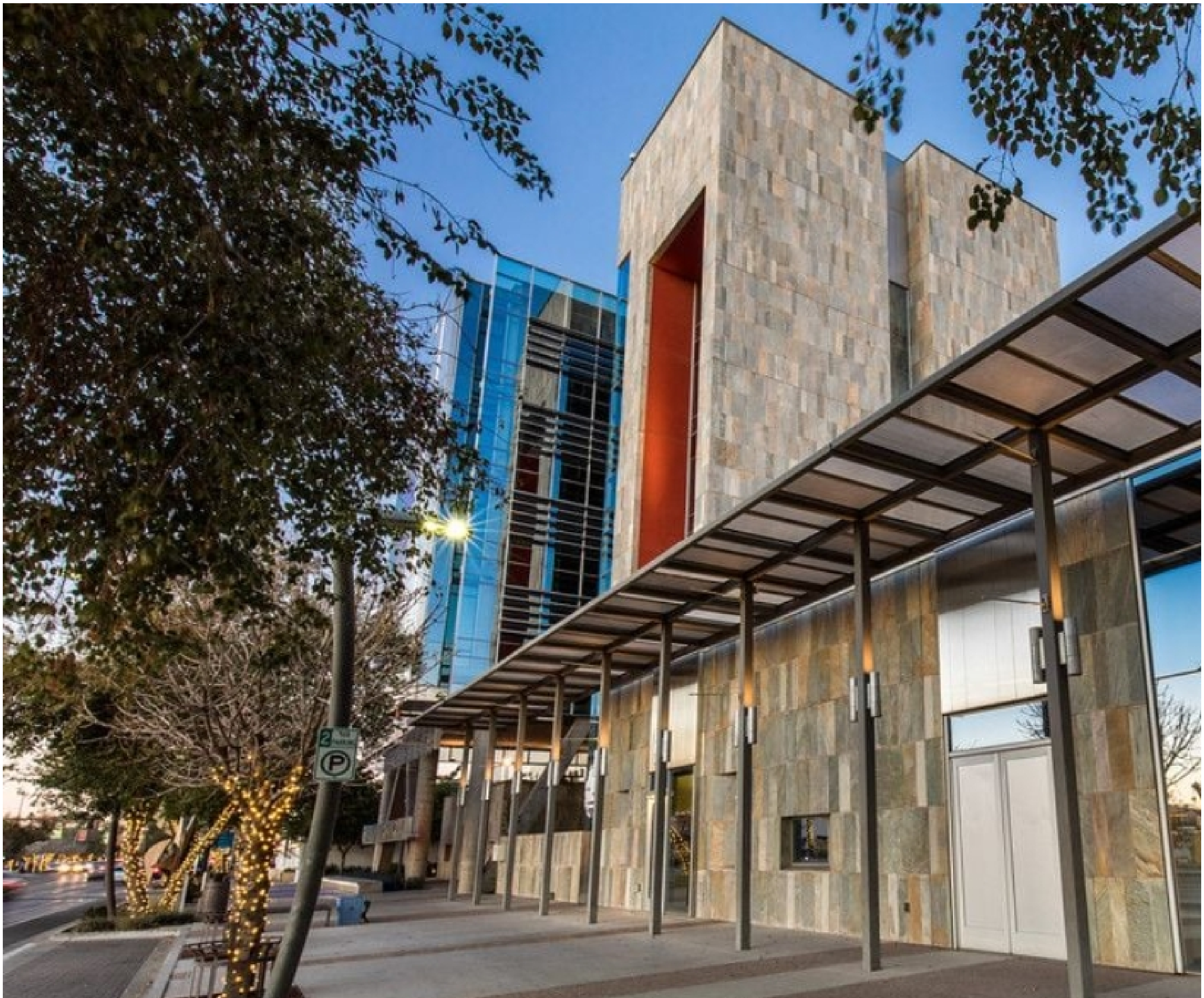

City Council Special Meeting
Budget Kickoff

Monday, October 13, 2025
4:00 p.m.

