



# Council Workshop FY22-23 Budget Discussion

January 11, 2022





# Agenda

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- 1) FY22-23 Budget Overview
  - a) Property Tax Levy
  
- 2) Five-Year Financial Forecasts
  - a) General Fund
  - b) Special Revenue Funds
  - c) Enterprise Funds
  
- 3) City Sales Tax

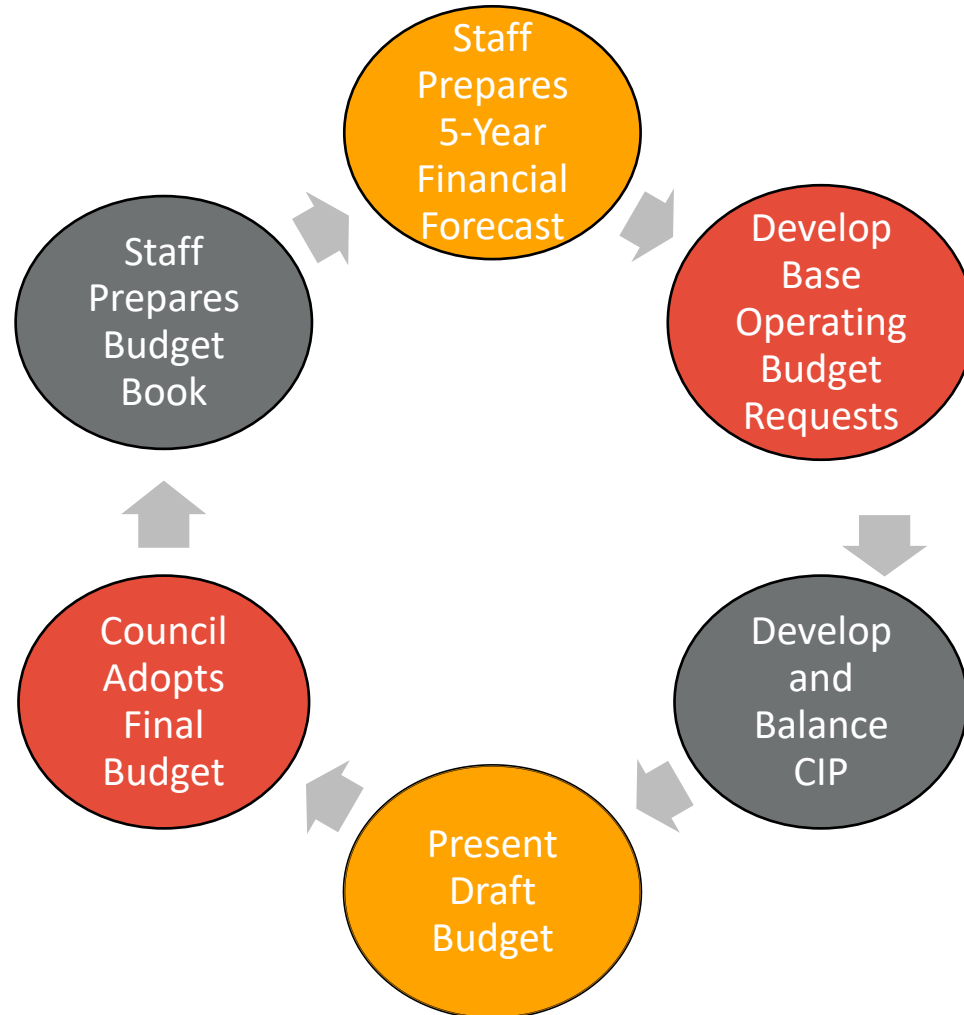


# Budget Calendar

Item	Date
<i>Workshop #1 – Budget Overview / Revenues / Five-Year Financial Forecasts</i>	<i>January 11, 2022</i>
Workshop #2 – FY23-32 Capital Improvement Plan	February 1, 2022
Workshop #3 – FY23-32 Capital Improvement Plan	March 1, 2022
Workshop #4 – (All Day) FY23 Operating Budget Department Presentations	April 5, 2022
Workshop #5 – (All Day) FY23 Operating Budget Department Presentations	April 7, 2022
Workshop #6 – FY23 Final Budget Workshop	April 19, 2022
<b>Voting Meeting – Tentative Budget Adoption</b>	<b>May 10, 2022</b>
<b>Voting Meeting – Final Budget Adoption / Property Tax Levy</b>	<b>June 14, 2022</b>
<b>Voting Meeting – Property Tax Adoption</b>	<b>June 28, 2022</b>

