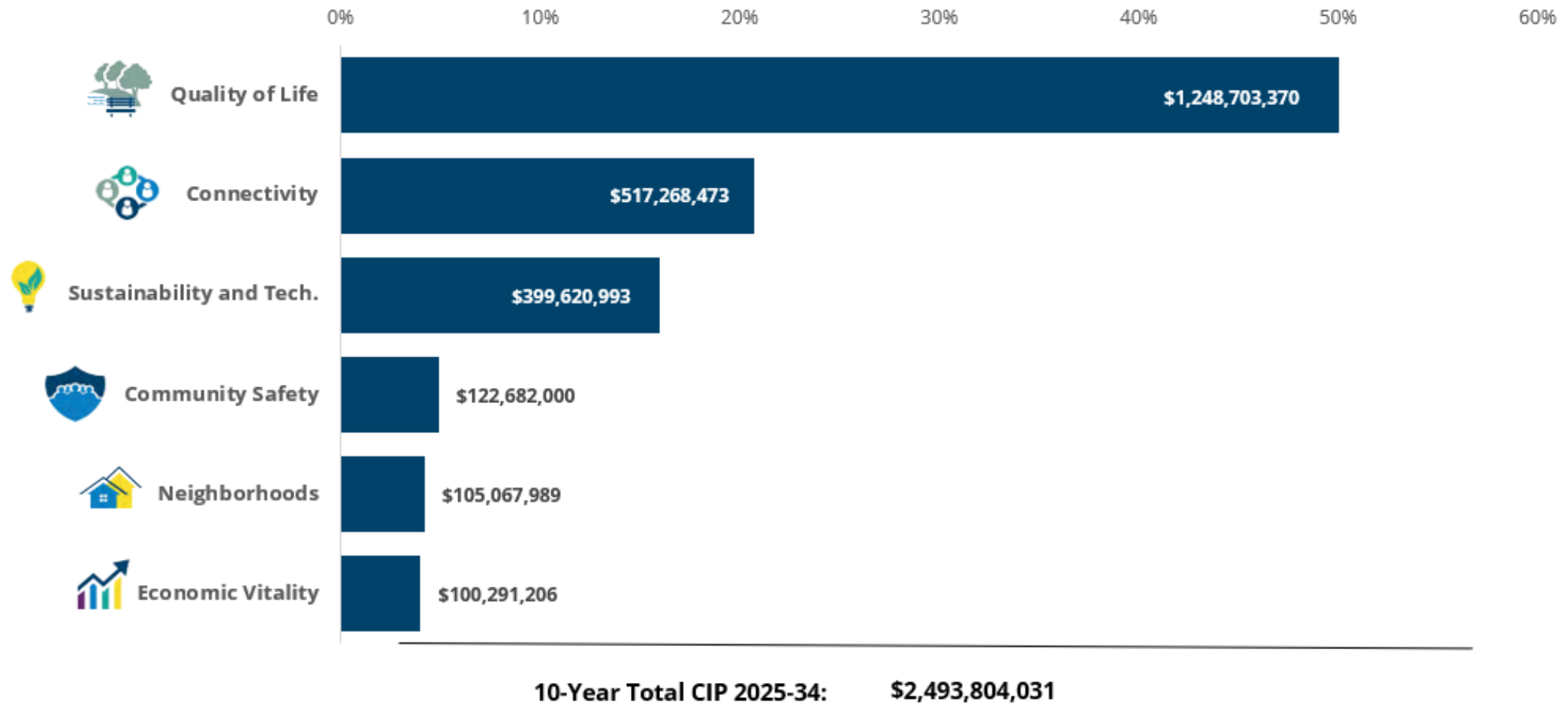
Division	Prior 10-Year	Current 10-Year	Difference	% Difference
Airport Capital	\$55,645,462	\$94,223,206	\$38,577,744	69.3%
Buildings and Facilities Capital	\$54,068,000	\$50,770,000	-\$3,298,000	-6.1%
Cultural Development Capital	\$45,454,000	\$42,318,000	-\$3,136,000	-6.9%
Development Services Capital	\$21,675,350	\$32,745,688	\$11,070,338	51.1%
Fire Capital	\$46,472,500	\$64,715,500	\$18,243,000	39.3%
Information Technology Projects Capital	\$29,020,000	\$29,672,000	\$652,000	2.2%
IT Citywide Infrastructure Support Capital	\$2,553,500	\$1,814,000	-\$739,500	-29.0%
Non-Departmental Capital	\$5,791,000	\$20,300,000	\$14,509,000	250.5%
Parks Capital	\$213,127,089	\$217,705,000	\$4,577,911	2.1%
Police Capital	\$94,954,026	\$122,695,500	\$27,741,474	29.2%
Solid Waste Capital	\$2,210,000	\$3,543,500	\$1,333,500	60.3%
Streets Capital	\$511,083,358	\$536,027,312	\$24,943,954	4.9%
Transportation Policy Capital	\$42,529,772	\$51,952,325	\$9,422,553	22.2%
Wastewater Capital	\$366,812,000	\$391,935,000	\$25,123,000	6.8%
Water Capital	\$472,571,400	\$833,387,000	\$360,815,600	76.4%
Grand Total	\$1,963,967,457	\$2,493,804,031	\$529,836,574	27.0%

Current 10-Year and Next 10-Year CIP Comparison –



- Continued planned project cost increases have taken a toll on how and when projects are funded
- Example projects with significant increases or new (all funds)
 - Airport Hangar Pavement Reconstruction +\$10.5M, Rehabilitate Runway 4R/22L Pavement +\$6.3M
 - Traffic Management Center Rehabilitation +\$5.6M
 - Fire Station #4 Rebuild +\$7.3M, Fire Station #12 +\$4.9M
 - IT Projects including Financial/HR system replacement +\$6.5M
 - Sustainability (Solar Capital Investment, produces ongoing savings) +\$15M
 - Mesquite Groves Park +\$19.4, Tumbleweed Multi-Gen +\$7.1M
 - Police Forensic Facility +\$15.8M, Main Station Renovations +\$7.8M
 - Kyrene Rd (Chandler Blvd to 202) +\$13.6M
 - Price Rd/Queen Creek Intersection +\$19.3M
 - New- McQueen Rd (Warner to Pecos) \$84.9M
 - Frye Rd. Protected Bike Lane +\$7.8M
 - Santan Freeway 66" Sewer line +\$40M, Wastewater Capacity Increases +\$16.8M
 - Main and Valve Replacement +\$105M, Production Facility Improvements +\$49M

10-Year CIP by Focus Area



GO Bond Authorization History

Need for Bond Election

Type of Voter Approved Debt	2007 Bond Election	2021 Bond Election	Combined Remaining Authorization After Elections	Available Authorization After 2021 & 2023 Bond Sales	Fall 2025 Bond Sale	Remaining Authorization	Fall 2027 Bond Sale	Remaining Authorization
Parks/Recreation/Museum/Arts	\$ 90,050,000	\$ 72,985,000	\$ 121,510,000	\$ 52,130,000	\$ (40,930,000)	\$ 11,200,000	\$ (54,825,000)	\$ (43,625,000)
Streets	202,310,000	85,780,000	161,251,000	98,681,000	(78,200,000)	\$ 20,481,000	(69,225,000)	\$ (48,744,000)
Public Safety- Police	15,745,000	55,190,000	56,490,000	55,340,000	(55,340,000)	\$ -	(17,000,000)	\$ (17,000,000)
Public Safety- Fire	14,265,000	25,160,000	25,391,000	15,181,000	-	\$ 15,181,000	(3,300,000)	\$ 11,881,000
Airport	-	-	494,000	494,000	-	\$ 494,000	-	\$ 494,000
Public Buildings (Facilities)	-	33,570,000	33,570,000	31,050,000	(7,100,000)	\$ 23,950,000	(9,000,000)	\$ 14,950,000
Stormwater	-	-	4,019,000	624,000	-	\$ 624,000	(300,000)	\$ 324,000
Library	11,255,000	-	5,245,000	3,680,000	-	\$ 3,680,000	-	\$ 3,680,000
Subtotal	\$ 333,625,000	\$ 272,685,000	\$ 407,970,000	\$ 257,180,000	\$ (181,570,000)	\$ 75,610,000	\$ (153,650,000)	\$ (78,040,000)
Landfill	-	-	4,935,000	4,935,000	-	\$ 4,935,000	-	\$ 4,935,000
Public Buildings	9,960,000	-	9,960,000	9,960,000	-	\$ 9,960,000	-	\$ 9,960,000
Water/Wastewater	107,850,000	-		-	-	\$ -	-	\$ -
Total	\$ 451,435,000	\$ 272,685,000	\$ 422,865,000	\$ 272,075,000	\$ (181,570,000)	\$ 90,505,000	\$ (153,650,000)	\$ (63,145,000)

Bond Authorization usage higher than anticipated and will be exhausted by FY 2025-26 for Parks, Streets and Police, and FY 2029-30 for Fire. Bond Election needed by Fall of 2025 to continue capital program in these areas.