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

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Back row
Councilmember Matt Orlando, Councilmember OD Harris, Councilmember Jane Poston, Councilmember Jennifer Hawkins

Front row
Vice Mayor Christine Ellis, Mayor Kevin Hartke, Councilmember Angel Encinas

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 - Budget Kickoff on Monday, October 13, 2025, beginning 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. **Fiscal Year 2026-27 Budget Kickoff Work Session**
    - Fiscal Year 2025-26 Budget Actions
    - Budget Process
    - Strategic Framework Focus Areas
    - Fiscal Year 2026-27 Budgetary Impacts and Guidelines
    - Capital Improvement Guidelines
    - Financial Policies and Budget Practices
    - 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

ITEM 1

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City Council Memorandum **Budget Memo No.**

Date:	October 13, 2025
To:	Mayor and Council
From:	Matthew Dunbar, Budget and Policy Director
Subject:	Fiscal Year 2026-27 Budget Kickoff Work Session

Attachments

FY 26-27 Budget Kickoff Presentation

FY 2026-27
Budget Kickoff
with Mayor and Council

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Council Conference Room
Monday, October 13, 2025 | 4:30 p.m.

Agenda

I. FY 2025-26 Budget Actions
II. Budget Process
III. Strategic Framework Focus Areas
IV. FY 2026-27 Budgetary Impacts & Guidelines
V. Capital Guidelines
VI. Financial Policies and Budget Practices
VII. Key Dates

- Council Discussion Point

FY 2025-26 Budget Actions

- Sales tax rates unchanged at 1.5%- lowest in AZ
- Reduced property tax rate from $1.0826 to $1.0818 per $100 of assessed value – 10^{th} year of reduction
- Planned changes to Water/Wastewater/Reclaimed & Solid Waste Rates to keep funds self supporting, while remaining one of the lowest costs in Arizona
- 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 (up to $25M)to maintain the paid off status off the Public Safety Personnel Retirement System (PSPRS) unfunded liability
- Added funding for final year of labor association commitments and general employee pay increases
- Added 18 positions, 14 of which (78%) were either converted from one-time funded to ongoing or have an offset from grants or other revenue
- Maintains Budget Stabilization Reserve 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/Utility Rates (March)

Proposed budget brought to Council for discussion at All-Day Budget Briefing (May 1st)

FY 2026-27 Budget Theme

“Adding Sense to Dollars”

Strategic Framework Guides Our Decision Making

The Brightside

Budgetary Impacts

Personnel/Staffing

- PSPRS unfunded liability continues its paid off status, anticipating additional ongoing savings
- Making progress on reduced vacancies, especially in Police
- Added positions will help reduce pressure in high need areas and shift one-time funded positions to ongoing
- Use of Temps to fill short-term needs

Local Economic Impacts

- Local revenues in line with budget
- Industrial construction impacts are winding down with one-time revenues declining. Use of past one-time generated ongoing savings.
- New retail, entertainment concepts, and businesses continue to open.
- State shared income tax have adjusted to new normal bringing better predictability but less one-time funding
- Long tradition of strong financial management
- Current AAA rating on GO and ETRO Bonds will be re-evaluated in November for new sales

The Challenges

Budgetary Impacts

Economy & Inflation

- Costs, driven higher by prior year inflation, remain high; concern of recession continues
- Bond Election in process with results unknown

Personnel/Staffing

- New MOU agreement outcome must be sustainable
- Retirement and vacancy impacts will continue
- ERP system will require significant citywide staff effort/temp backfill

Technology

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

Legislative Impacts

- Legislative Impacts to local tax base and Model City Tax Code continue to be watched
- Federal uncertainty for Neighborhood Resource programs
- Impacts of unpredictable federal government

