

Meeting Minutes

City Council Special Meeting

March 18, 2024 | 4:00 p.m.
Council Chambers Conference Room
88 E. Chicago St., Chandler, AZ



Call to Order

The meeting was called to order by Mayor Kevin Hartke at 4:24 p.m.

Roll Call

Council Attendance

Mayor Kevin Hartke
Vice Mayor OD Harris
Councilmember Angel Encinas
Councilmember Christine Ellis
Councilmember Mark Stewart
Councilmember Matt Orlando
Councilmember Jane Poston

Appointee Attendance

Josh Wright, City Manager
Kelly Schwab, City Attorney
Dana DeLong, City Clerk

Staff in Attendance

Dawn Lang, Deputy City Manager / Chief Financial Officer
Matt Dunbar, Budget and Policy Assistant Director
Matt Burdick, Communications and Public Affairs Director
Ryan Peters, Strategic Initiatives Director
Alexis Apodaca, Mayor and Council Public Affairs Senior Manager

Discussion

1. Budget Workshop #2, Fiscal Year 2024-25
 1. Opening Comments
 2. FY 2024-25 Budget Overview and General Fund Operating Budget Update
 3. Proposed 5-Year One-time General Fund Balance Forecast
 4. Assessed Valuation and Property Tax Update
 5. Key Budget Dates
 6. Closing Comments

MAYOR HARTKE called for a staff presentation.

JOSHUA WRIGHT, City Manager, introduced the discussion item.

DAWN LANG, Deputy City Manager / Chief Financial Officer presented the following presentation.

- FY 2024-25 Budget Workshop #2
- 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
 - FY 2024-25 Budget Overview and General Fund Operating Budget Update
 - Proposed 5-Year One-time General Fund Balance Forecast
 - Assessed Valuation and Property Tax Update
 - Key Budget Dates and Questions
- Chandler Budget Process Timeline
- Strategic Framework Guides Our Decision Making
 - Focus Areas
 - Economic Vitality
 - Innovation and technology
 - Mobility
 - Neighborhoods
 - Quality of Life
 - Good Governance

MATT DUNBAR, Budget and Policy Assistant Director, continued the presentation.

- FY 2024-25 Budget Overview and General Fund Operating Budget Update
- FY 2024-25 Budget Drivers (all funds)
 - Revenues
 - Revenues reflect actual economic environment with additional analysis on sustainable level
 - Increases coming from continued development & decrease from 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 enhancements are in strategic focus areas
 - Personnel costs increasing to invest in city workforce and retain employees; market, merit, and healthcare. Reflects ongoing savings from PSPRS employer contribution

- Capital projects increased to address aging infrastructure, inflation and new infrastructure
- Grants
 - Continued focus on finding Grant opportunities and having “shovel ready” projects that may qualify.
- Ongoing Savings with One-time \$
 - Maintain funded status of PSPRS to ensure unfunded liability does not grow
 - Solar energy investment for utility cost savings
 - Turf to Xeriscape for utility cost savings

VICE MAYOR HARRIS asked for more information on the impact of federal grants on the current year budget.

MR. DUNBAR continued the presentation.

- General Fund Forecast Revenues and Expenditures
 - Revenues Ongoing vs. One-Time
 - Major Revenues
 - 55% Transaction Privilege Tax
 - 33% State Shared Revenues
 - Drivers
 - Economy showing slow growth
 - Development still occurring
 - Resetting ongoing/one-time
 - Sustainable portion to support higher expenditures
 - Current Budget
 - Anticipate closer alignment with revenues
 - Expenditures Ongoing vs. One-Time
 - Major Ongoing Expenditures
 - Personnel (62% of GF budget)
 - O&M to support services
 - Drivers
 - Competitive wages & benefits
 - Continued inflation reset on some goods and services
 - Maintain services vs. new
 - Spending more to just maintain
 - O&M for new CIP planned
 - Current Budget Impacted
 - Inflation and areas of slow supply chain for capital & operating
- Ongoing/One-Time Local Sales Tax (TPT) Revenues

MAYOR HARTKE commented that the impacts of the Intel expansions are yet unknown.