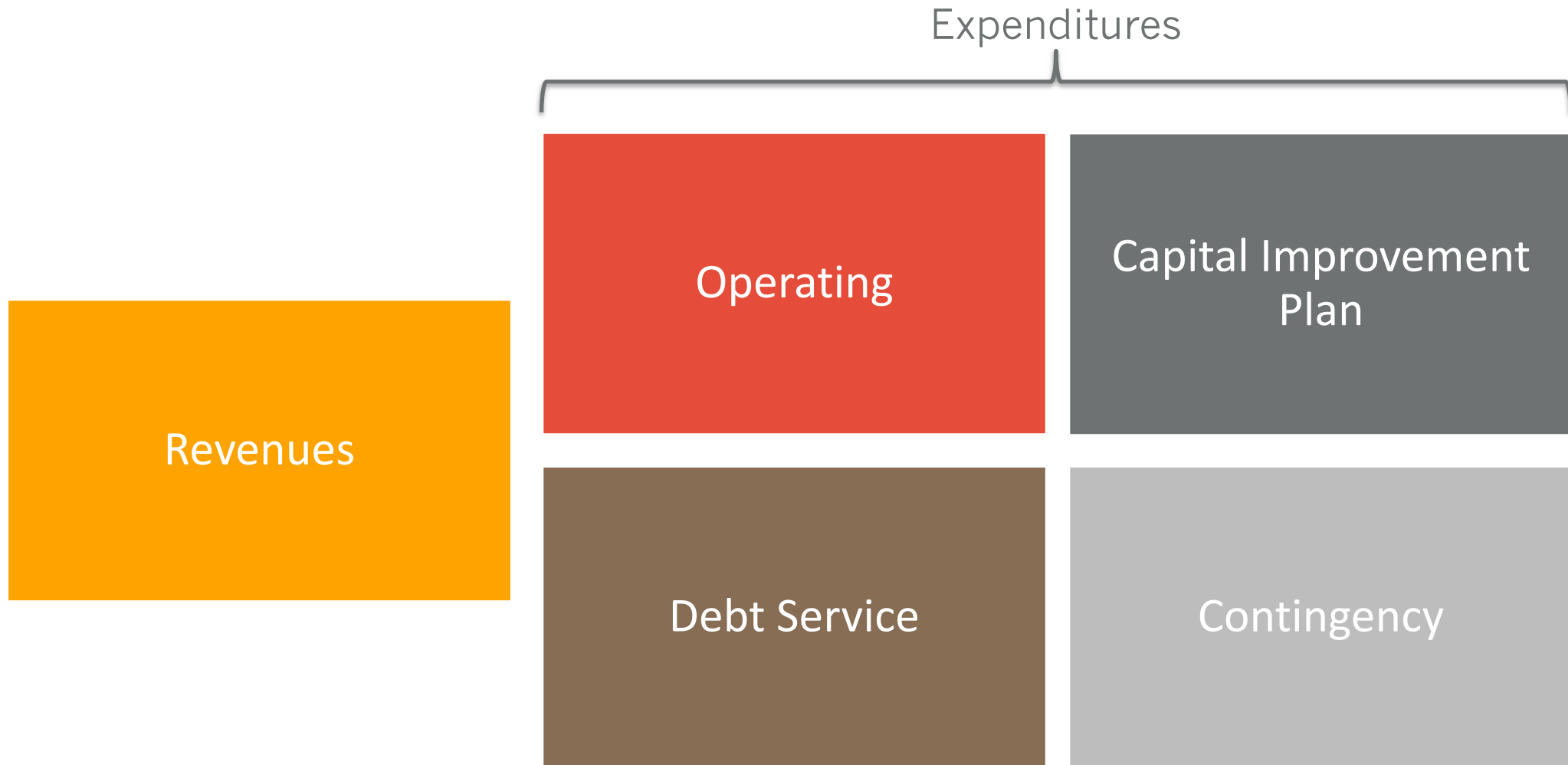


# Budget Process



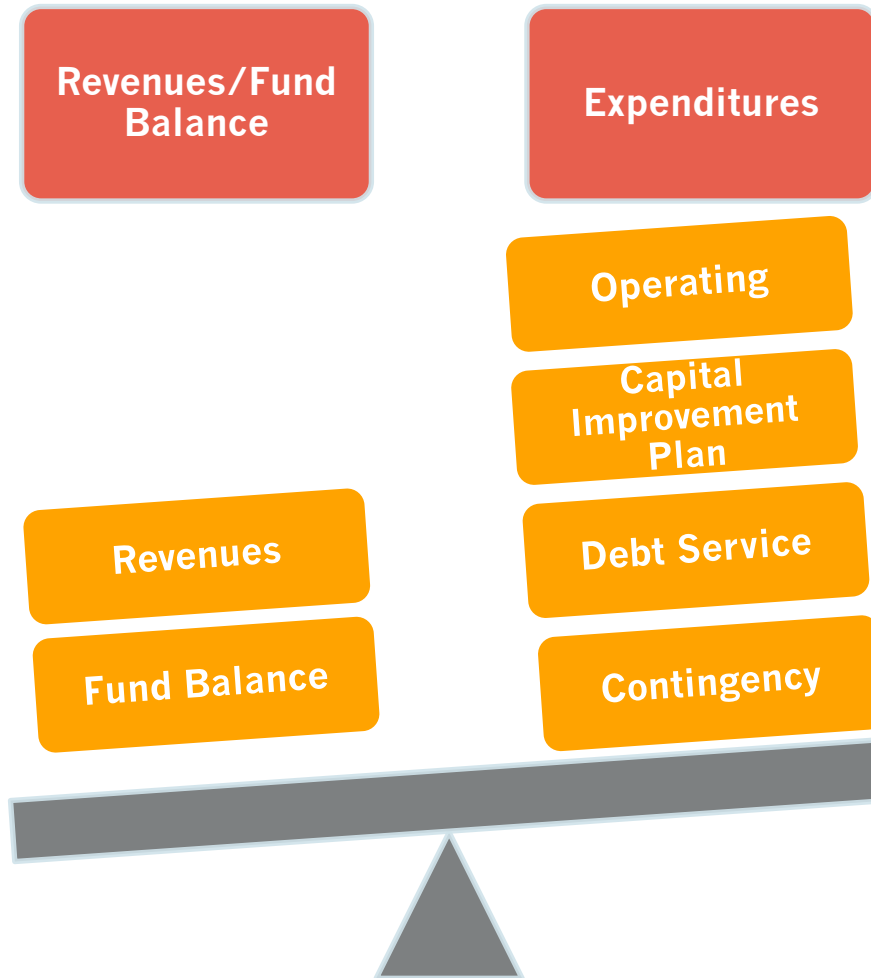


# Budget Components





# Balanced Budget



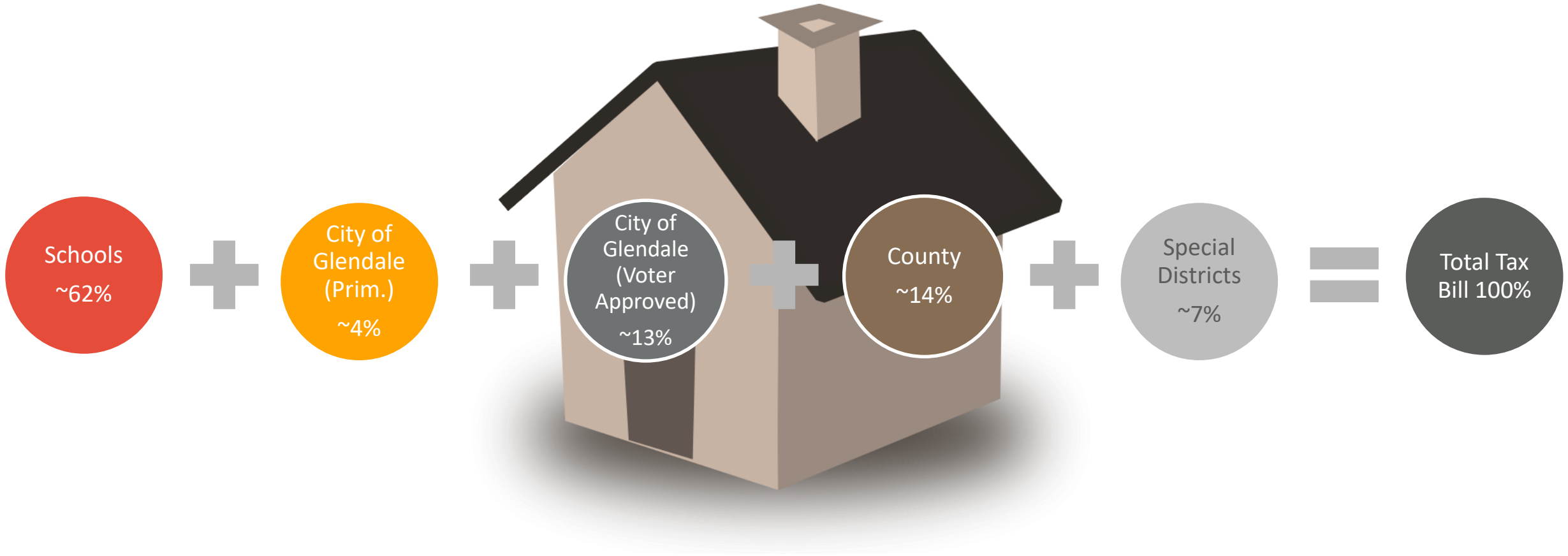


# Financial Policies – Property Tax

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“To ensure ongoing General Fund stability, the primary property tax levy will be evaluated each year to determine where it should be set.”

# Property Tax







# Property Tax Bill Example (\$353k Home)

	2020		2021		Changes
Assessed Value	\$325,189		\$341,448		\$16,259
Full Cash Value	\$338,800		\$353,200		\$14,400
	<b>Property Tax Levy Calculation</b>				
	2020		2021		
	Rate	Levy	Rate	Levy	\$ Change
Schools/Education (62%)		\$2,095.24		\$2,116.39	\$21.15
<b>Glendale Primary (4%)</b>	<b>\$0.40</b>	<b>\$130.60</b>	<b>\$0.38</b>	<b>\$131.39</b>	<b>\$0.79</b>
<b>Glendale Secondary (13%)</b>	<b>\$1.40</b>	<b>\$455.14</b>	<b>\$1.34</b>	<b>\$457.85</b>	<b>\$2.71</b>
County (14%)		\$455.56		\$459.56	\$4.00
Special Districts (7%)		\$223.84		\$232.31	\$8.47
<b>Total</b>		<b>\$3,360.38</b>		<b>\$3,397.50</b>	<b>\$37.12</b>



