



City Council Special Meeting Budget Kickoff

Monday, October 14, 2024
4:00 p.m.

Chandler City Council Chambers
88 E. Chicago St., Chandler, AZ



Special Meeting



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 Monday, October 14, 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. **FY 2025-26 Budget Kickoff Work Session**
 1. FY 2024-25 Budget Actions
 2. Budget Process
 3. Strategic Framework Focus Areas
 4. FY 2025-26 Budgetary Impacts
 5. Capital Guidelines
 6. Financial Policies and Budget Practices
 7. Key Dates

Public Comment

Public comments will be heard only for the item(s) on that published meeting agenda. Up to 15 minutes will be allotted for public comments on the agenda item(s) at the end of the agenda and each speaker will be allocated up to three minutes at the discretion of the Presiding Officer or designated parliamentarian.

Adjourn



City Council Memorandum Management Services Memo No.

Date: October 14, 2024
To: Mayor and Council
From: Matthew Dunbar, Budget and Policy Director
Subject: FY 2025-26 Budget Kickoff Work Session

Attachments

FY 2025-26 Budget Kickoff Presentation



CHANDLER
arizona
Community of Innovation

FY 2025-26 Budget Kickoff with Mayor and Council

Council Conference Room
Monday, October 14, 2024 | 4:00 p.m.





Agenda

- I. FY 2024-25 Budget Actions
- II. Budget Process
- III. Strategic Framework Focus Areas
- IV. FY 2025-26 Budgetary Impacts
- V. Capital Guidelines
- VI. Financial Policies and Budget Practices
- VII. Key Dates



- Council Discussion Point

FY 2024-25 Budget Actions



- Sales tax rates unchanged – one of the lowest in AZ
- Reduced property tax rate from \$1.0926 to \$1.0826 per \$100 of assessed value – 9th year of reduction
- No changes to Water/Wastewater/Reclaimed & Solid Waste Rates
- 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 maintain the paid off status off the Public Safety Personnel Retirement System (PSPRS) unfunded liability (+7M / \$205.3M to date)
- Added funding for new two-year labor association commitments and general employee pay increases
- Added 48 positions, 34 of which (70%) were converted from one-time funded to ongoing funding or have an offset from grants or other revenue and 5 were to fill the needs of new capital projects
- Budget Stabilization Reserve continues at \$10M

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), 2 (March) and 3 on the CIP (March)



Proposed budget brought to Council for discussion at all-day briefing (May 2nd)

FY 2025-26 Budget Theme

“Strength in Numbers”





Strategic Framework Guides Our Decision Making

Council Retreat Coming
Spring 2025

Focus Areas

- Economic Vitality
 - Sustainability and Technology
 - Connectivity
 - Neighborhoods
 - Quality of Life
 - Community Safety
- All CIP and Decision Package adds are tied to their related Focus Area

The Brightside

Fiscal Year (FY) 2025-26 Budgetary Impacts

Personnel/Staffing

- PSPRS unfunded liability continues its paid off status, which allows for freed up ongoing funding (biggest impact will be this upcoming FY)
- Making progress on the number of vacancies
- Added positions (54% Police/Fire) to reduce pressure in high need areas and shift one-time funded positions to ongoing



Local Economic Impacts

- Local revenues in line with budget
- Industrial construction impacts are still being seen in our monthly revenues
- New retail and entertainment concepts continue to open that bring destination-based experiences to Chandler
- State shared income tax will level downward to new normal
- Long tradition of strong financial management
- AAA upgrade on ETRO Bonds and maintained on GO Bonds



The Challenges

Fiscal Year (FY) 2025-26 Budgetary Impacts

Economy & Inflation



- Costs, driven higher by prior year inflation, remain high; concern of recession continues
- Bond Election needed for additional authorization in four categories

Technology



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

Personnel/Staffing



- Retirement and vacancy impacts will continue to be an issue
- ERP system will require significant citywide staff effort
- Still some reliance on temp labor for critical services