- Chandler must remain fiscally resilient

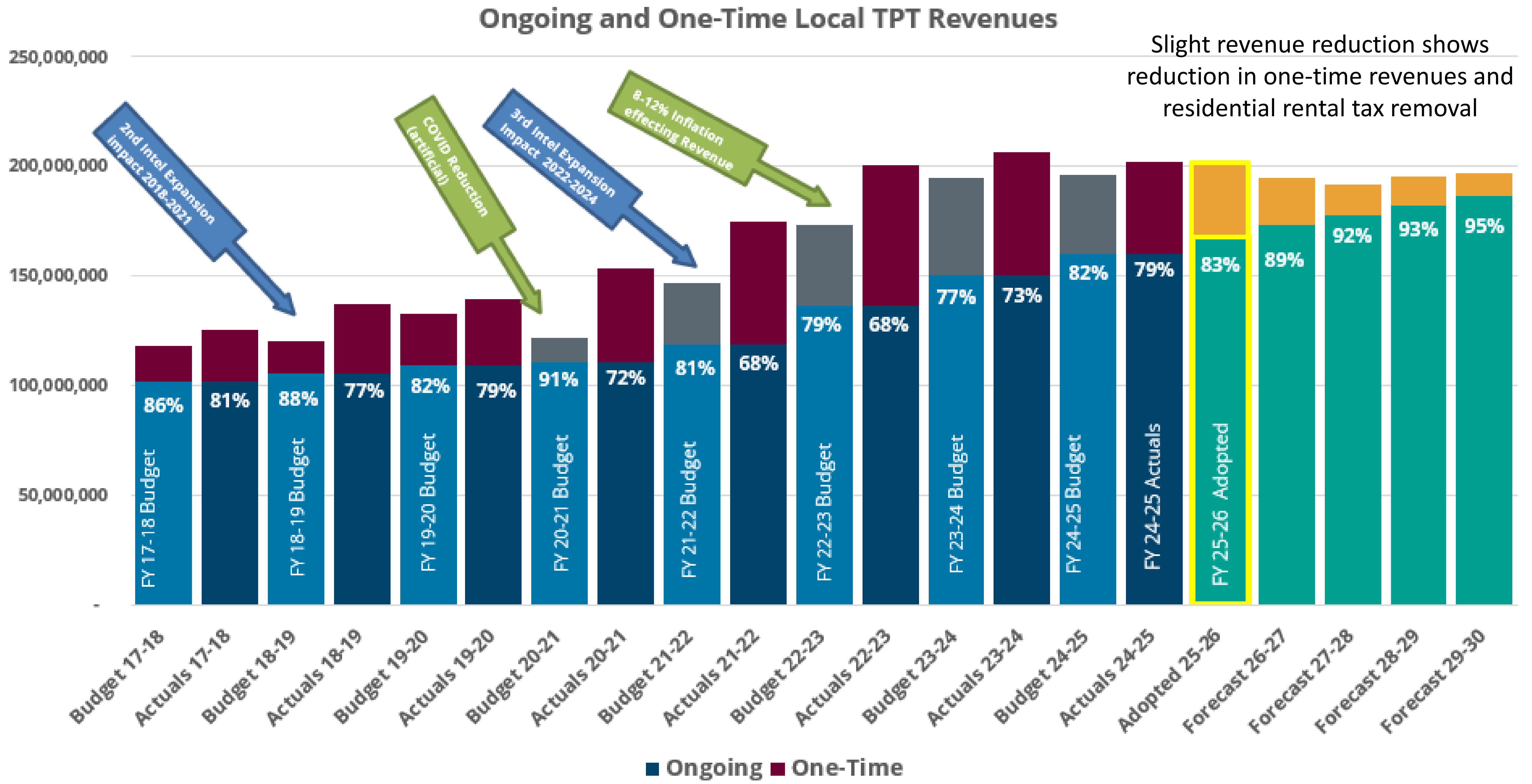
Fiscal Year (FY) 2025-26 Budgetary Impacts

