



FY 2025-26 Budget Kickoff with Mayor and Council

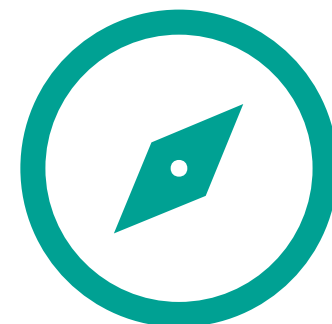
Council Conference Room
Monday, October 14, 2024 | 4:00 p.m.





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

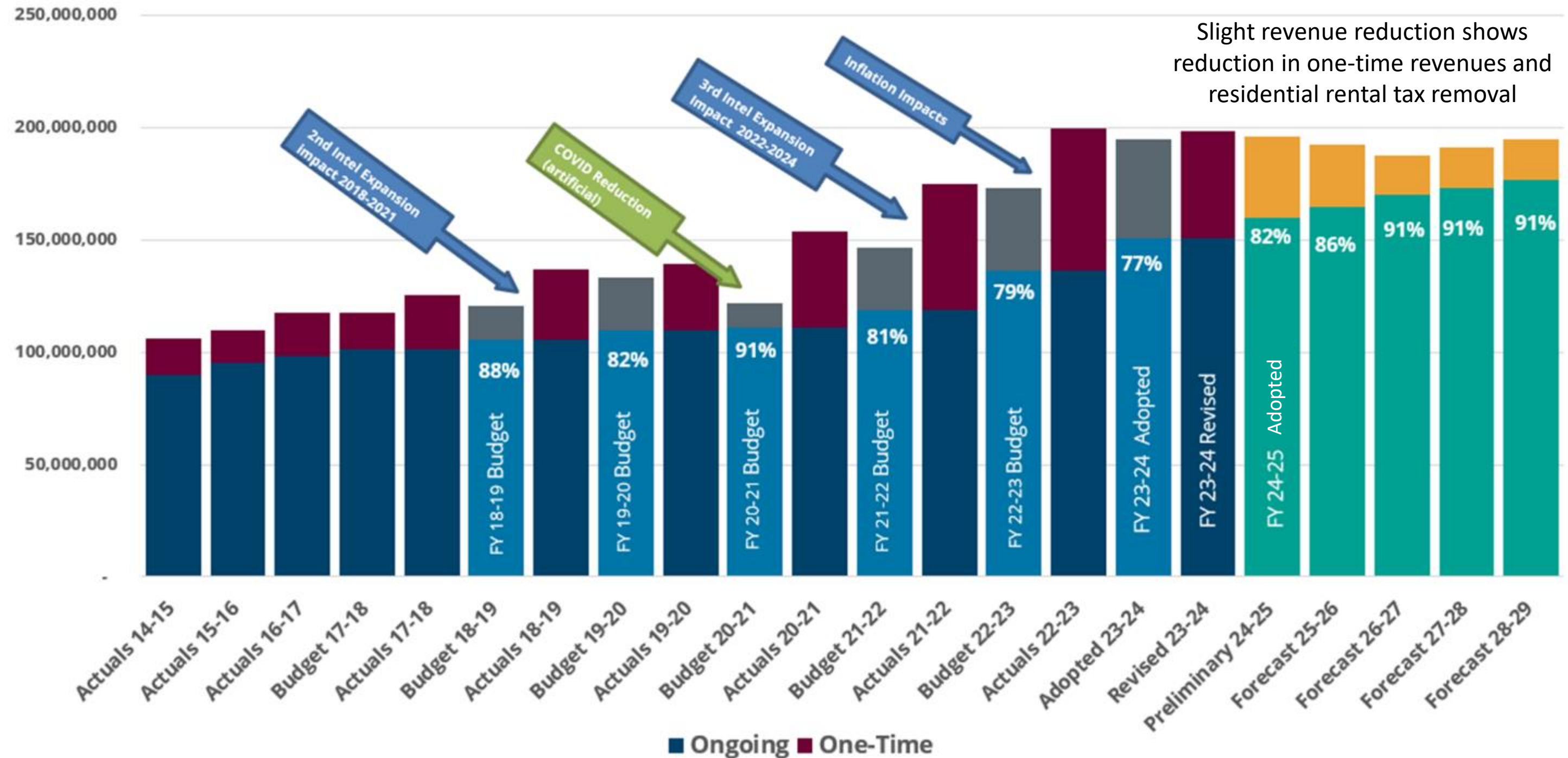
The Challenges

Fiscal Year (FY) 2025-26 Budgetary Impacts

Delineating Ongoing vs. One-Time

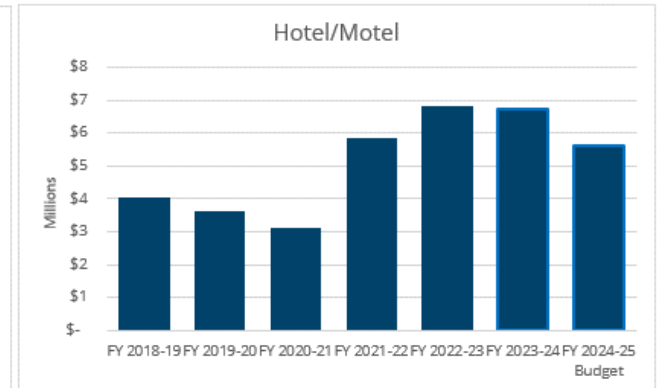
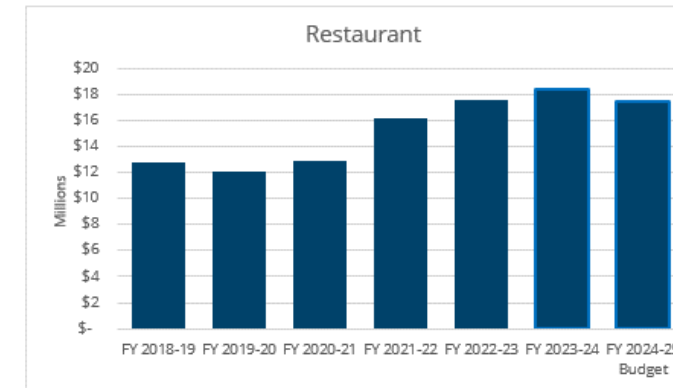
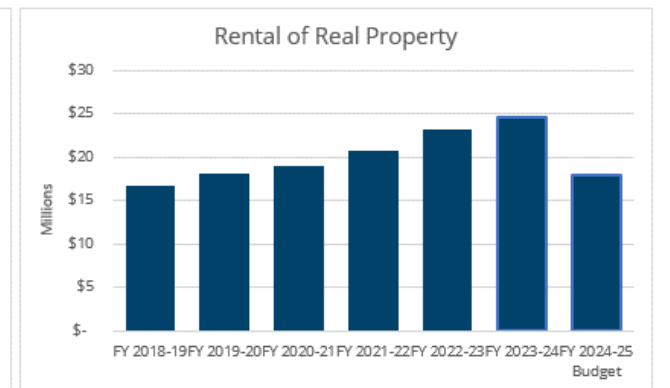
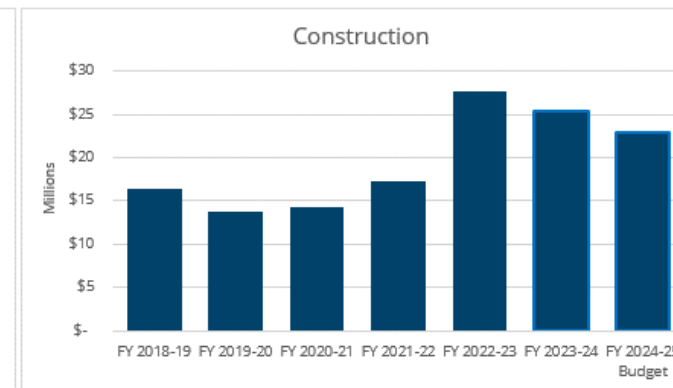
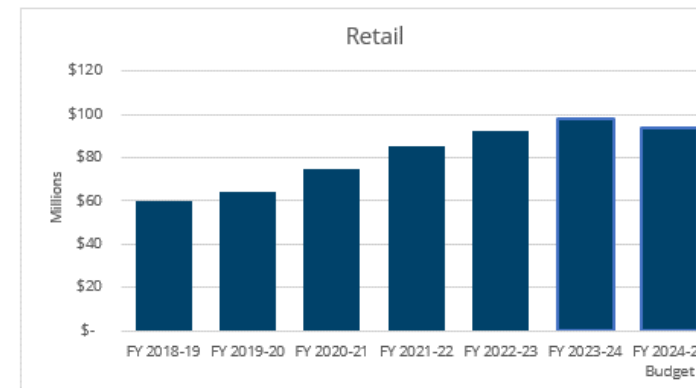
This year 82% ongoing GF TPT revenues and 18% one-time was budgeted

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~~ Maintain secondary property tax rate flat
- 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
- ~~Deliver on commitments made to residents through 2021 bond election:~~ Ensure sufficient bond authorization exists to complete projects desired by residents
- ~~Balance inflation, workload, and timely completion of high visibility and grant funded projects:~~ 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 ✓

-
- 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 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?