MR. DUNBAR continued the presentation.

- State Shared Revenues (in Millions) 33% of General Fund

COUNCILMEMBER ORLANDO clarified that the percentage has not changed, the amount of revenue received has changed.

MR. DUNBAR agreed - as revenue is impacted, the amount received from the percentage decreases.

VICE MAYOR HARRIS asked if the state was behind in giving money to cities.

MR. DUNBAR said the vehicle license tax and state shares sales tax are shared in the same year they come in, while the state urban revenue sharing has a two-year lag. Each year we get updates.

VICE MAYOR HARRIS asked about the impact of the loss of residential rental tax on the budget.

MR. DUNBAR said the loss of the residential rental tax only has impacted cities. This shows in the local TPT chart.

VICE MAYOR HARRIS said in 2025, we will not receive any residential rental tax.

COUNCILMEMBER STEWART said landlords will still receive property taxes to pay, the tenant is not being charged sales tax anymore.

MR. DUNBAR said the cost is not passed down to the tenant.

MR. DUNBAR continued the presentation.

- Priorities for Ongoing Dollars
 - Maintain existing service levels within core programs and strategic focus areas and honor labor and personnel commitments
 - Continue converting successful one-time-funded programs and personnel to ongoing, sustainable sources
 - Enhance existing or new services specifically targeting Strategic Framework priorities
 - Continue to ensure Chandler remains an employer of choice in wages and benefits
 - Other service enhancements or additions, considering the option of one-time pilot programs first
- FY 2024-25 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
 - Navigator position conversion

- Continued investments in cybersecurity
- Costs associated with new personnel (vehicles, IT, etc.)
- Neighborhoods funding
- Surface water delivery increases
- Utility Chemical increases
- All Funds
 - \$29M in ongoing requests
 - \$17.5M recommended net of offsets
- General Fund (GF)
 - \$18.9M in ongoing requests
 - \$10.9M recommended net of offsets

COUNCILMEMBER STEWART asked what the overall increase in the budget is this year.

MR. DUNBAR said it is difficult to delineate the difference. Carryforward and new ongoing decision packages effect the future of projected budgets. Net and offsets contribute to about an \$11M increase.

COUNCILMEMBER ORLANDO asked out of the \$29M in ongoing requests for all funds, how much of this was requested.

MR. DUNBAR responded that the full \$29M was the original request, around \$17.5M net offsets, about an 18.5 increase.

MR. DUNBAR continued the presentation.

- FY 2024-25 Workforce Needs
 - FY 2023-24 Adopted 1,756 FTE + FTE Proposed for FY 2024-25
 - FTE converted from one-time funded to ongoing (26):
 - DEI Management Assistant - DEI
 - Digital Media Producer - CAPA
 - Downtown Operations & Special Event Coordinator - Cultural
 - Outside Plant Fiber System Sr. Analyst – Development Services
 - (4) Peak Time Engine Staffing - Fire
 - (2) Community Navigators - Neighborhoods
 - Crime & Intelligence Analyst - Police
 - (10) Grant funded Police Officers - Police
 - (5) Police Aides - Police
 - FTE Added with Revenue Offsets (8):
 - Development & Communications Program Manager (100%) – Cultural;
 - Center for the Arts
 - Performing Arts Program Manager (50%)– Cultural; Center for the Arts
 - (2) Fire Inspectors (75%) – Fire