Delineating Ongoing vs. One-Time

The History

This year 83% ongoing GF TPT revenues and 18% one-time was budgeted

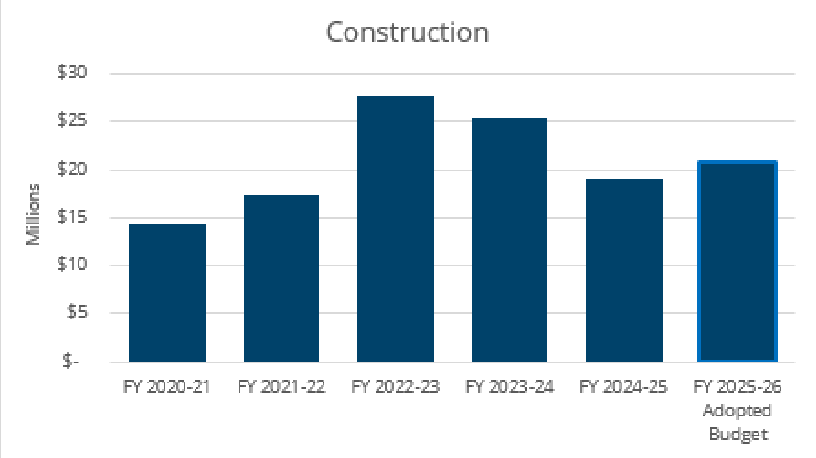
Transaction Privilege Tax (TPT or Sales Tax)

