Capital Project Funding
Bond Election Discussion

Mayor and Council Work Session

Thursday, June 27, 2024

Agenda

- ➢2025-2034 Capital Improvement Plan (CIP)
- ➢Deep Dive on Bond & General Funded Projects
- ➢Inflation Impacts to Funding Plan
- ➢Secondary Property Tax as CIP Funding Source
- ➢Supplementing CIP with Alternate CIP Funding Source
- ➢Other Valley Cities
- ➢Bond Election History and Timelines
- ➢Options and Council Direction

Strategic Framework
Capital Needs in All Areas

Focus Areas

- Economic Vitality
- Sustainability and Technology
- Connectivity
- Neighborhoods
- Quality of Life
- Community Safety

2025-2034 Capital Improvement Plan (CIP)

$2,488,884,031

Total 10-year CIP is funded as follows

- **68.4% Bond Funded**
- **22% Current Revenues/ Fund Balance**
- **7% Grants**
- **1.9% System Development Fees**

68.4% of 10-Year CIP is Bond Funded

10-Year CIP by Group and Funding Method					
Water & Wastewater (W&WW) CIP Program					
	W&WW ETRO Bonds	Operating	Grants	W&WW Industrial Process Fees	W&WW Total
Total	1,076,148,000	138,302,680	5,000,000	6,500,000	1,225,950,680
% of Group-Total	87.78%	11.28%	0.41%	0.53%	
% of Total CIP	43.24%	5.56%	0.20%	0.26%	49.26%
General, Airport and Solid Waste CIP Program					
	GO Bonds	Operating	Grants	HURF, LTAF & Impact Fees	Non-W&WW Total
Total	625,691,360	315,028,391	186,976,980	135,236,620	1,262,933,351
% of Group-Total	49.54%	24.94%	14.80%	10.71%	
% of Total CIP	25.14%	12.66%	7.51%	5.43%	50.74%

Total 10-year CIP is $2,488,884,031

GO Bond Authorization

GO Bonds cannot be issued without residents authorizing this first

Type of Voter Approved Debt	Available Authorization After 2021 & 2023 Bond Sales	Fall 2025 Bond Sale	Remaining Authorization	Fall 2027 Bond Sale	Remaining Authorization
Parks/Recreation/ Museum/Arts	$ 52,130,000	$ (40,930,000)	$ 11,200,000	$ (54,825,000)	$ (43,625,000)
Streets	98,681,000	(72,725,000)	$ 25,956,000	(75,625,000)	$ (49,669,000)
Public Safety- Police	55,340,000	(55,340,000)	$ -	(17,000,000)	$ (17,000,000)
Public Safety- Fire	15,181,000	-	$ 15,181,000	(3,300,000)	$ 11,881,000
Airport	494,000	-	$ 494,000	-	$ 494,000
Public Buildings (Facilities)	31,050,000	(7,100,000)	$ 23,950,000	(9,000,000)	$ 14,950,000
Stormwater	624,000	-	$ 624,000	(300,000)	$ 324,000
Library	3,680,000	-	$ 3,680,000	-	$ 3,680,000
Subtotal	**$ 257,180,000**	**$ (176,095,000)**	**$ 81,085,000**	**$ (160,050,000)**	**$ (78,965,000)**
Landfill	4,935,000	-	$ 4,935,000	-	$ 4,935,000
Public Buildings	9,960,000	(6,000,000)	$ 3,960,000	-	$ 3,960,000
Water/Wastewater	-	-	$ -	-	$ -
Total	**$ 272,075,000**	**$ (182,095,000)**	**$ 89,980,000**	**$ (160,050,000)**	**$ (70,070,000)**

Bond Authorization usage higher than anticipated and will be exhausted by FY 2025-26 for Police, 2026-27 for Streets and Parks, and FY 2028-29 for Fire. Additional Bond Authorization needed to continue capital program in these areas.

Deep Dive on GO Bond & General Fund 10-Year CIP Projects

Refer to Handouts

GO Bond Funded Projects ($626M)

- Summarized by bond category (blue lines)
- Projects not highlighted will use existing bond authorization
- Projects highlighted need additional bond authorization to complete ($395M)
- Supports new and existing infrastructure

General Funded Projects

- Summarized by department/division
- Supports areas without bond authorization (i.e. Technology, Fiber, Airport)
- Higher revenue used to fund bond eligible projects to extend current bond authorization
    - Applied ARPA to some freeing up General Fd
    - Higher General Fund revenue (over $60M) is result of inflation, Intel and other developments, and shift to 2.5% flat tax in State Shared
    - Typical one-time revenue is $21M to $30M