Legislative Impacts



- Legislative Impacts to local tax base and Model City Tax Code continue to be watched (e.g., grocery tax)
- Full effect of Residential Rental tax removal bill will impact new FY (est. impact \$11M ongoing or about 6% of TPT revenue)
- Prop 479 in voters' hands in November

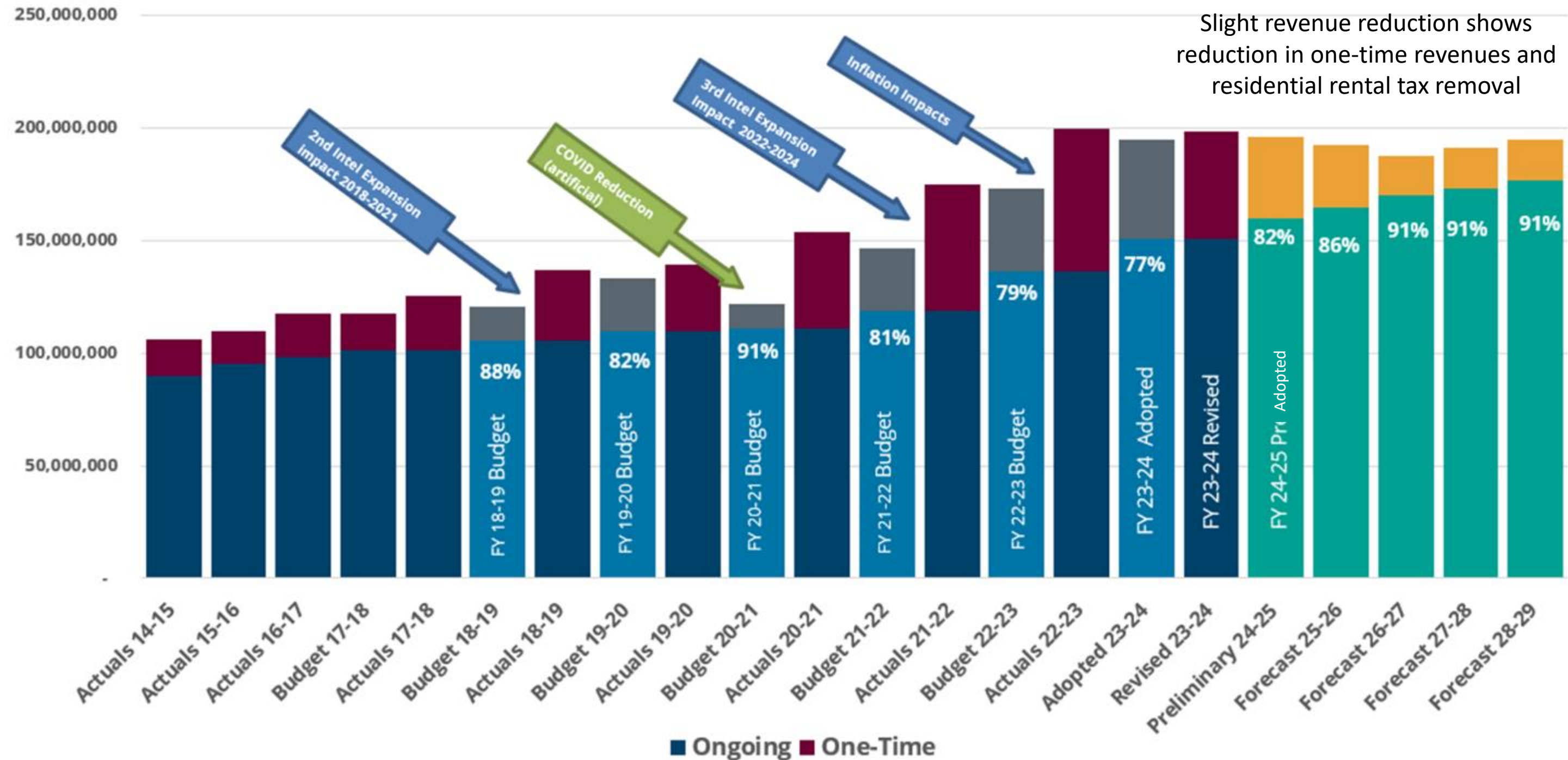
The Challenges