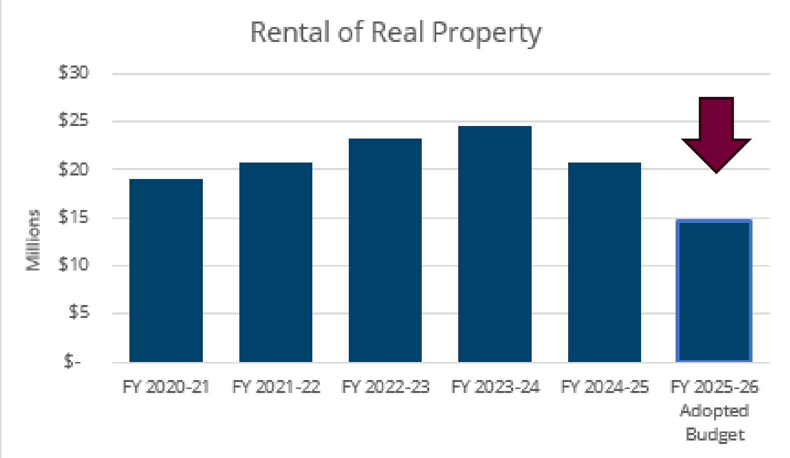


Fiscal Year (FY) 2025-26 Budgetary Impacts

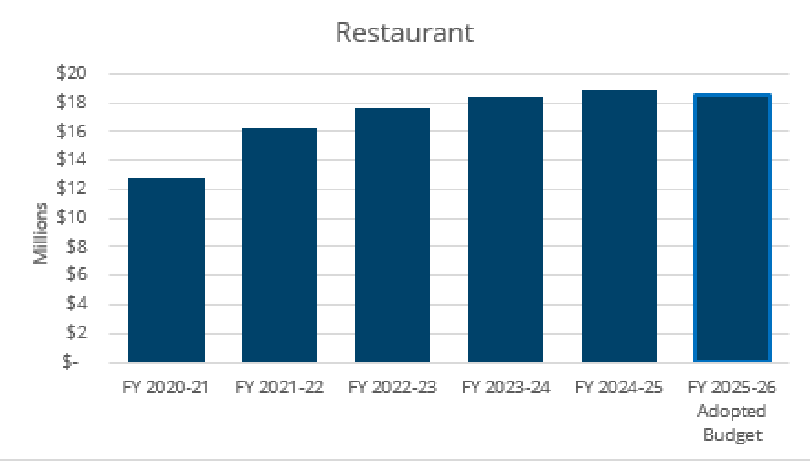
Delineating Ongoing vs. One-Time

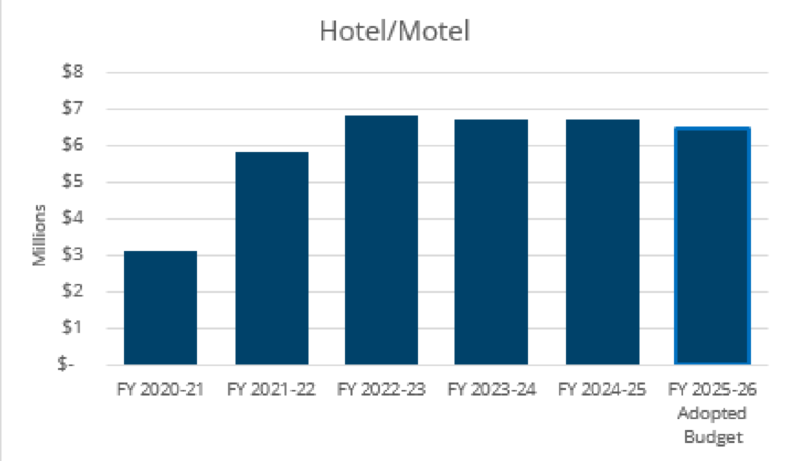
The History





Tax Category	FY 2024-25 Actuals	FY 2025-26 Budget	Ongoing Estimate	One-time Estimate
Utilities Tax	$ 21,104,109	$ 26,265,000	$ 24,765,000	$ 1,500,000
Telecommunications Tax	1,677,975	1,648,000	1,648,000	-
Publishing/Adv/Printing/Transp Tax	208,311	213,000	213,000	-
Restaurant & Bars Tax	18,924,739	18,540,000	13,040,000	5,500,000
Amusements Tax	1,963,222	1,575,000	1,275,000	300,000
Real Property Rental Tax	20,707,698	14,731,000	13,231,000	1,500,000
Tangible Personal Property Rental Tax	6,315,805	5,356,000	2,356,000	3,000,000
Hotels & Transient Lodging Tax	6,726,031	6,489,000	5,289,000	1,200,000
Contracting Tax	19,093,138	20,766,000	12,266,000	8,500,000
Retail Tax	98,165,564	99,395,000	91,435,000	7,960,000
Use Tax	6,909,195	6,522,000	2,482,000	4,040,000
Totals	$ 201,795,787	$ 201,500,000	$ 168,000,000	$ 33,500,000
			83%	17%