GO Bond Projects
Project's Impacted from 2021 Election

Parks

Existing Neighborhood & Community Parks
AJ Chandler Park Renovation
Mesquite Groves Phase II and III
Existing Community and Neighborhood Park Improvements
Folley Pool/Park Renovation
Lantana Ranch park site

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
Ocotillo Rd shared use path

Public Safety Fire

Fire Station 4 Rebuild (portion)

Public Safety Police

Forensic Services Facility
Police Main Station and Criminal Investigation Bureau (CIB)/Communications Renovations

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)

Public Safety Police

Forensic Facility Auth $38,325,000

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

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%

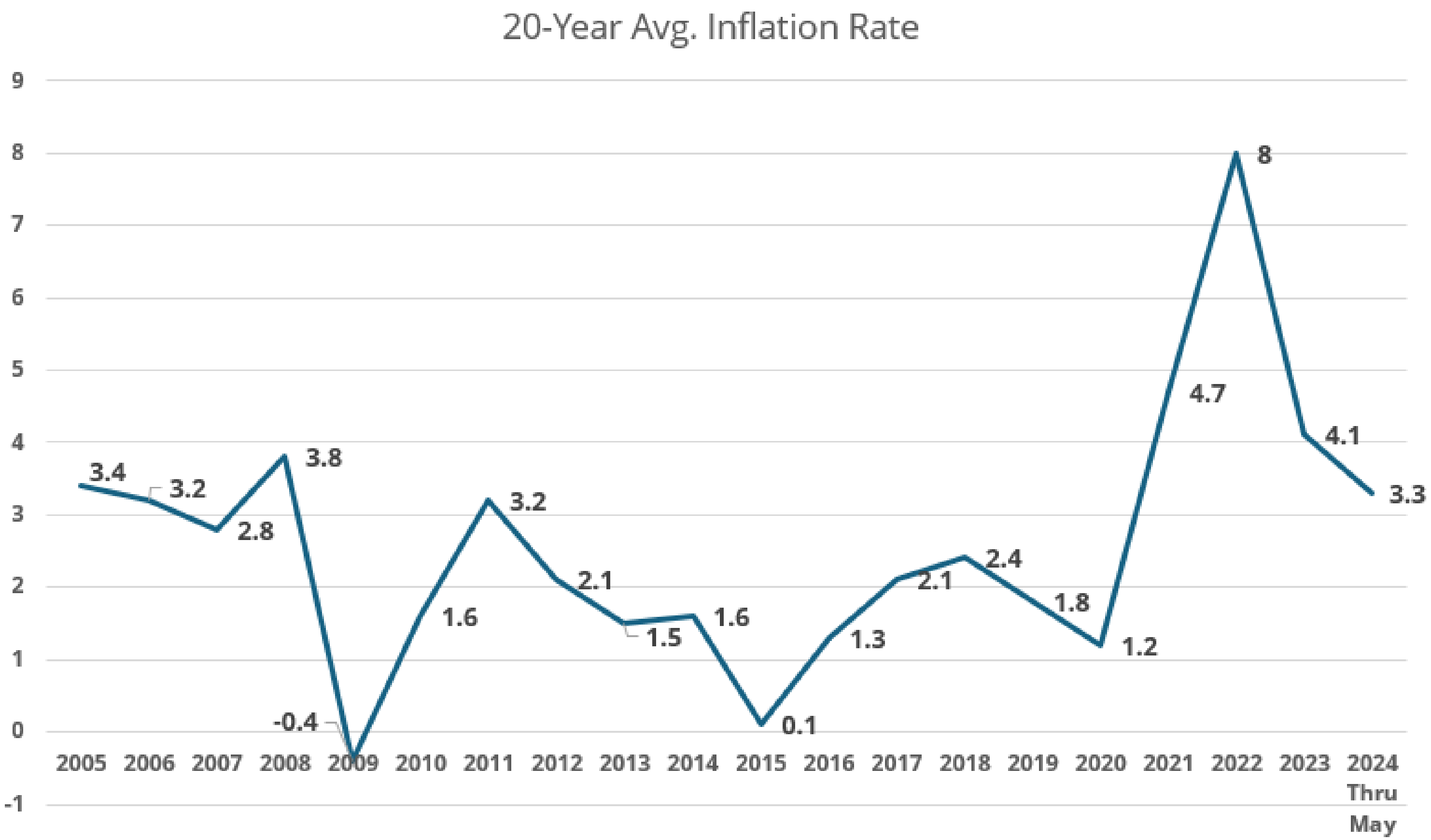
Public Safety Fire

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

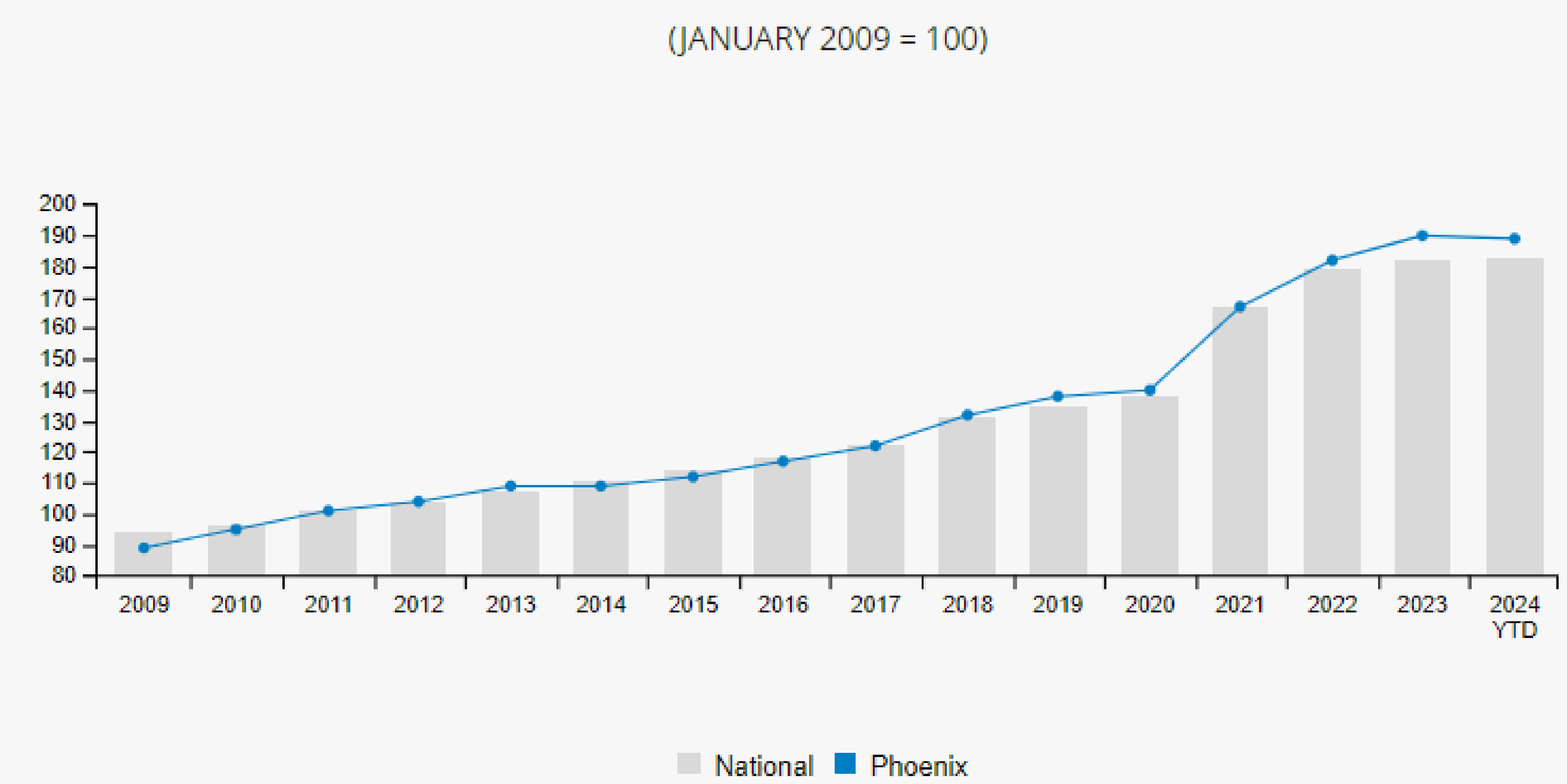
Inflation's New Normal



In last 20 years, only one year would have seen project costs coming down 0.4%.

Data source: U.S. Bureau of Labor Statistics: All Items in U.S. city average, all urban consumers, not seasonally adjusted.

Construction Price Index New Normal



Data source: The Mortenson Construction Cost Index is calculated quarterly by pricing a representative non-residential construction project in geographies throughout the country.