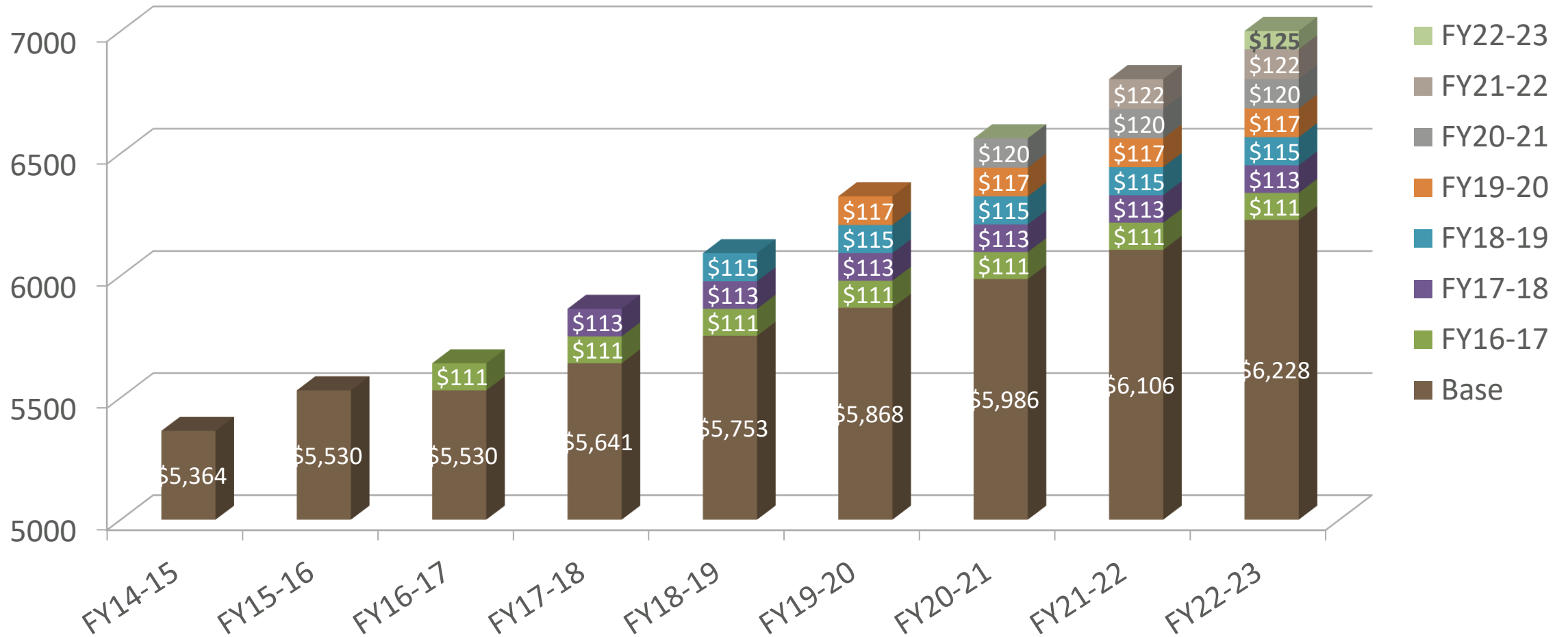
# Property Taxes

	FY21-22			FY22-23		
	Budget			Projected		
	Rate	Levy		Rate	Levy	Increase
<i>Primary</i>	<b><i>\$0.3848</i></b>	<b><i>\$6,088,457</i></b>		<b><i>\$0.3925</i></b>	<b><i>\$6,210,226</i></b>	<b><i>\$121,769</i></b>
Secondary	1.3409	21,216,248		1.3409	21,216,248	0
Total	\$1.7257	\$27,304,705		\$1.7334	\$27,426,474	\$121,769

- Primary – Levy increased by 2%
- Secondary (Voter Approved) – No levy increase