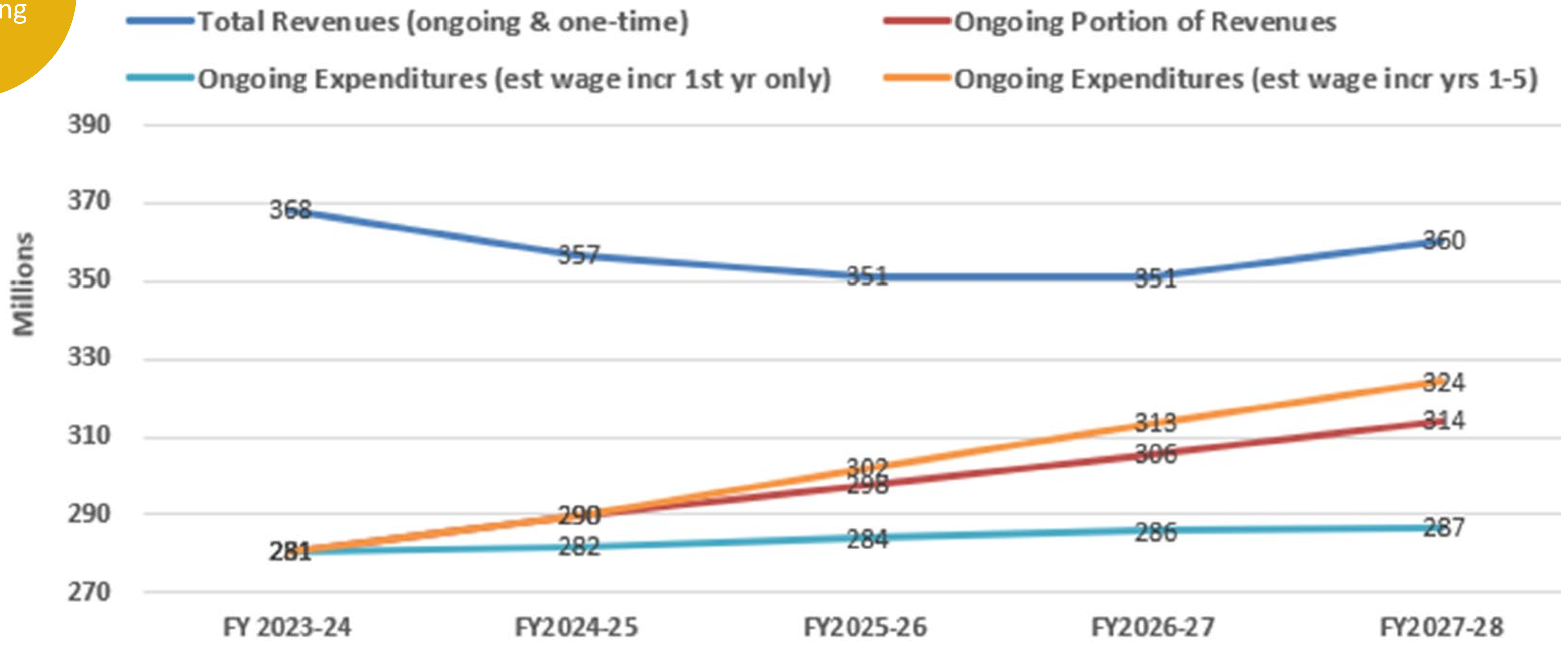




Evaluation is done for each TPT category and their ongoing versus one-time components