Construction Costs continue to go up, just not as fast

CIP Inflation Impact Example

Forensic Facility

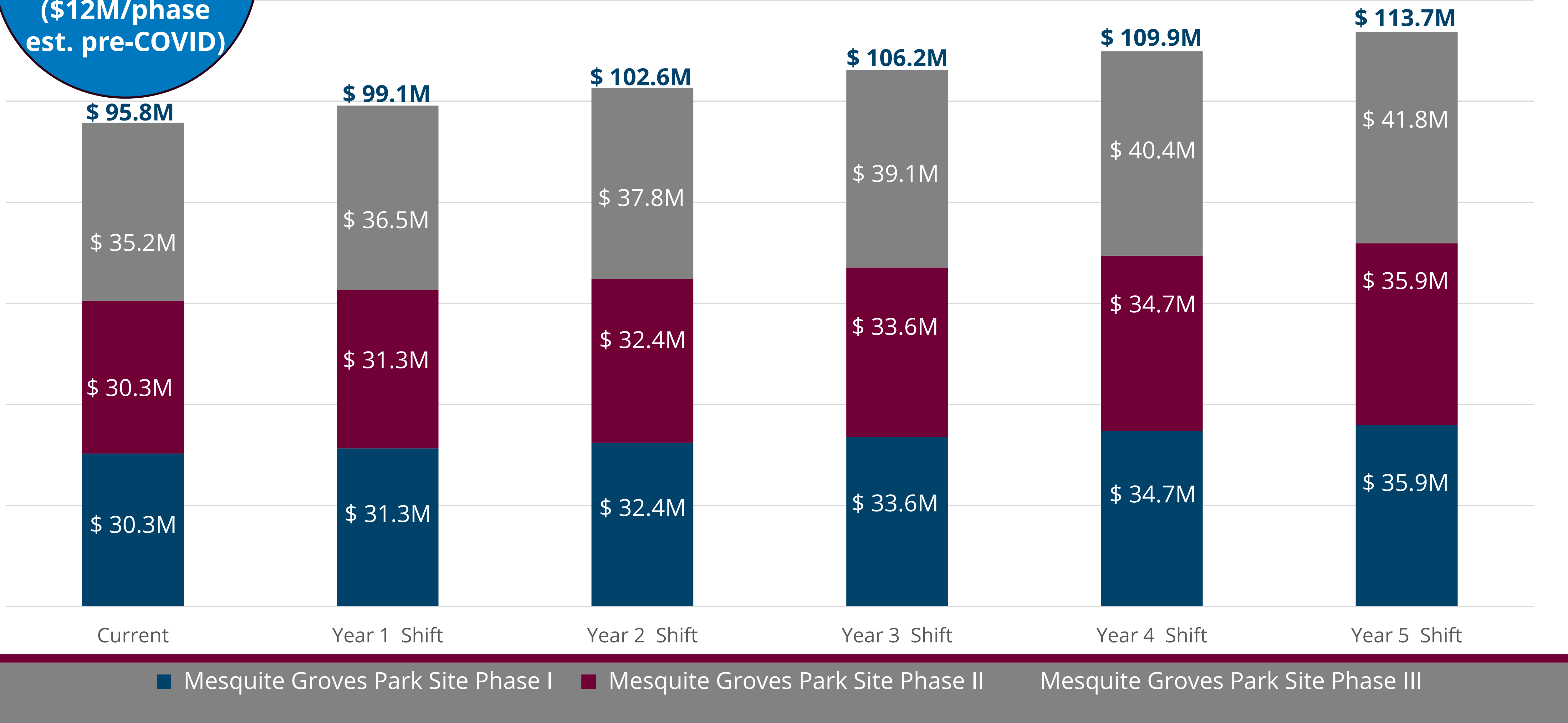
Should future partnerships happen, authorization would last longer for other projects

- Anticipate cost of build to continue to increase
- Project at $55.340M using current bond authorization and $9.1M of General Fund included in FY 2024-25 and FY 2025-26
- Study anticipates new build since growth of Police Department has exceeded current Police Admin building
- Options retrofitting existing or building new are both large capital costs
- Partnership options may be available, but size of facility would be larger with larger savings being on ongoing operations