- Simple example, assumes no new construction & no increase in assessed valuation
- Estimated 1% growth for new properties in financing models



# Cumulative effect of flat primary levy





# Property Tax Discussion

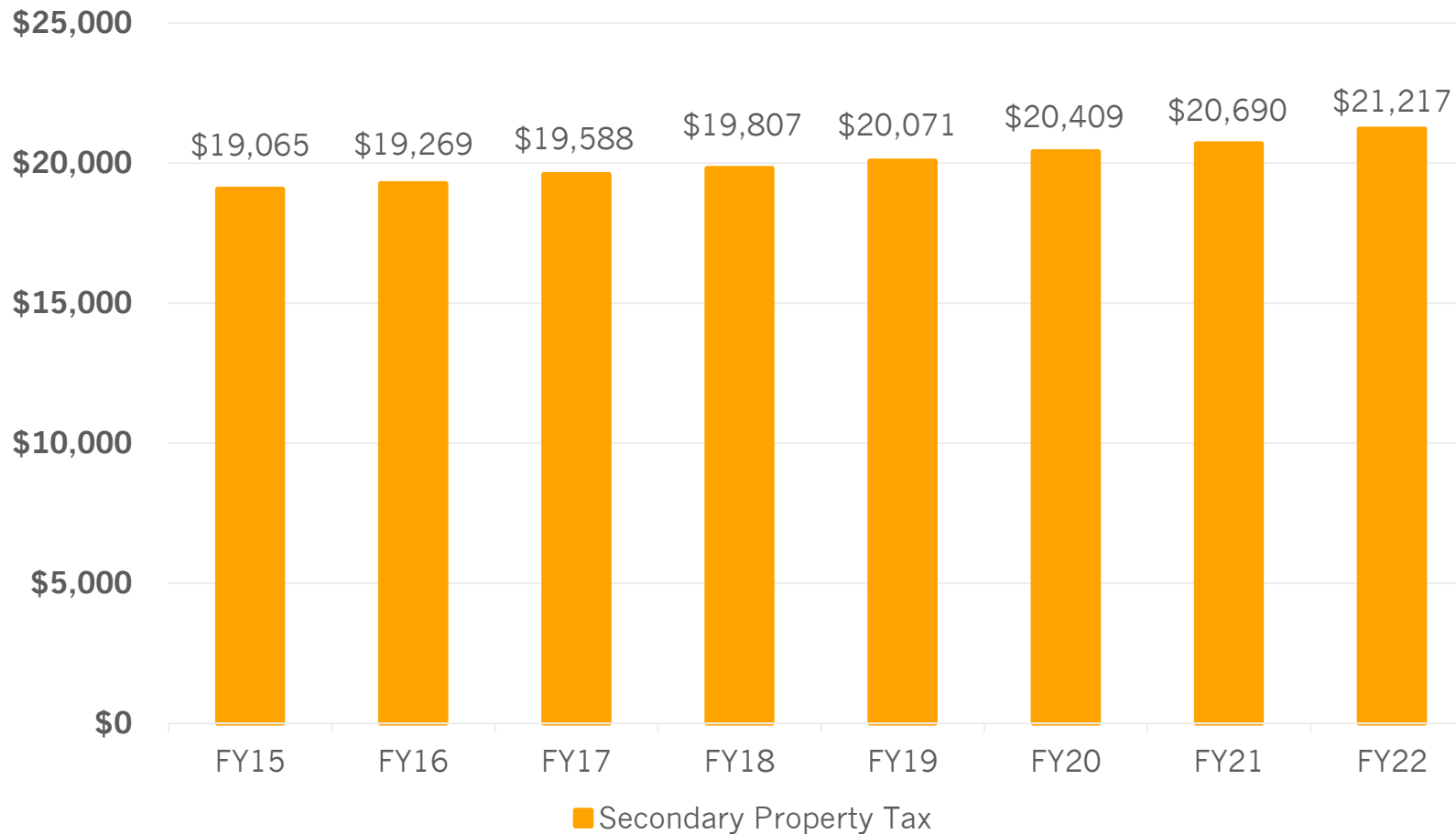
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- Primary Levy Limit
  - Any general fund expense
  - Allowable 2% increase per year
  - Cumulative increase is approximately \$823k
- Council Consensus
  - Primary tax levy