Fiscal Year (FY) 2025-26 Budgetary Impacts

Delineating Ongoing vs. One-Time

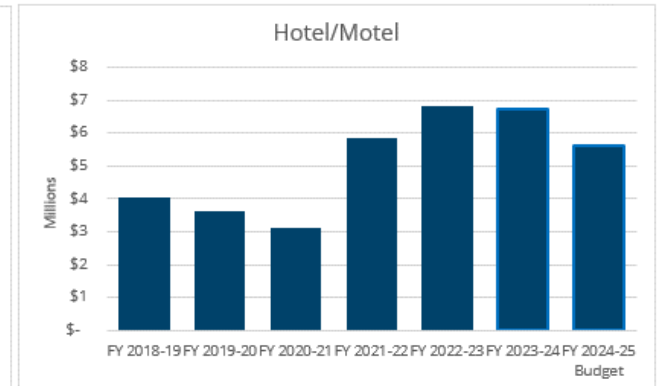
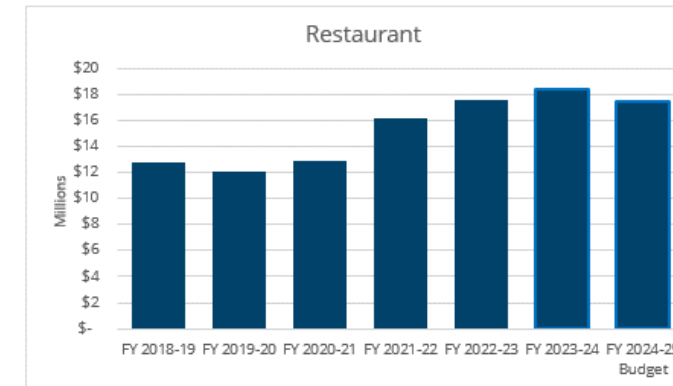
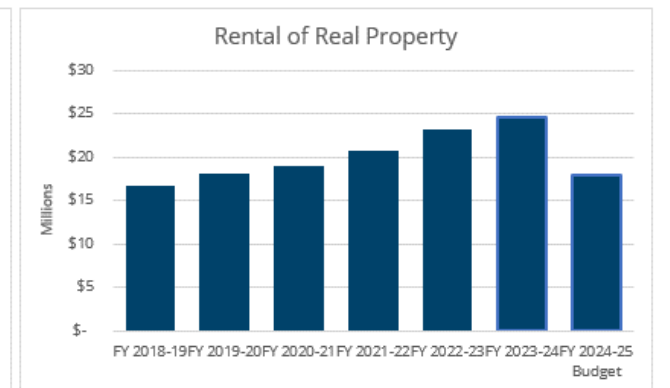
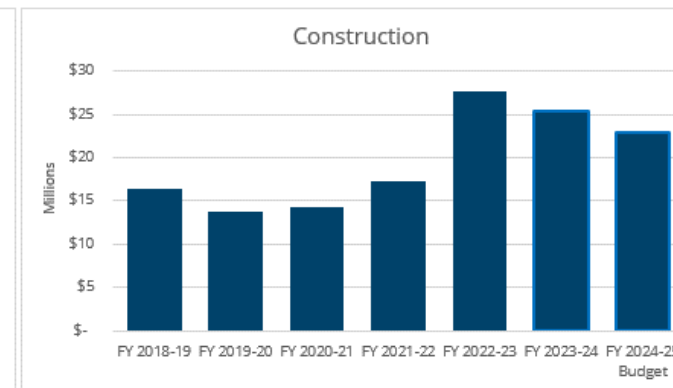
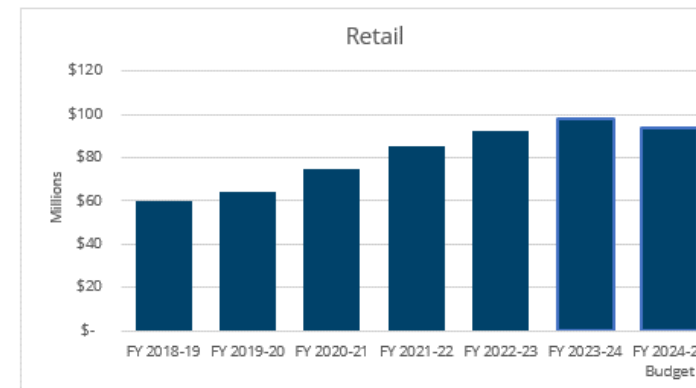
This year 82% ongoing GF TPT revenues and 18% one-time was budgeted