5-Year General Fund Ongoing
FY 2023-24 Forecast Revenues vs Expenditures

Gap narrowing

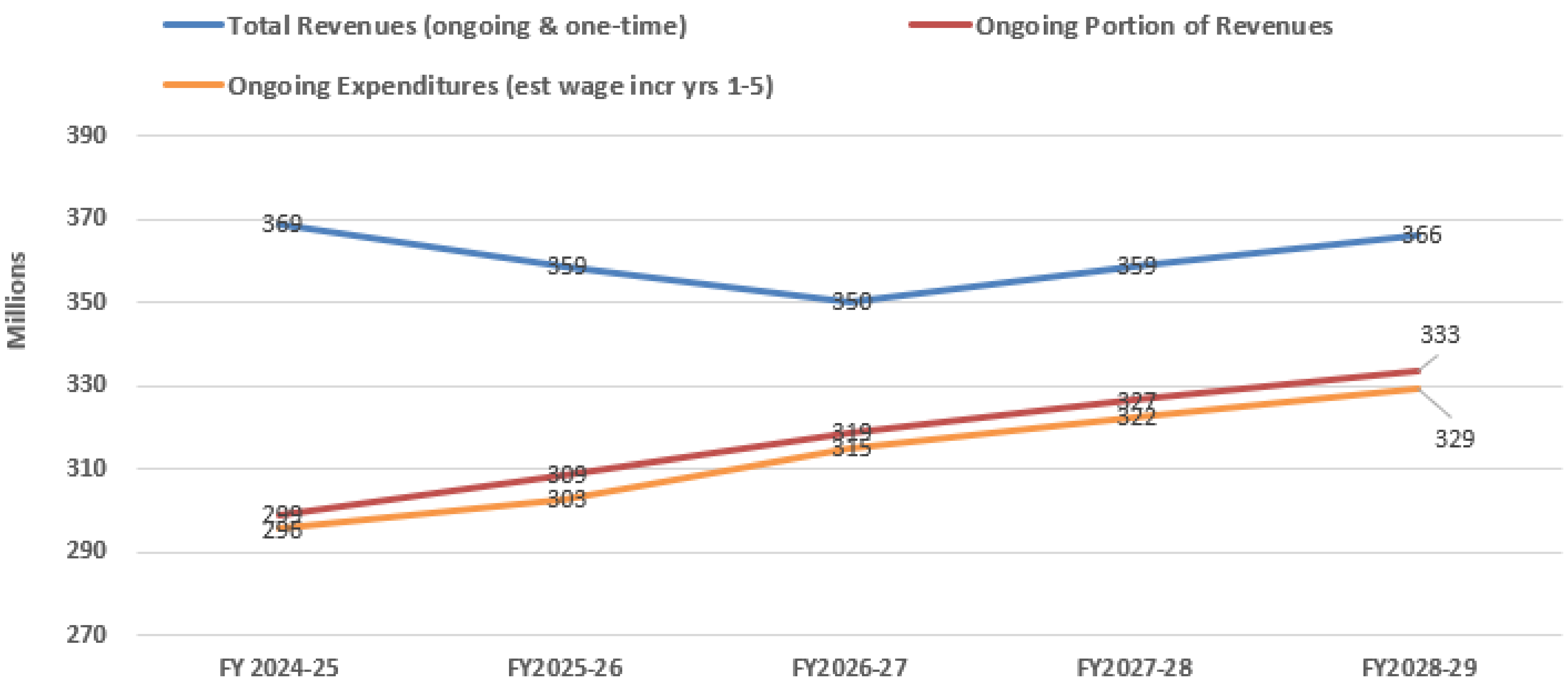


Significant One-time payment to PSPRS was made which helped align ongoing expenses back under ongoing revenue