# Secondary Property Tax History

Secondary Property Tax History (In Thousands)





# Property Tax Discussion

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- Secondary Levy Limit
  - Debt service on General Obligation (G.O.) bonds only
  - Currently flat levy
    - Assumes slight growth from new construction
- Council Consensus
  - Secondary tax levy



**Questions?**



# Five-Year Financial Forecasts





# Five-Year Financial Forecasts

- First step in the FY22-23 budget process
- Forecasts are high level overviews
- Government Finance Officers Association (GFOA) Best Practice
- Developed with data collected from several sources:
  - Arizona Department of Revenue (ADOR)
  - Arizona League of Cities and Towns
  - Arizona Joint Legislative Budget Committee (JLBC)
  - Arizona Department of Transportation (ADOT)
  - City of Glendale Historical Data (5 years)
  - Other Comparable Cities
- Shows longer-term impacts of current year budget decisions
- Highlights financial trends
  - General Fund
  - Special Revenue Funds (PSST, HURF, Transportation)
  - Enterprise Funds (Water Services, Solid Waste, Landfill)



# General Fund Revenue Assumptions

- City Sales Tax
  - Revised estimates for FY22 by 22% from \$130M original budget to \$158M
    - Very conservative forecast for FY22
    - Based on year-to-date actuals
  - Conservative growth for FY23 through FY27
    - Assumed no additional growth in construction sales tax in FY23 and lower revenues in FY24-27
    - 2.8% average growth for all other categories
- State-Shared Sales Tax
  - Consistent with Department of Revenue report
- State-Shared Income Tax
  - Based on state income tax collected 2 years ago
- One-time Sales Tax Revenues for Mega Events
- Updated AZSTA Repayment Schedule for Camelback Ranch



# General Fund Expenditure Assumptions

- Operating Expenses
  - 5% increase for FY23 and FY24; 4% increase for FY25-27
    - Benefits 6.8% increase for FY23
  - MOU impact of \$4.4M for FY23, 5% increase for FY24-27
  - Ongoing funding for 2nd Medical Response Unit
  - Ongoing funding of \$1.5M for presumptive cancer
  - Local match for 4 police FTEs - COPS grant
  - MCSO academy
- Increases in Risk Management, Worker's Comp, and Shop Charges
- Continued funding for Police mobile data computers
- Fire thermal imaging cameras
- Certificates of Participation (PSPRS Pension Obligations)
  - Reduction in PSPRS contribution rates
  - \$5.7M in debt service for FY23 and increases to an average of \$19.7M for FY24-27
  - Pension reserve fund