GO Bond Authorization Project Drivers

Parks

Regional Park Development Auth \$18,074,000, now \$61.5M

4 Diamond
Fields
\$22.3M +
Ryan Rd
5.9M

Pickleball
\$6.6M
(12 to 18 courts)
& 3 Tennis
Cts/Lights
\$2M

Multi-Gen
Expansion
\$14.8M
(gym
delayed)

Mesquite
Groves Ph 1
\$10M
(SDF
shortfall)

Streets/Transportation

Streets Auth \$10.9M, now \$42.9M

Cooper/
Insight Loop
\$13.5M

Alma School
(Germann to QC)
\$10.1M

Price/Queen
Creek
Intersection
\$19.3M (Beg.
FY 2025-26)

Cost Changes
since 2021
Arterial +19.2%
Intersect. +19.1%
Collectors +21.4%

Public Safety Police

Forensic Facility Auth \$38,325,000

Forensic
Facility
\$64.8M
(incl \$9.1 GF)

Public Safety Fire

Fire Stations Auth \$15,670,000

Station 2
Rebuild
\$10.7M
(+\$1.4M GF)

Station 4
Rebuild
+\$16.8M (beg.
FY 2028-29)

Increases as high as +30% to +50% in Capital Project costs

GO Bond Projects

Additional Bond Authorization Needs

Parks

Mesquite Groves Phase II (portion) and III*
AJ Chandler Park Renovation*
Existing Community and Neighborhood Park Improvements*
Folley Pool/Park Renovation*
Tumbleweed gymnasium expansion

Streets/Transportation

Street Repaving*
Traffic Signal Additions and Repairs*
Kyrene Rd (Chandler Blvd. to Santan 202) (portion)*
Price Rd. Queen Creek Intersection*
McQueen Rd (Warner to Pecos)*
Washington Street Improvements*
Note: Additional projects if Prop 400 does not pass

Public Safety Fire

Fire Station 4 Rebuild (portion)*
Fire Station 12

* = projects included in bond election, but additional bond authorization needed to complete

Public Safety Police

Police Main Station and Criminal Investigation Bureau (CIB)/Communications Renovations *



Fire Station #4

The background of the slide features a close-up, low-angle shot of industrial machinery, likely a large pipe or tank, with several hexagonal bolts visible. The bolts are marked with "307B PX". The scene is brightly lit, suggesting an outdoor setting. A large, semi-transparent orange circle is positioned on the right side of the image, containing the title text.

Chandler Water and Wastewater Utilities: Major Projects and Rates



Utility Rates

Initial adjustments were made in current Fiscal Year to start to be able to address additional infrastructure projects

Anticipated rates as shared in FY 2023-24

	Rate Year	Water	Wastewater	Reclaimed
Implemented	1/1/2024	7%	8%	7%
No Increase	1/1/2025	0%	0%	0%
Estimated	1/1/2026	7%	6%	7%
No Increase	1/1/2027	0%	0%	0%
Estimated	1/1/2028	7%	6%	7%

Major Drivers - Aging infrastructure

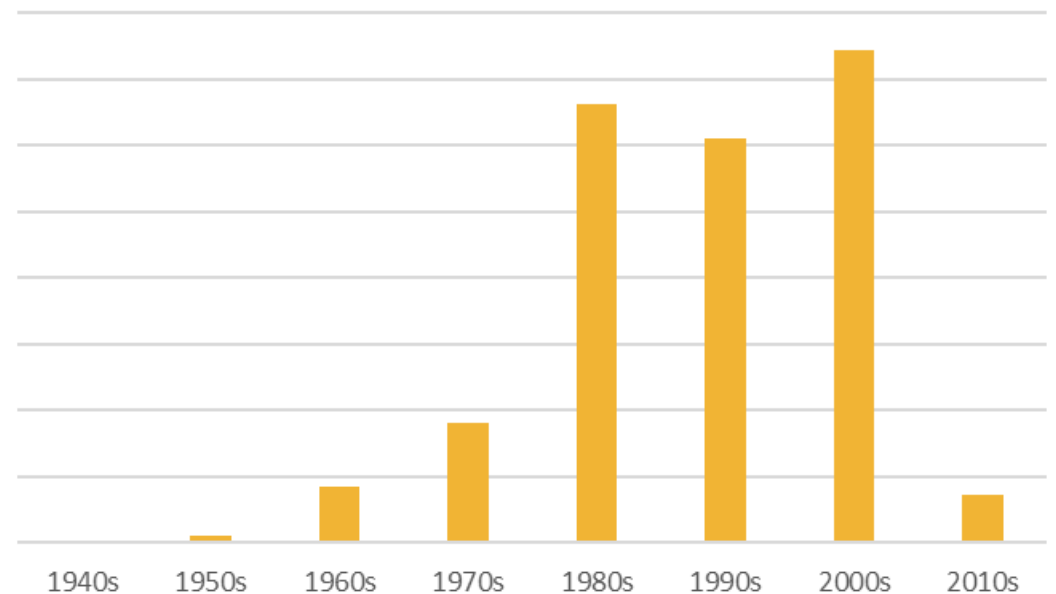
Water

- Total mains 1,228 miles
- 31 operating wells
- Reactive replacements based on breaks, proactive replacements based on risk assessment

Wastewater

- 958 miles of sanitary sewer lines
- 19,000 manholes 7,000 need repair
- Proactive replacements based on physical inspections

Decade in which underground infrastructure established



Water and Wastewater Operational Needs

Operating impacts, on top of major projects and debt service, are driving revenue requirement increase for Water and Wastewater Utilities

Water

- Granulated Activated Carbon (GAC) costs +\$500k
- Powdered Activated Carbon (PAC) costs +\$2M
- Increased surface water costs +\$1.6M

Wastewater

- Ocotillo Brine Reduction +\$2.3M (revenue offset)
- Reclaimed Water Interconnect Facility +\$877k (revenue offset)
- Reclaimed Water Utilities Increase +\$200k
- Increased baseline testing costs for WW +\$150k