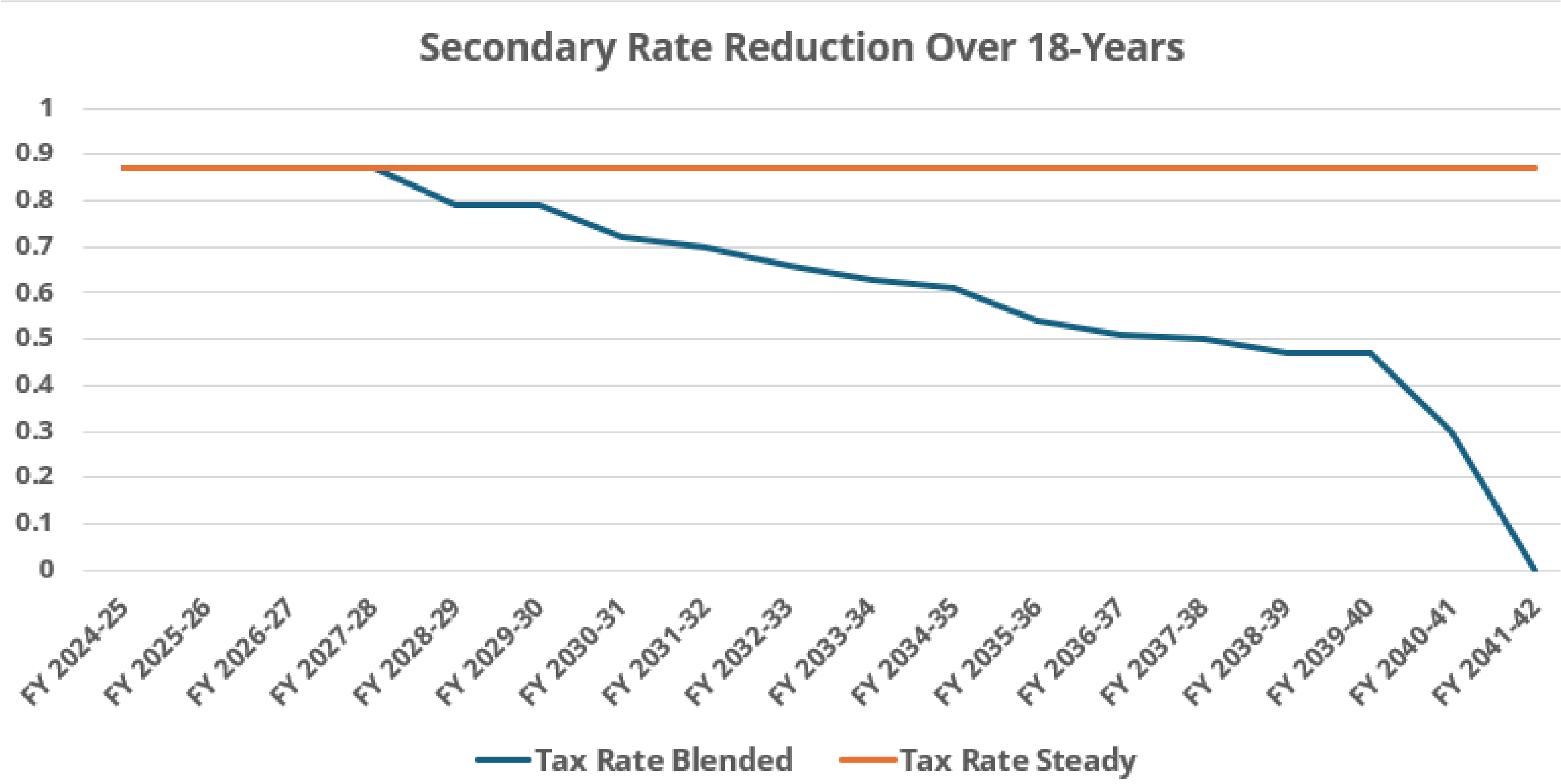
CIP Inflation Impact Example

Mesquite Groves

Costs anticipated to increase each year under this new normal ($12M/phase est. pre-COVID)



Funding the 10-year CIP
Secondary Property Tax Supports GO Bonds
(AAA bond rated = low-cost debt)