- Housing Quality Inspector (75%) - Neighborhoods
- Business Compliance Representative (100%)– Management Services
- Utility Mechanic Sr (100%) – Public Work & Utilities
- Utility Plant Operator III (100%) – Public Works & Utilities
- FTE Added related to CIP Projects (5):
 - (2) Tumbleweed Multi-generational facility expansion – Community Services
 - (2) Real-time Crime Center Personnel – Police
 - Support Senior Analyst (O365) - IT
- Other General Fund (GF) funded FTE (6):
 - Emergency Manager - Fire
 - Information Security Analyst – IT
 - Sr. Budget Analyst – Management Services
 - Digital Forensic Examiner - Police
 - Construction Project Manager – Public Works & Utilities
 - Systems Technician II – Public Works & Utilities
- Other Non-GF funded FTE (3):
 - Principal Engineer – Public Works & Utilities
 - Utility Mechanic Sr – Public Works & Utilities
 - Water Resource Analyst – Public Works & Utilities
- Maximized reallocations & repurposing of existing positions prior to adding positions to address needs

MS. LANG added that the digital forensic examiner position is to sustain the program and add stability as officers move through the unit. This would be a non-sworn position supporting sworn officers. There are 22 actual new positions. 26 are public safety related, and 6 are generally safety related.

MAYOR HARTKE said there 32 total community safety positions. There are not many new hires, just moving the funding source.

MR. DUNBAR continued the following presentation.

- 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.

COUNCILMEMBER ORLANDO said this looks better than previous forecasts last year at this time.

MR. DUNBAR said at this stage last year that's where we were at. We were able to reset on the state shared revenues in anticipation this year.

MS. LANG continued the presentation.

- Proposed 5-Year One-Time General Fund Balance Forecast
- Priorities for One-Time Dollars
 - Maintain PSPRS pay-off and reinvest in existing aging infrastructure, neighborhoods & systems and projects that generate ongoing savings
 - Operating and capital spending to advance Strategic Framework goals
 - Maintain reserves sufficient to meet financial policies
 - New initiatives and capital, including sustainability
 - Paid down large unfunded PSPRS liability to generate ongoing savings

VICE MAYOR HARRIS asked if the opioids funding is considered one time or ongoing funds.

MS. LANG answered that it is a new revenue source, considered one time. There is a speculation of the amount the city will receive. Many cases are settled for less than estimated. We use the annual allotment for one-time purposes for public safety.

VICE MAYOR HARRIS requested information on the funds used to be shown in the budget.

MAYOR HARTKE said the opioid funding is a new initiative.

MS. LANG said the priorities laid out by mayor and council are how the funds are being used.

MS. LANG continued the presentation.

- 2024-24 One-Time Decision Package Recommendations (All Funds)
 - Significant Recommendations
 - Citywide Technology Projects
 - Enhanced Citywide Marketing
 - Park Irrigation Improvements
 - Continued Transit Services
 - One-time contract/chemical increases
 - Airport enhancements to expand development area
 - General area plan update
 - Police Wellness, Behavioral Health, Academy, and Real Time Crime Center Equipment & Technology
 - Human Services Allocations and Operation Open Door
 - Sustainability projects: Urban Forestry Program and increased funding for water conservation
 - All Funds
 - \$22.4M in one-time requests
 - \$21M recommended net of offsets
 - General Fund (GF)

- \$18.8M in one-time requests
- \$15.7M recommended net of offsets
- Maintain Funded Status of PSPRS to Ensure Unfunded Liability Does not Grow
- 5-Year One-Time General Fund Balance Forecast

COUNCILMEMBER ORLANDO asked what comprises the \$35M of one-time personnel and operations.

MS. LANG answered that some decision packages being recommended, there is known MOU agreements, and value of one-time payments for post-employment health plan, market for public safety. PSPRS and medical increases are built out separately.

COUNCILMEMBER ORLANDO asked to see a breakdown of the one-time personnel operations.

MS. LANG said a breakdown of line 12 will be in the proposed budget, can be presented earlier.

COUNCILMEMBER ORLANDO asked what the difference between the airport funds and self-insured funds were.