Water Infrastructure



New Infrastructure – Pecos Water Plant Improvements

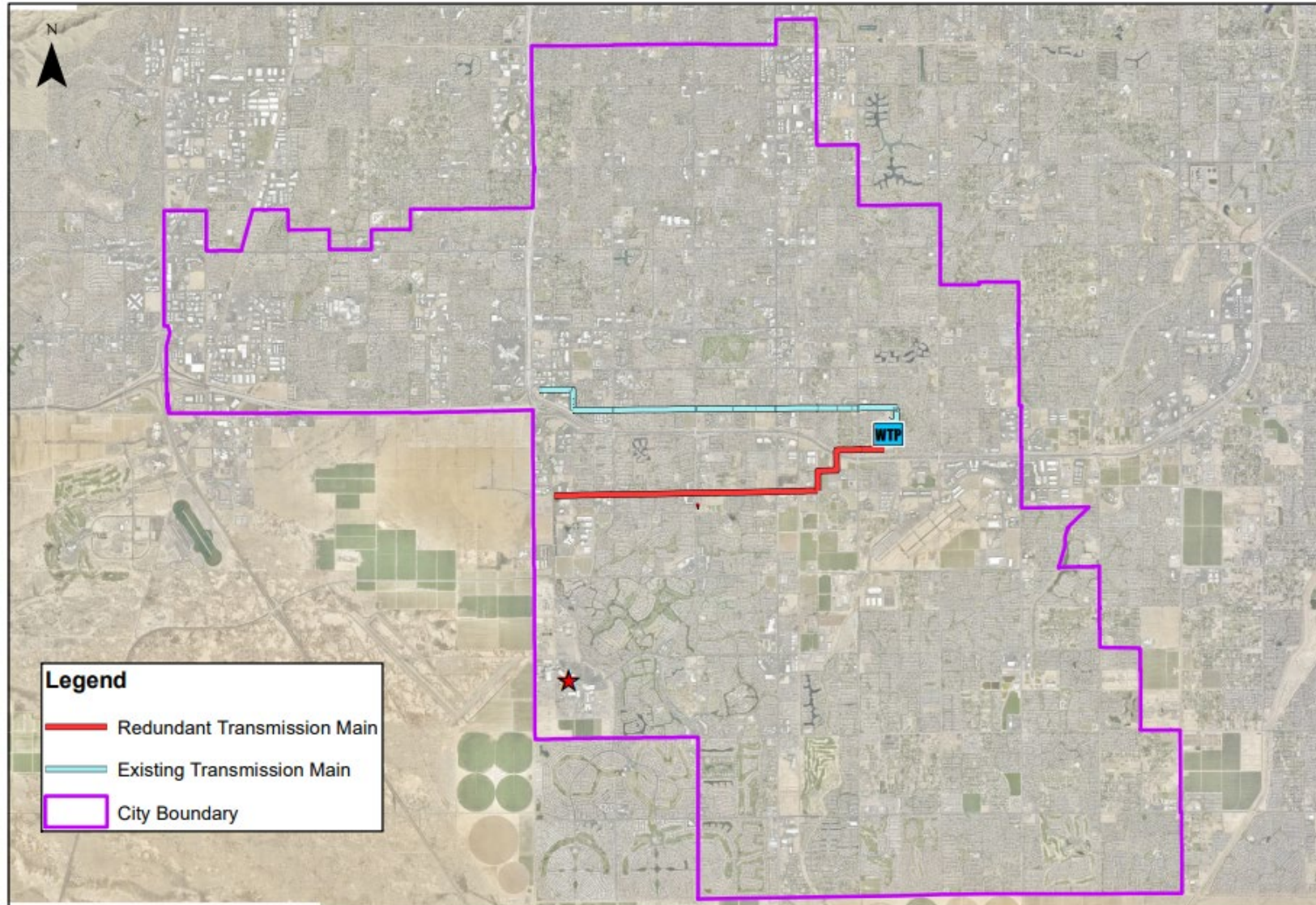
A total of \$222M is being proposed in the new CIP for improvements to Water Facilities



- 1** Filter Improvements
- 2** EQ Pump Replacement
- 3** Solids Dewatering Imp.
- 4** Chemical Systems
- 5** Advanced Treatment

Project #	Description	*Cost Est.
1	Filter Improvements	\$5M - \$40M
2	EQ Pump Replacement	\$1M - \$5M
3	Solids Dewatering Imp.	\$5M - \$30M
4	Chemical Systems	\$1M - \$5M
5	Advanced Treatment	\$75M - \$115M

Aging Infrastructure – 48" Transmission Line



Design was included in current CIP of \$17.7M and proposed CIP has the construction of an additional \$134.5M for \$152M total

Adds redundancy for this single point of failure

Allows for eventual rehab on original transmission main

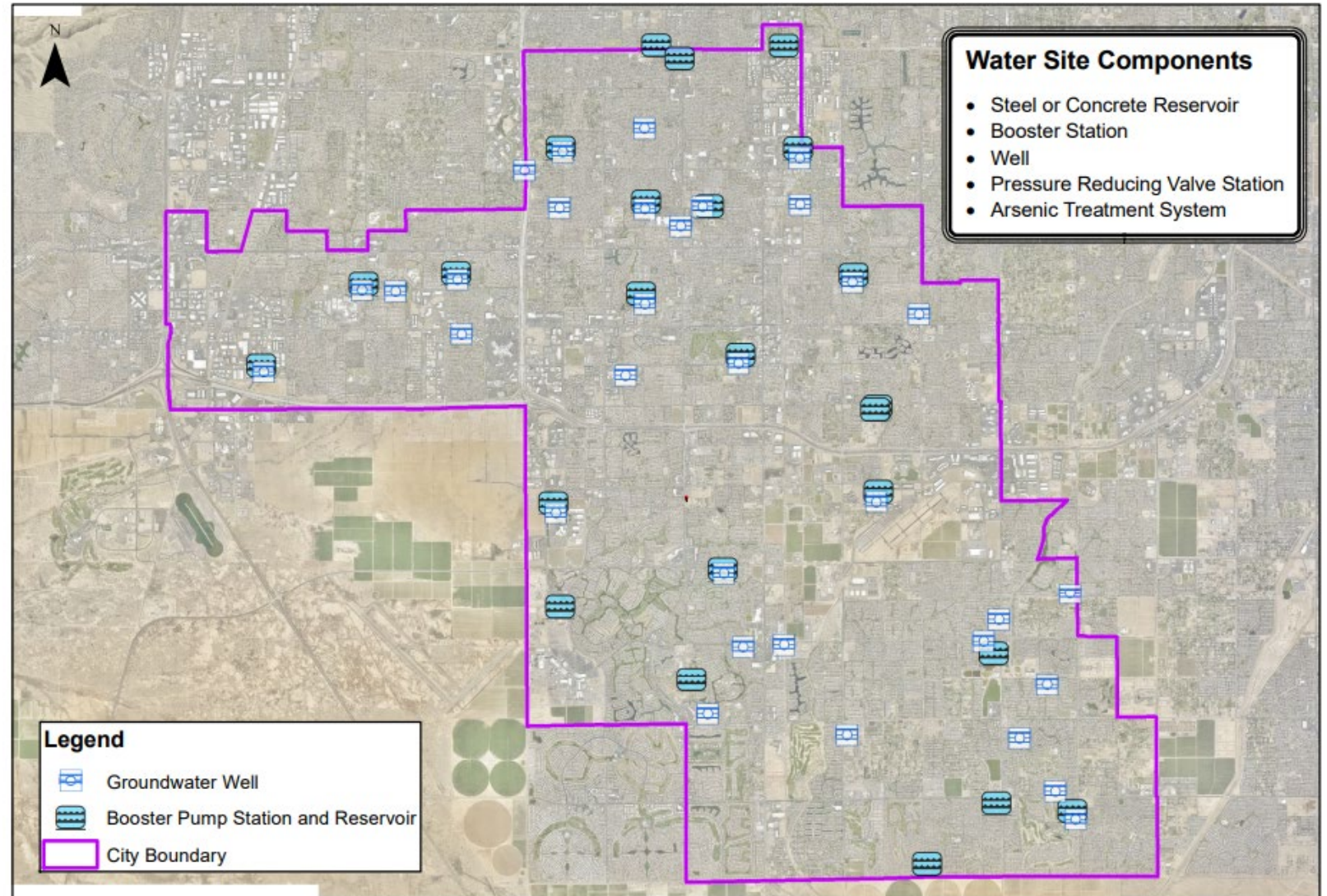
Seeking Congressionally Designated Funding for at least a portion of this project