Property Tax Rate supporting current 10-year CIP in Orange

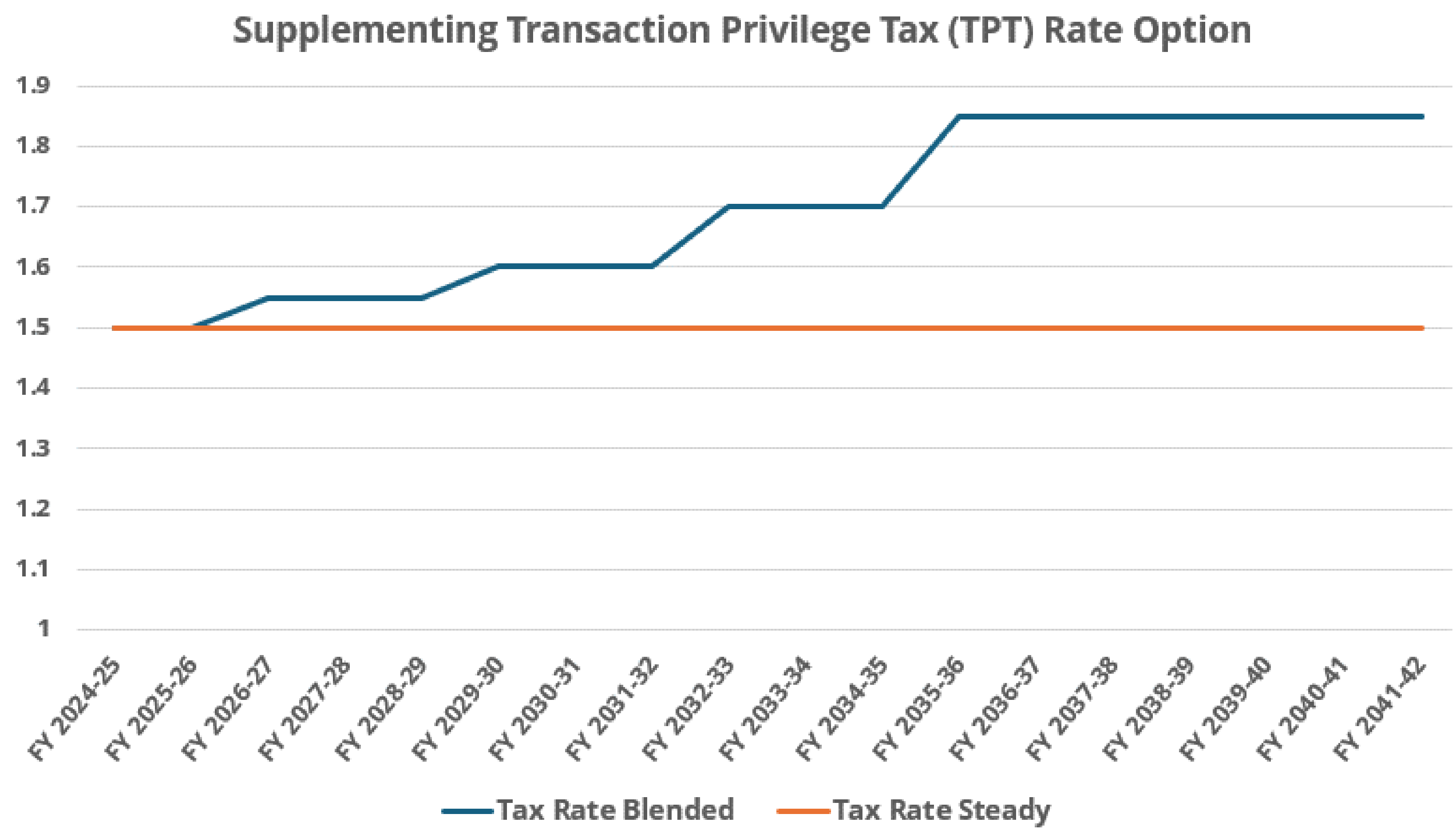
Property Tax Rate supporting current bond auth only in Blue

Benefits of utilizing Secondary Property Tax:

- Tax Rate approved by voters and collected annually
- Deductible on personal taxes
- Considered a more stable revenue source
- Equitable – pay over time
- Levy funds debt service of entire 10-year plan without rate increase based on current projects

Funding the 10-year CIP

Supplementing Secondary Property Tax when Existing Bond Authorization is Fully Utilized