MS. LANG said they are rolled together - the airport funds have a revenue stream that does not cover operations. General fund pays the match on capital of around \$6M. The rest is comprised of self-insurance and contribution to the risk fund for insurance liability. There is an increase in cybersecurity recently. The cyber insurance policy has been to get on multi factor authentication, which adds new security to allow us to have higher coverage at a higher cost. One-time money needs to go into the fund for this.

COUNCILMEMBER POSTON asked if the multi factor authentication would result in savings in cyber insurance.

MS. LANG replied that there is a cost savings due to the increased coverage due to this policy. If there is a breach and we needed coverage, it allows us access to a higher payout. Without multi factor authentication, we would receive a payout of \$250K.

MS. SCHWAB added that we could get up to \$5M, with a recommended ceiling of \$10M due to what we've seen in the industry.

MR. WRIGHT clarified it is not a saving, just access to a better quality of coverage.

COUNCILMEMBER STEWART asked what is the most we have ever dipped into the one-time operating contingency fund, and asked if this should be set at a flat number rather than a percentage.

MS. LANG explained that as the city continues to grow, risk and contingency grows along with it. There are cities that do a fixed amount. Government Finance Officers Association recommends covering a minimum of 2 months operating reserves. Chandler's policy is currently coverage enough for 4 months of operations. This is for what we appropriate, not that we spend it.

COUNCILMEMBER STEWART asked what is the most we have ever dipped into the one-time operating contingency fund.

MS. LANG said between \$10-\$15M in a year.

MR. DUNBAR added that ARPA was a big one, since it was not in the budget, we used contingency funds to be able to spend those specific funds. It gives us authority to spend the grant dollars, we got reimbursed.

MS. LANG continued the presentation.

- Proposed 5-Year One-Time General Fund Balance Forecast

MR. DUNBAR continued the presentation.

- Assessed Valuation and Property Tax Update
- Property Valuation and Tax Rate History
- Property Tax Rate Comparison

COUNCILMEMBER STEWART asked if the property tax rate comparison is the city amount or contains all the additional districts funded by property tax.

MR. DUNBAR said that this is just the city portion for primary secondary.

COUNCILMEMBER STEWART asked if we used to have the lowest tax rate.

MR. DUNBAR said we have never been the lowest because Chandler collects primary and secondary, usually third or fourth on the rate chart. As we have subtracted from the primary rate, we have moved lower.

MR. DUNBAR continued the presentation.

- Breakdown of \$1 of Typical Chandler Property Tax Bill
 - Public Schools and Community College Districts 70 cents
 - Maricopa County and Special Districts 19 cents
 - City of Chandler 11 cents
 - Based on 2023 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
- Impact to Median Value Homeowner Primary Tax Rate Options

COUNCILMEMBER ORLANDO asked if there will still be a higher payment due to the increased assessed value.

MR. DUNBAR said the increase in assessed value in the secondary rate. The primary rate will not face an increase.

MAYOR HARTKE asked for Council's opinions on a flat rate or a rate reduction for the primary property tax. Mayor Hartke said his opinion would be to reduce by one cent.

COUNCILMEMBER STEWART supported the one cent decrease.

COUNCILMEMBER ELLIS supported the one cent decrease.

COUNCILMEMBER ORLANDO did not have a preference, and asked if the state legislature would have any affect on this.

MAYOR HARTKE said this is a real concern. If no state legislature actions are realized, then we will consider this one cent decrease.

COUNCILMEMBER ENCINAS agreed.

VICE MAYOR HARRIS agreed.

Council direction was to anticipate a one cent reduction to the primary tax rate.

MR. DUNBAR continued the presentation.

- Key Budget Dates
- Questions?

Adjourn

The meeting was adjourned at 5:48 pm.

ATTEST: _____
City Clerk

Mayor

Approval Date of Minutes: April 4, 2024

Certification

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the City Council of Chandler, Arizona, held on the 18th day of March 2024. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this _____ day of April, 2024.

City Clerk