Aging Infrastructure – Water Production Facilities

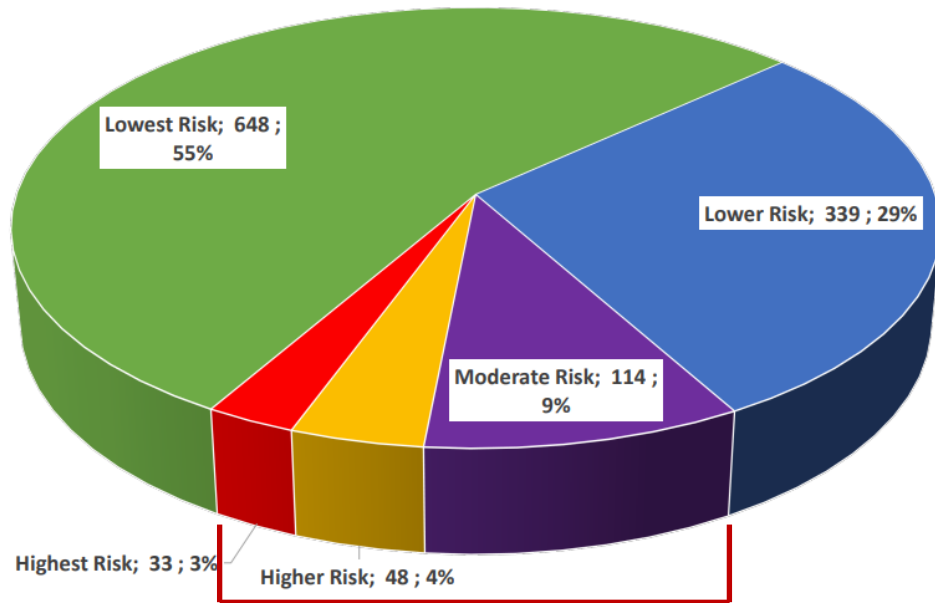
The use and maintenance of ground wells is critical to Chandler's water portfolio

Booster station failures have become more of an issue, and the cost for rehabilitation is higher if earlier remediation is not done

Average age of these remote facilities is 24-years with the newest being 4-years and the oldest 40-years

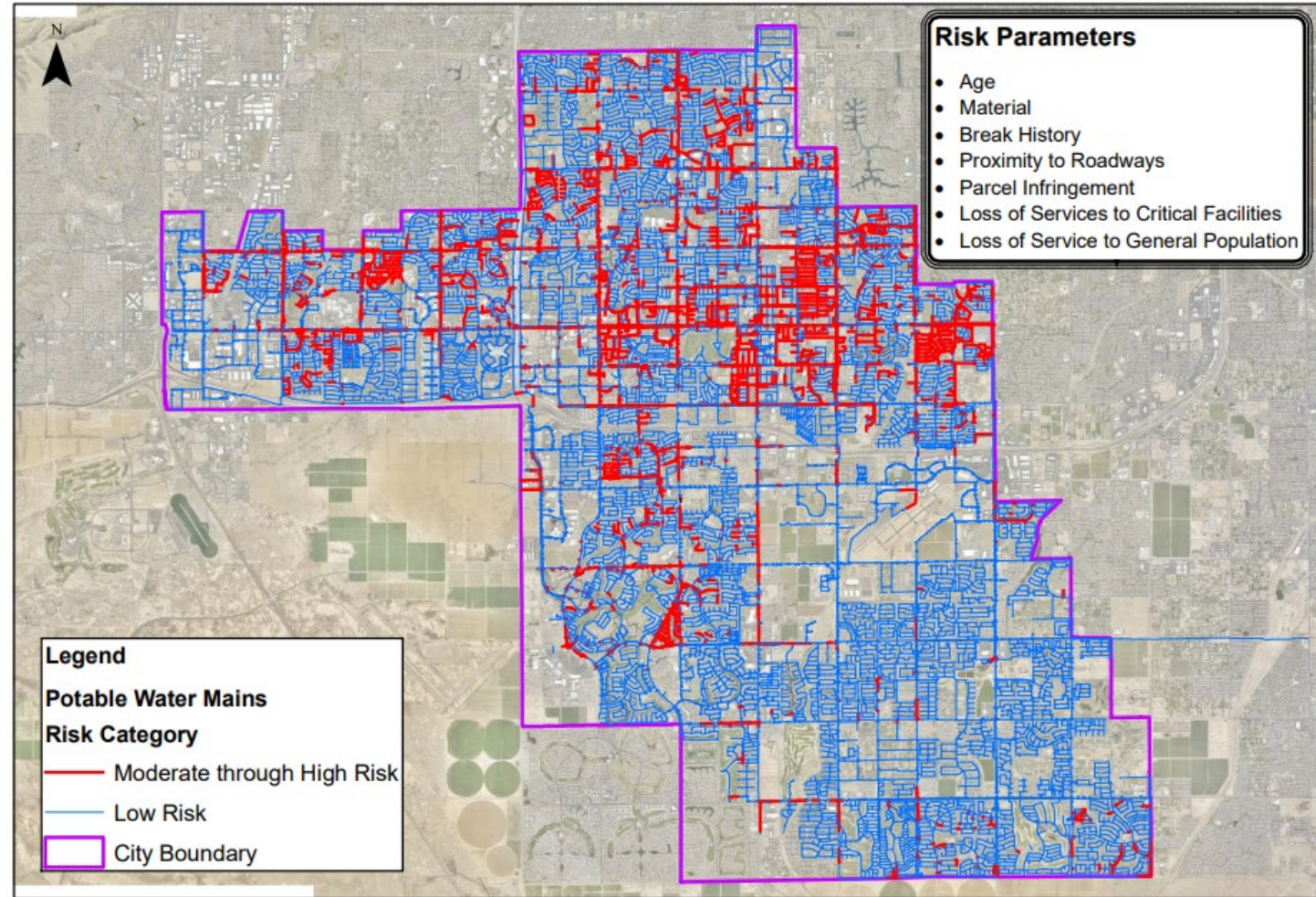


Aging Infrastructure – Watermains



Plan would address these areas

Recommended replacement plan would start out averaging 3-5 miles per year, escalating to 7.5 miles per year over the next 30 years to address all at risk lines. Coordination with other projects is vital.