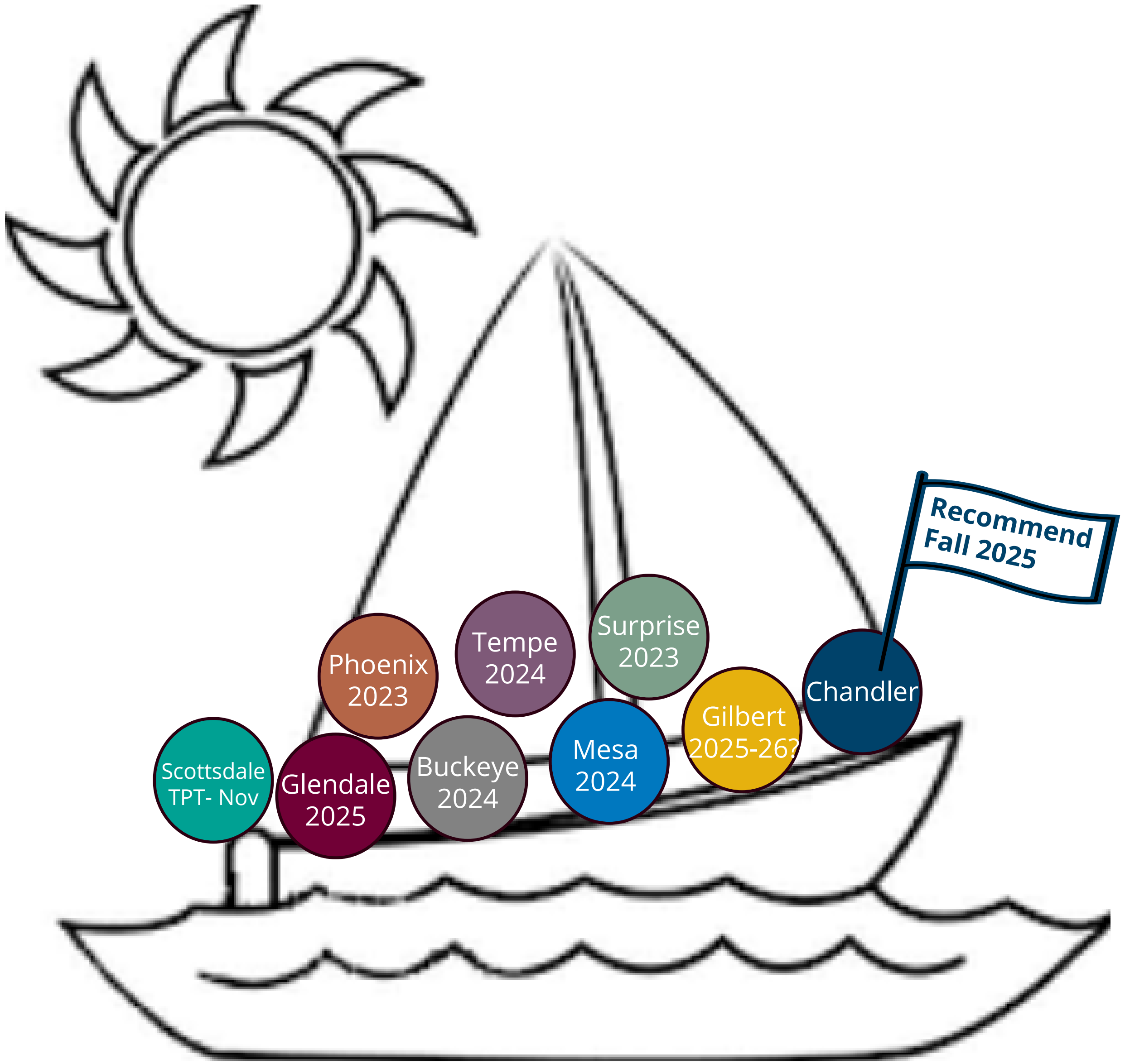
Current TPT Rate in Orange

Tax Rate supplementing secondary tax when existing bond authorization is fully utilized in Blue

Considerations:

- Changes impact businesses
- Rate change every three years would be needed or increase from 1.5 to 1.85 to meet debt service need
- Would constrain use of ETROs for Utility projects and ongoing operations
- Tax increase must remain for life of bonds

Who is in "The Same Boat" with Chandler?



Bond Election History

Bond Category	2000 Election	2004 Election	2007 Election	2021 Election
Parks and Recreation	$34,935,000	$40,600,000	$81,350,000	$72,985,000
Fire	$4,655,000	$4,580,000	$14,265,000	$25,160,000
Police	$3,800,000	$4,360,000	$15,745,000	$55,190,000
Art Center			$4,200,000	
Museum		$8,500,000	$4,500,000	
Streets	$23,795,000	$59,095,000	$202,310,000	$85,780,000
Effluent Reuse	$24,410,000			
Water and Sewer	$29,745,000	$36,580,000	$107,850,000	
Public Buildings			$9,960,000	$33,570,000
Library			$11,255,000	
Total	**$121,340,000**	**$153,715,000**	**$451,435,000**	**$272,685,000**

The City of Chandler has had great success with residents voting to approve bond authorization to support the capital plan. Since 2000 the City has held 4 bond elections. All with significant education/outreach.

The table shows the bond authorization amounts approved in each category since 2000.