Transaction Privilege Tax (TPT or Sales Tax)



The Challenges

Fiscal Year (FY) 2025-26 Budgetary Impacts Delineating Ongoing vs. One-Time



Tax Category	Prior Year Actuals	Current Year Budget	Ongoing Estimate	One-time Estimate
Utilities Tax	\$ 18,510,764	\$ 21,950,000	\$ 20,450,000	\$ 1,500,000
Telecommunications Tax	2,045,904	1,550,000	1,550,000	-
Publishing/Adv/Printing/Transp Tax	174,842	200,000	200,000	-
Restaurant & Bars Tax	18,453,260	17,500,000	12,000,000	5,500,000
Amusements Tax	1,691,668	1,300,000	1,000,000	300,000
Real Property Rental Tax	24,628,962	18,000,000	11,500,000	6,500,000
Tangible Personal Property Rental Tax	7,244,167	5,500,000	4,000,000	1,500,000
Hotels & Transient Lodging Tax	6,740,884	5,600,000	4,400,000	1,200,000
Contracting Tax	25,281,079	22,900,000	15,400,000	7,500,000
Retail Tax	97,766,534	94,000,000	86,040,000	7,960,000
Use Tax	4,079,296	7,500,000	3,460,000	4,040,000
Totals	\$ 206,617,360	\$ 196,000,000	\$ 160,000,000	\$ 36,000,000
			82%	18%

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

Council Priorities for One-Time Dollars



1. Maintain reserves sufficient to meet financial policies

2. Reinvest in existing aging infrastructure, systems, and projects that generate ongoing savings

3. Focus operating & capital spending to move forward strategic focus area action items

4. New initiatives and capital, including sustainability



- Minimize increase in secondary 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
- Ensure sufficient bond authorization exists to complete projects desired by residents
- Balance timely completion and coordination of capital projects with impacts to neighborhoods and businesses

Capital Guidelines



Resident Budget Survey

- Run from Nov. – Jan.
- Run ad campaign to encourage participation
- Offer in English, Spanish, and Mandarin
- 15 questions, 1-2 in each focus area with comment box
- Additional updates to questions or process?

Maintain similar
Budget Survey
process to generate
community
involvement

(1,310 for FY 2023-24 | 1,768 for FY 2024-25)





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*

Will review and bring to Council any recommended updates along with the required update for the pension policy

* Updated February 2024

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 for reduction



**Council Approved
Budgeting Practices
Support Financial
Sustainability**





FY 2025-26 Budget Process Updates



Continued Modified Zero Based Budget (MZBB)

- Helps ensure current budgets are right-sized based on services provided
- Analysis includes review of services, related expenditure category spending trends, and line-item reviews
- Started with 2 departments/divisions in first year, 3 more in current year
- Results to be reported at All Day Budget Briefing

Council Process changes implemented in FY 2024-25 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 ✓

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- New process changes for FY 2025-26?

**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 2024-Jan 2025
Council Workshop 1		February 6, 2025
Council Workshop 2		March 24, 2025
Council Workshop 3		March 27, 2025
All-Day Budget Brief		May 2, 2025
Council Meetings:	Tentative Adoption	May 22, 2025
	Public Hearing & Final Adoption	June 12, 2025
	Adoption of Tax Levy	June 26, 2025

Public comment opportunities are now a part of all these budget meetings

Questions?