Aging Infrastructure – Water Mains

Water Main Replacement Scenarios

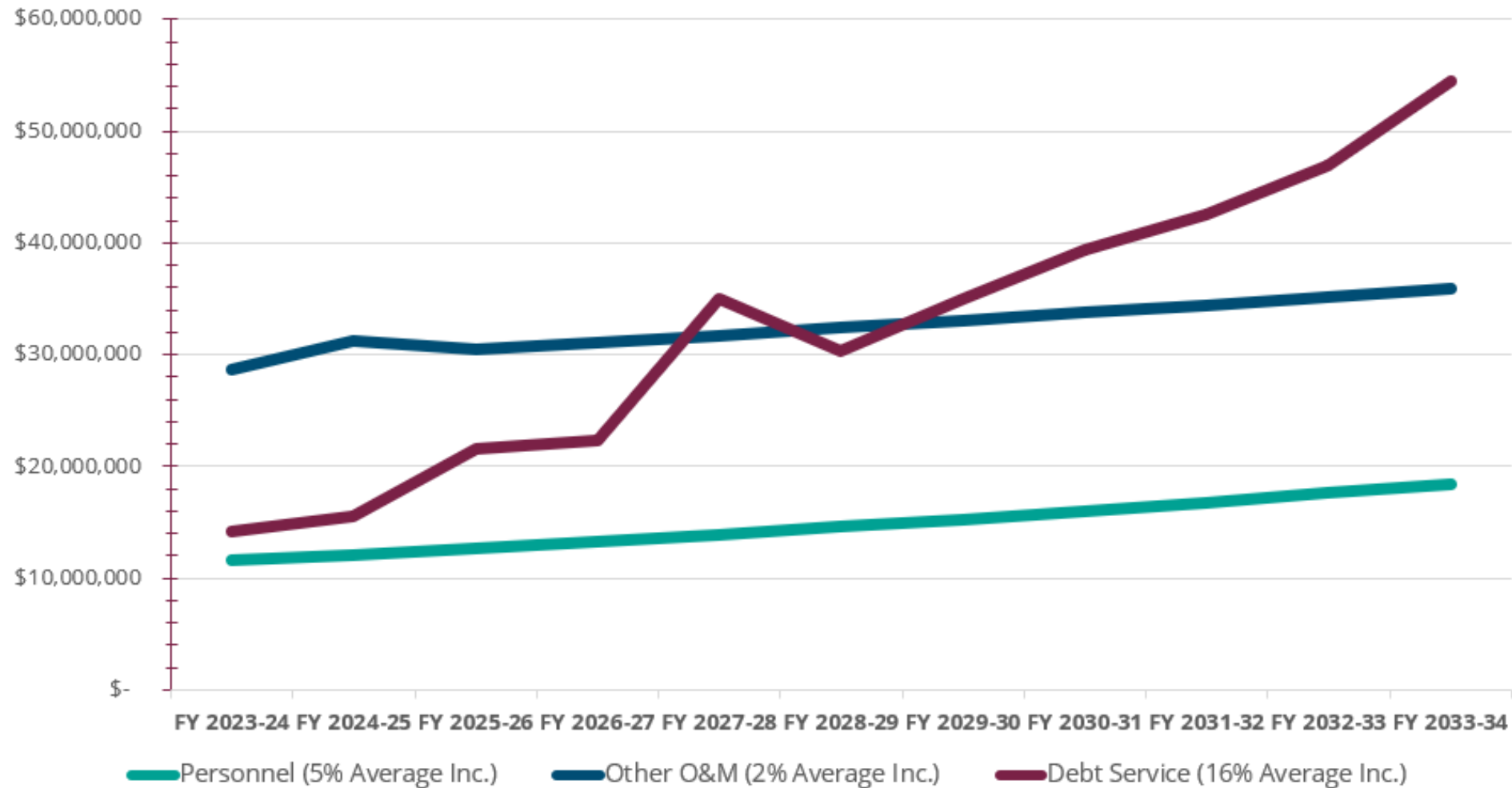
- 20-Year spread average 1% replacement/year covers all moderate to high risk
- Effect on rates over next five years:

20 Year	Rate Year	Water
No Increase	1/1/2025	0%
New Estimated	1/1/2026	12.5%
No Increase	1/1/2027	0.0%
New Estimated	1/1/2028	16%
No Increase	1/1/2029	0%

- 30-Year spread (recommended) average 0.6% replacement/year covers all moderate to high risk
- Effect on rates over next five years:

30 Year	Rate Year	Water
No Increase	1/1/2025	0%
New Estimated	1/1/2026	8.5%
No Increase	1/1/2027	0.0%
New Estimated	1/1/2028	15%
No Increase	1/1/2029	0%

Water Rate Driver Comparison



Each 1% rate change equates to about \$580,000 in revenue

This year's operating increase is about \$3.3M ongoing (5.7% rate increase to fully fund)

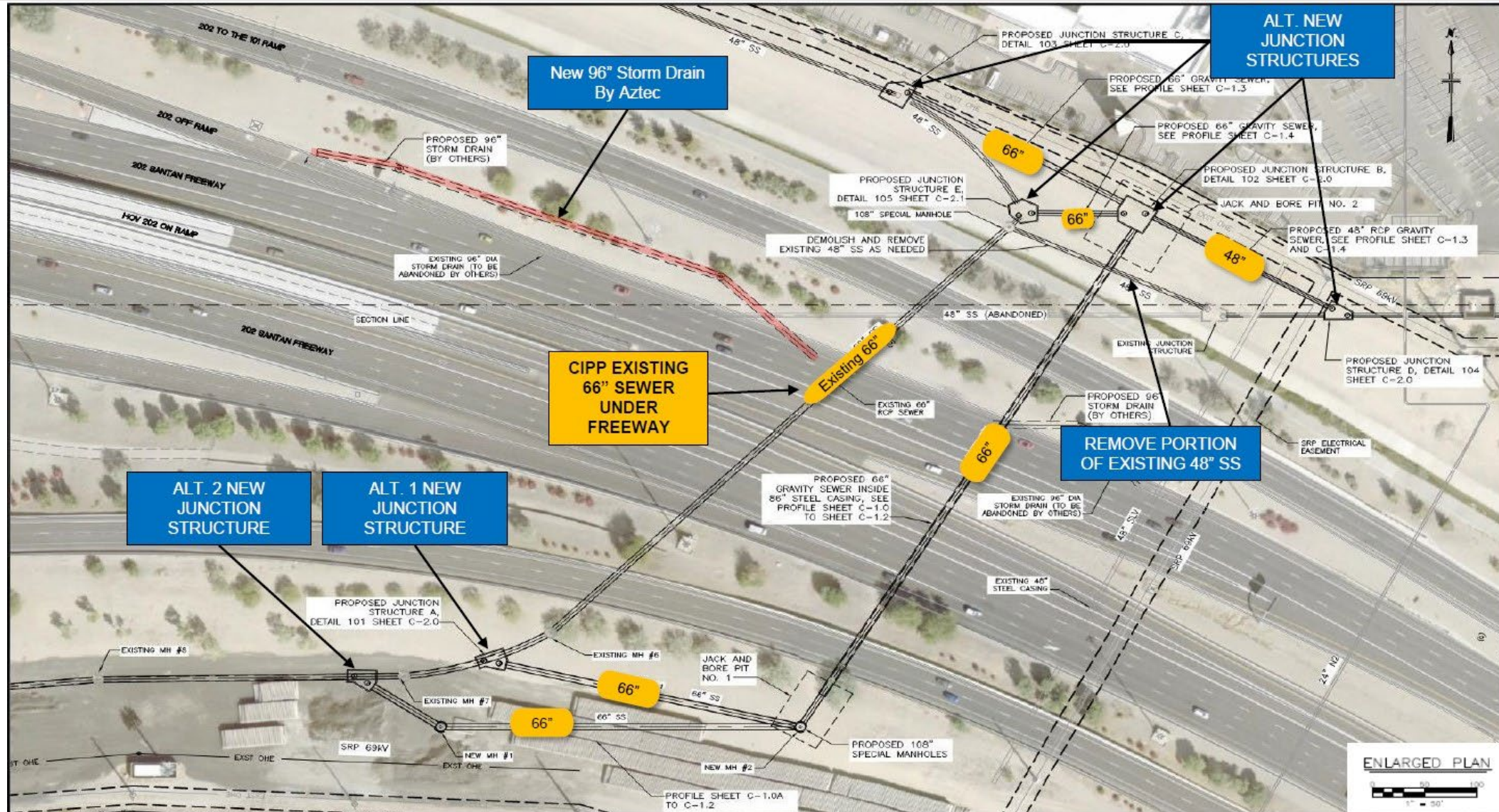
This year's personnel increase is about \$400k ongoing (0.7% rate increase to fully fund)