Previous 2021 Bond Election Results

Parks
$72,985,000
68.24% Yes

Fire
$25,160,000
73.22% Yes

Police
$55,190,000
69.33% Yes

Facilities
$33,570,000
65.69% Yes

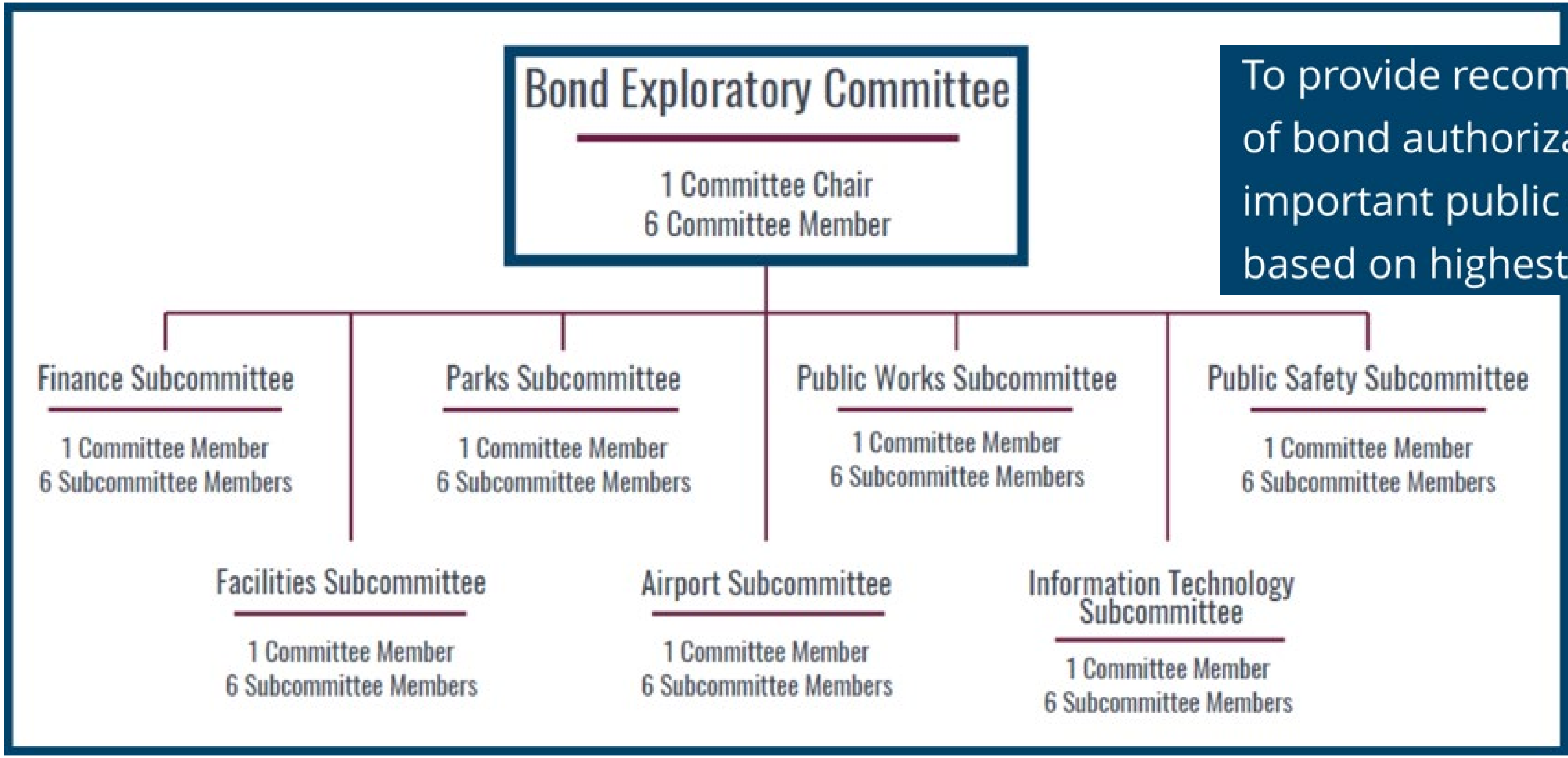
Streets
$85,780,000
73.14% Yes

Council direction was to not increase secondary property tax rate

Previous 49 Member Bond Exploratory Election Committee

Purpose of Committee

To provide recommendation to City Council of bond authorization needed to support important public capital/infrastructure based on highest priorities



Newly formed committee focus can be reimagined

Bond Exploratory Sample Committee Timeline

July-Aug 2024
Committee selected

Aug. – Sep. 2024
Kick-off begins

Sep.–Nov. 2024
Committee meetings take place

Dec. 2024
Final Review with Finance Sub-committee in December 2024

Jan. 2025
Recommendation approved by Committee

Jan. - Feb. 2025
Draft report prepared

Feb. - Mar. 2025
Committee chair reports to Mayor and Council on recommendation and presents executive report

May 8, 2025
Call for Bond Election by May 8, 2025, for November 4, 2025, election

Bond Election Sample Process

Date	Description
Aug-Dec 2024	Bond Steering Committee process
Feb-Apr 2025	City Council discussion of recommendation
May 8, 2025	City Council calls for an election/approves ballot language by Resolution
June 7, 2025	Ballot language submitted to Maricopa County by deadline
July 7- Aug 6, 2025	Accepts Pro/Con Arguments
September 23, 2025	Sample ballot and informational pamphlet mailed to voters before election
October 6, 2025	Last day for voters to register for election
October 8, 2025	First day to mail out ballot
November 4, 2025	**Election Day**
November 24, 2025	Deadline for City Council to canvas the election

Options and Council Direction

- •Begin formulation of Bond Exploratory Committee to evaluate project merits, financing options, and timelines

- •Evaluate other sources of CIP financing to maintain as much of 10-year plan as possible (e.g. TPT, impact fees)

- •Significantly pare back 10-year CIP to avoid bond authorization shortfalls post-2026 with no additional revenue stream

Questions