5-Year General Fund Ongoing

FY 2024-25 Forecast Revenues vs Expenditures

Gap narrowing

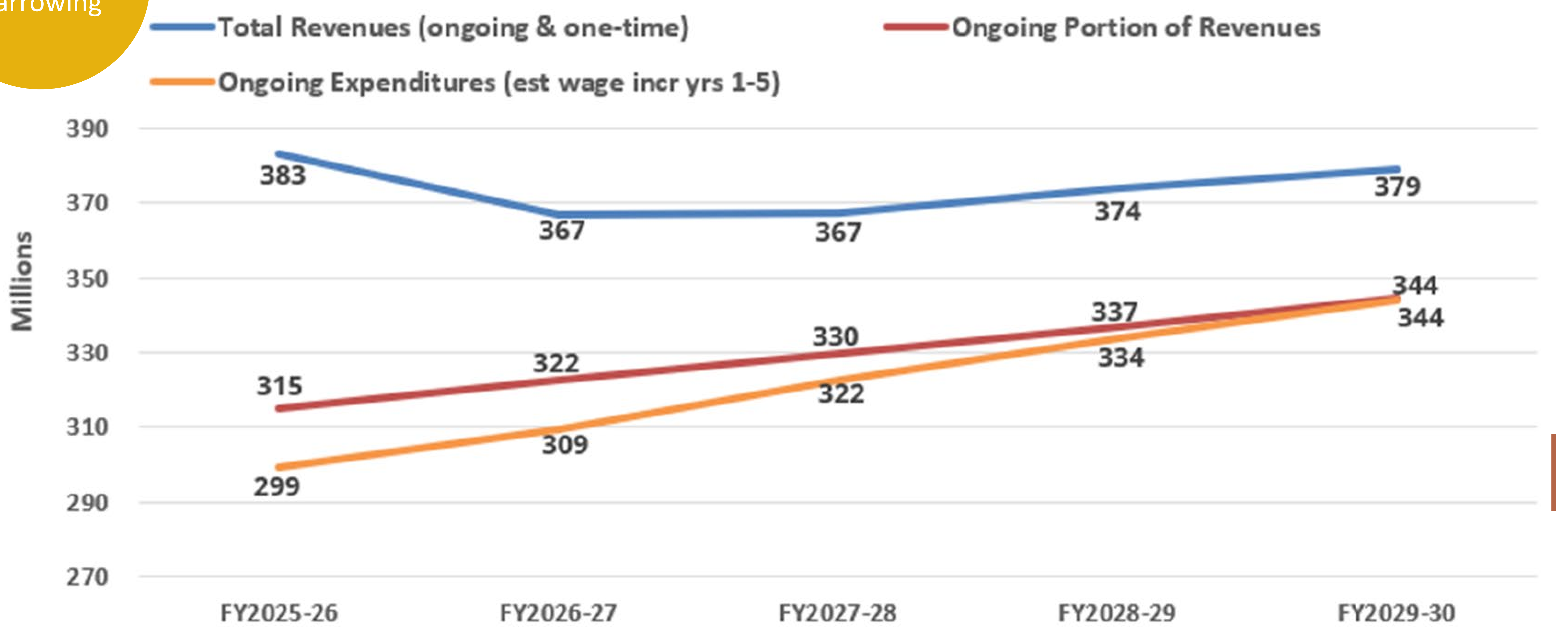


Once ongoing savings from PSPRS incorporated forecast got back in balance

5-Year General Fund Ongoing

FY 2025-26 Forecast Revenues vs Expenditures

Gap narrowing



Total revenues change 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.

Priorities for Ongoing Dollars

1. **Maintain** existing service levels within core programs and strategic focus areas including contract and other increases

2. **Ensure** sufficient ongoing funding for facilities and infrastructure including technology and security

3. **Convert** successful social safety net programs to ongoing funding from grants

4. **Build** the strength of our workforce to meet evolving resident expectations

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

Focus

Council Priorities for One-Time Dollars

1. **Maintain** reserves sufficient to meet financial policies including PSPRS fully funded status

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

3. **New** initiatives and capital that generate sustainable ongoing financial savings

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

Capital Guidelines

- Maintain secondary property tax rate flat
- Reimagine 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
- Emphasize redevelopment infrastructure

Resident Budget Survey

- Run from Nov. – Jan.
- Run ad campaign to encourage participation
- Expand outreach on social media
- Facility signage added with QR codes
- Encouraged participation with B&C and Recreation/Library users
- 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

(1,135 for FY 2024-25 | 1,343 for FY 2025-26)

Financial Policies

- Operating Management
- Capital Management
- Reserves 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

Council Approved Budgeting Practices Support Financial Sustainability

Maintain AAA bond ratings from Moody's, Fitch and S&P (rating reviews in November)

- 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

Evaluate Primary Property Tax

FY 2026-27 Budget Process Updates

Continued Modified Zero Based Budget (MZBB)

- Ensures current budgets are right-sized based on services provided
- Reviews services, related expenditure category spending trends, and line-items
- Started with 5 departments/divisions done, 6 more in current year
- Results reported at second budget workshop or all-day budget briefing

Departments/Divisions in process: Law, Neighborhood Resources, City Manager (CMO, HR, Transportation Policy, Connection & Impact)

Council Process changes implemented in FY 2025-26 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 ✓
- Hold All-Day Budget Briefing on non-Council meeting week ✓

- New process changes for FY 2026-27?

Tentative Key Budget Dates

Budget Event		Date
Council Budget Kickoff		Tonight
Resident Budget Survey with Outreach Videos		Nov 2025-Jan 2026
Council Workshop 1		February 19, 2026
Council Workshop 2		March 23, 2026
Council Workshop 3 (incorporate how CIP impacts utility rates)		March 26, 2026
All-Day Budget Brief		May 1, 2026
Council Meetings:	Tentative Adoption	May 21, 2026
	Public Hearing & Final Adoption	June 11, 2026
	Adoption of Tax Levy	June 25, 2026

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

Questions?

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