Wastewater Rates

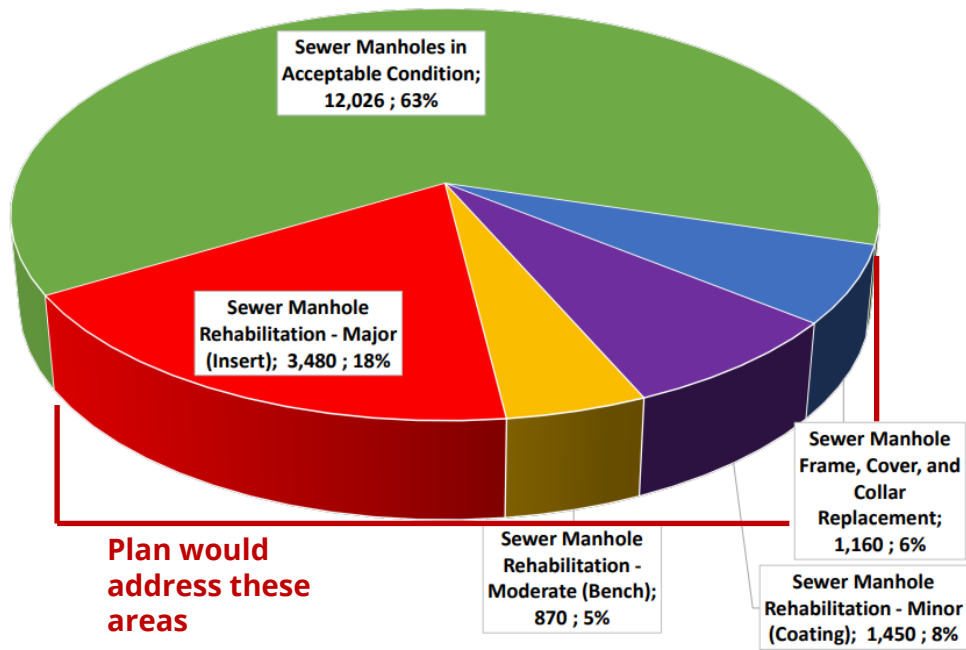


Large Project in current CIP 66" Wastewater pipe

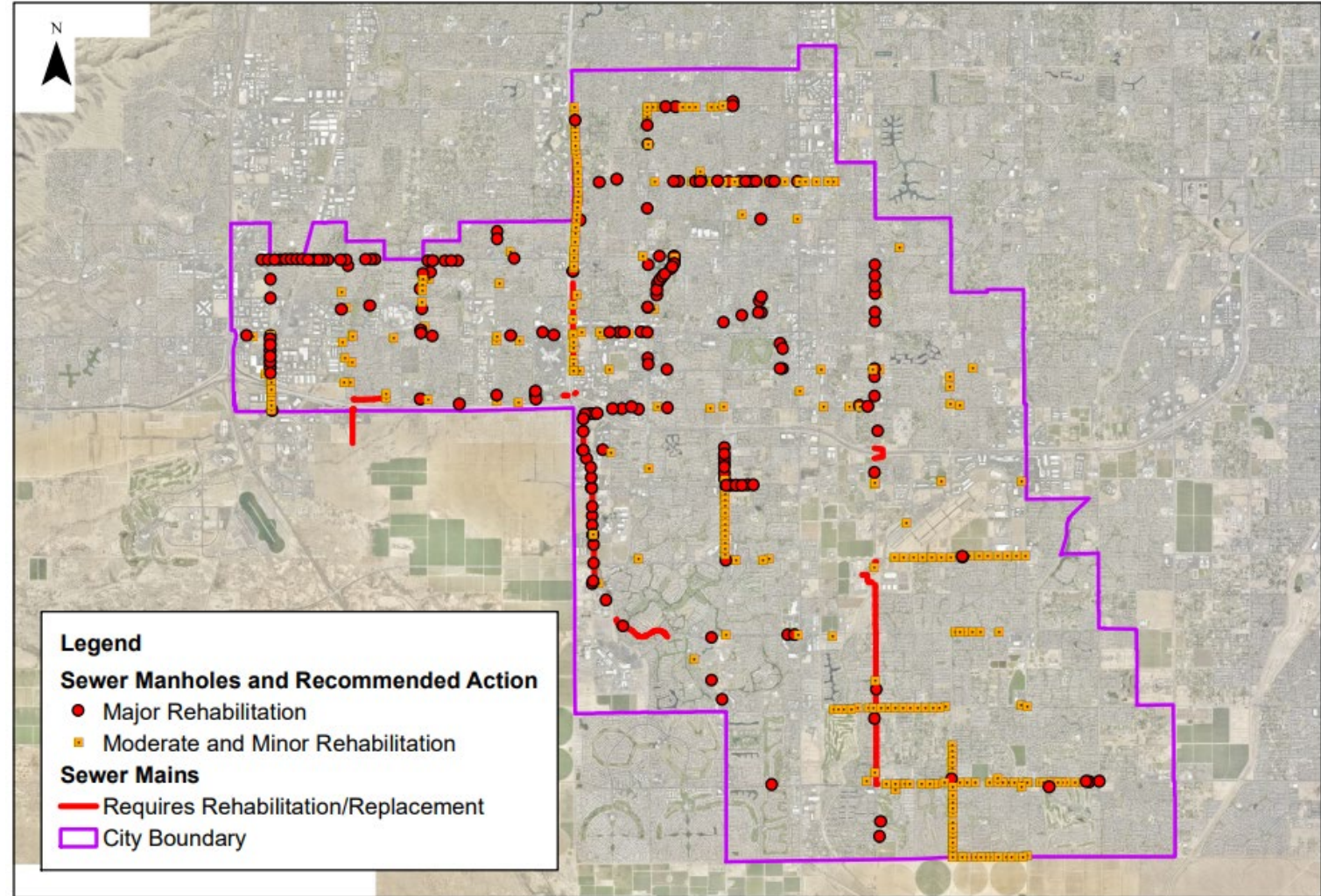


\$40.6M:
Design in FY
2024-25 and
Construction
in FY 2025-26

Aging Infrastructure – Wastewater Mains/Manholes



Recommended replacement plan would start out averaging 90-120 manholes per year, escalating to 350 per year over the next 30 years to address all 7,000 manholes that have known issues



Aging Infrastructure – Wastewater Mains/Manholes

Wastewater Scenarios

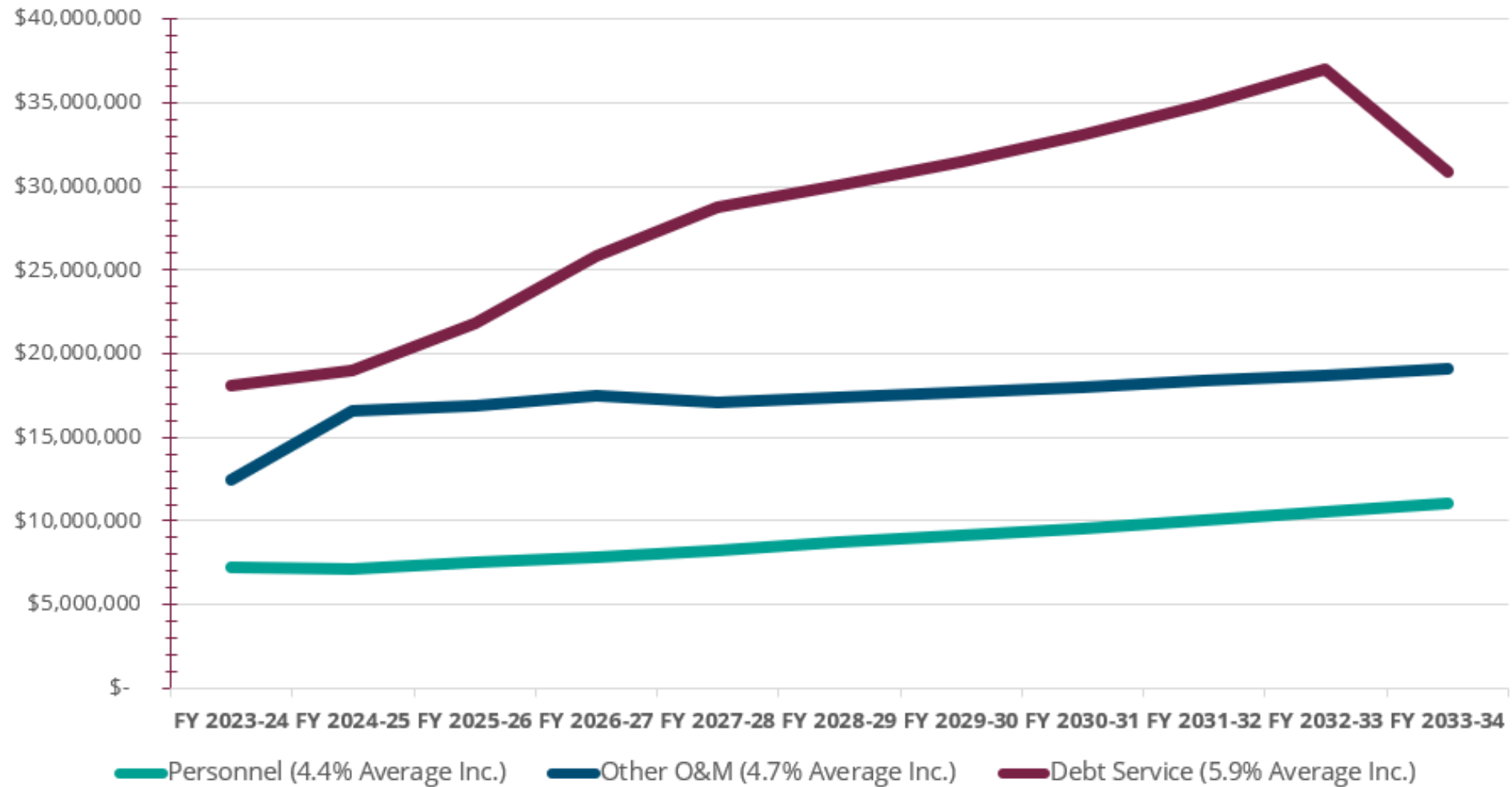
- 20-Year spread covers all 7,000 moderate and major rehabs needed
- Effect on rates:

20 Year	Rate Year	Wastewater
No Increase	1/1/2025	0%
New Estimated	1/1/2026	9%
No Increase	1/1/2027	0.0%
New Estimated	1/1/2028	9%
No Increase	1/1/2029	0%

- 30-Year spread (recommended) covers all 7,000 moderate and major rehabs needed
- Effect on rates:

30 Year	Rate Year	Wastewater
No Increase	1/1/2025	0%
New Estimated	1/1/2026	8%
No Increase	1/1/2027	0.0%
New Estimated	1/1/2028	8%
No Increase	1/1/2029	0%

Wastewater Rate Driver Comparison

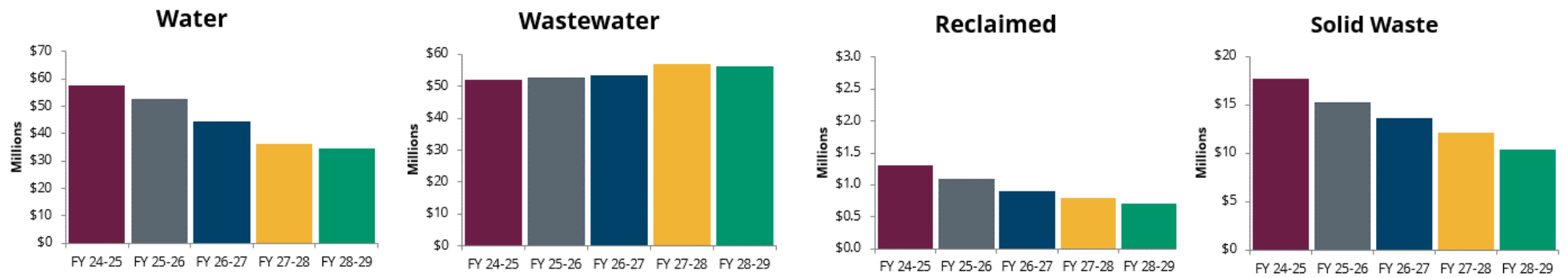


Each 1% rate change equates to about \$460,000 in revenue

This year's operating increase is about \$1M ongoing (2.2% rate increase to fully fund)

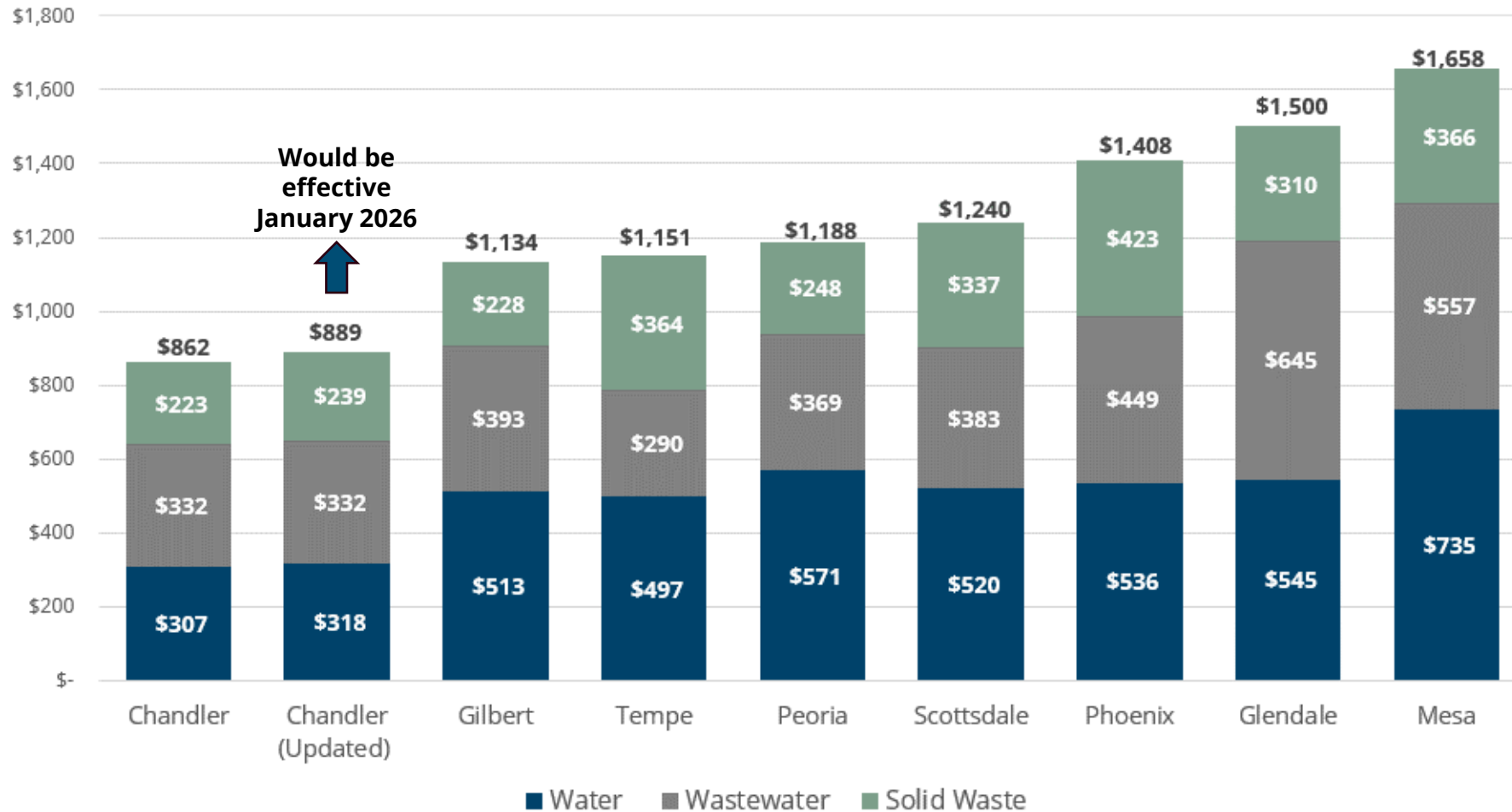
No new personnel planned in FY 2024-25

Proposed 5-Year Enterprise Fund Balance Projections



Water Rate Plan FY 2025-26 +8.5% (COS) FY 2027-28 +15.0% ◆ Maintains 20% Operating Reserve ◆ Focus on maintaining aging infrastructure: facilities, wells, water mains, and filters ◆ Final Cost of Service (COS) transition January 2026 ◆ Increased focus on aging infrastrcture is impacting rate	Wastewater Rate Plan FY 2025-26 +8.0% (COS) FY 2027-28 +8.0% ◆ Maintains 20% Operating Reserve ◆ Focus on maintaining aging infrastructure: facilities, manholes, wastewater mains ◆ Final Cost of Service (COS) transition January 2026 ◆ Increased focus on aging infrastrcture is impacting rate	Reclaimed Water Rate Plan FY 2025-26 +12.0% FY 2027-28 +12.0% ◆ Maintains 20% Operating Reserve ◆ Rates support operating, water planning, conservation and adding capital costs ◆ Increased cost alignment is impacting rate	Solid Waste Rate Plan FY 2025-26 +7.0% FY 2027-28 +7.0% ◆ Maintains 15% Operating Reserve ◆ Addresses increased hauling and collection contract and nationwide recycling impact ◆ Contract cost increases are impacting rate
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City Residential Rate Comparison



Estimated based on Tempe Cost of Service July 2023 results at 10,000 gallons single family residential rates for FY 2023-24 plus known Water and Wastewater increases across all Cities

Cost of Services Allocations – Water / Wastewater

COS rate allocations:

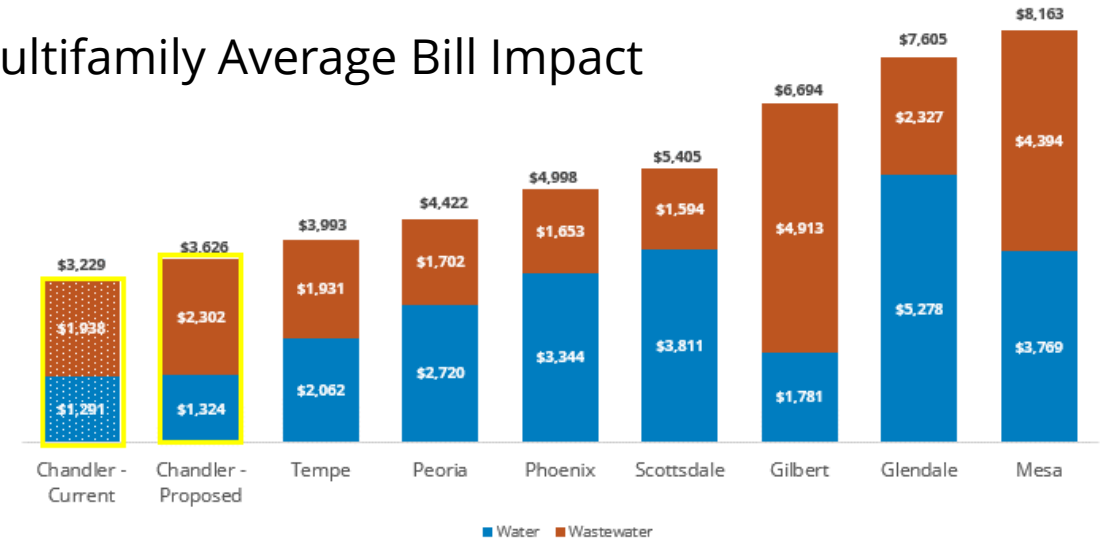
Water 8.5% increase

Residential	3.7%
Multifamily	2.5%
Non-Residential	11.4%
Landscape	13.7%
Industrial	21.3%

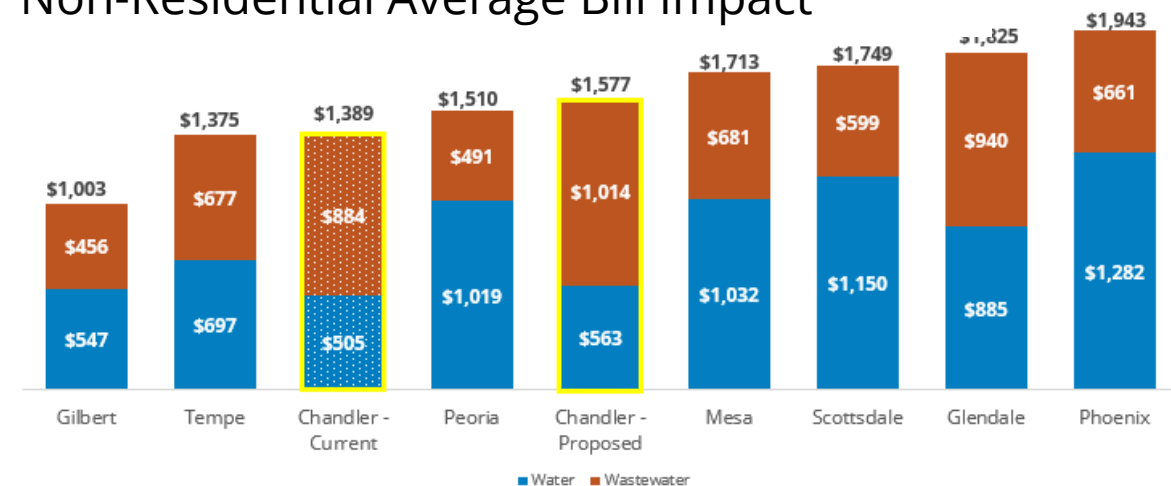
Wastewater 8% Increase

Residential	0.0%
Multifamily	18.8%
Non-Residential	14.8%

Multifamily Average Bill Impact



Non-Residential Average Bill Impact



Review List of Projects in the Proposed 10-year Capital Improvement Program (CIP)



Summary of Proposed Key General Government Capital Projects in the 1st 5-Years

Airport

- Hanger Area Pavement Reconstruction
- Runway 4R/22L Extension

Buildings & Facilities

- Building Renovations and Repairs
- Space Utilization Improvements

Community/Regional Park Improvements

- Tumbleweed Regional Park Expansion
- A.J. Chandler Park Improvements
- Existing Community and Neighborhood Park Imp
- Existing Athletic Field Improvements
- Mesquite Groves Phases I & II
- Folley Pool Renovation
- Lantana Ranch Park Site
- Tumbleweed Ranch

Development Services

- Citywide Fiber Upgrades
- Traffic Management Center Upgrades

Technology

- ERP Modernization/Replacement

Fire

- Emergency Vehicle Replacements
- Self Contained Breathing Apparatus Replacements
- Station #4 Rebuild Design

Police

- Forensic Services Facility
- Police Main Stations Renovations

Street/Transportation Projects

- Street Repaving Program (\$116.7M in first 5-years)
- Washington Street Improvements
- Alma School Rd (Germann Rd to Queen Creek Rd)
- Kyrene Road (Chandler Blvd to San Tan 202)
- Ray Road/Dobson Road Intersection Improvement
- Turf to Xeriscape Program
- Frye Rd Protected Bike Lanes
- Paseo Trail Crossing Improvements
- Kyrene Branch and Highline Canal Shared Use Path

Summary of Proposed Key General Government Capital Projects in the 2nd 5-Years

Airport

- Heliport Apron Construction
- Taxiway B Construction

Buildings & Facilities

- Building Renovations and Repairs

Community/Regional Park Improvements

- Existing Neighborhood Park Improvements
- Mesquite Groves Phase III
- Tumbleweed Ranch

Development Services

- Citywide Fiber Upgrades

Fire

- Station #4 Rebuild Construction
- Station #12 Design and Construction

Police

- Police Main Stations Renovations continuation
- Radio Communication Equipment

Street/Transportation Projects

- Street Repaving Program
- Warner Road (Price Rd. to Arizona Ave.)
- McQueen Road Improvements
- Ray Road/Dobson Road Intersection Improvement
- Ocotillo Road Shared Use Path



Key Budget Dates

Budget Event		Date
Council Budget Kickoff		Completed
Resident Budget Survey with Council Videos		Completed
Council Workshop #1		Completed
Council Workshop #2		Completed
Council Workshop #3 Capital Improvement Program		Tonight
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?



CHANDLER
arizona