# General Fund Expenditure Assumptions

- Focus on Deferred Maintenance
  - Building Maintenance Reserve increased from \$1.5M to \$2.5M
  - Additional ongoing funding for Parks maintenance increased from \$500k to \$1M
  - Arena Capital Repair and Maintenance (\$877k for FY23; \$1.4M for FY24; \$500k for FY25-27)
    - Partially offset by ARPA
  - Camelback Ranch Capital Repair and Maintenance (\$1.7M each year)
    - Partially offset by ARPA
- Vehicle Replacement Fund Increased From \$2M to \$3M
  - 8% annual increase
- Funding for Scallop Streets, \$4M in each year for FY23 and FY24
- Mega Events \$3M for FY23 and \$1M for FY24



# General Fund Expenditure Assumptions

- Funding for Downtown Campus Reinvestment Project
  - City Hall \$20M
    - \$4.3M in FY23, \$13.1M in FY24, and \$2.6M in FY25
  - Continuity of Operations \$3.9M
    - \$1M in FY22 and \$2.9M in FY23
  - Council Chambers \$4.1M
    - \$500k in FY22 and FY23, \$2.1M in FY24, and \$1M in FY25
- Council Contingency increased from \$3M to \$5M
  - Use of contingency requires Council approval



# General Fund Forecast

	FY21-22 Revised Budget	FY22-23 Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget
Beginning Fund Balance	118,619,997	147,763,131	165,710,564	147,356,101	133,654,551	112,592,255
Operating Revenue	536,651,737	297,489,503	296,316,042	297,312,514	299,751,901	307,640,668
Operating Expenditures	(482,204,342)	(247,656,041)	(258,937,242)	(270,263,765)	(283,160,469)	(294,622,856)
Net Transfers	(22,304,260)	(26,886,029)	(50,733,265)	(35,750,296)	(32,653,729)	(32,571,307)
Contingency	(3,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
<b>Total Surplus/(Deficit)</b>	<b>29,143,134</b>	<b>17,947,433</b>	<b>(18,354,465)</b>	<b>(13,701,548)</b>	<b>(21,062,296)</b>	<b>(24,553,495)</b>
Ending Fund Balance	147,763,131	165,710,564	147,356,101	133,654,551	112,592,255	88,038,761
Assigned Fund Balance - TPT Revenue Stabilization	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Assigned Fund Balance - HURF/Pavement Mgmt.	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
Assigned Fund Balance - Offset Inflation Risk	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
Assigned Fund Balance - Fire Apparatus	(12,500,000)	(8,125,961)	(5,831,563)	(3,514,683)	(1,128,297)	
Assigned Fund Balance - Arena Capital	(5,000,000)					
Assigned Fund Balance - Mega Events	(3,000,000)	(1,000,000)				
Assigned Fund Balance - General Govt CIP	(14,027,913)	(14,561,797)	(22,001,288)	(6,358,882)	(2,800,000)	(2,800,000)
Pension Reserves (Committed)	(6,666,667)	(13,333,333)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Unassigned Fund Balance	93,568,551	115,689,473	86,523,249	90,780,987	75,663,959	52,238,760



# General Fund Summary

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- Increase in general fund reserves
  - Robust city sales tax revenues
  - Includes \$91.8M investment in capital improvement
    - Council approved projects
    - Deferred maintenance
- Monitor revenues and economy closely
  - Conservative forecast
  - Adjust for inflation risk or recession in future years



# Special Revenue Funds

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Funds are legally restricted

Transportation & HURF Funds are capital intensive

- Capital plans will be updated during the budget process

## **Revenue Assumptions**

Highway User Revenue Fund (HURF)

- Conservative growth

Transportation Sales Tax

Public Safety Sales Tax – Police

Public Safety Sales Tax – Fire

- Same assumptions as General Fund





# Highway User Revenue Fund (HURF)

	FY21-22 Revised Budget	FY22-23 Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget
Beginning Fund Balance	13,981,231	12,700,098	10,910,112	9,367,745	7,675,303	5,726,470
Operating Revenue	18,781,790	19,227,998	19,797,034	20,285,893	20,786,930	21,198,338
Operating Expenditures	(12,149,658)	(14,090,484)	(14,249,075)	(14,788,001)	(15,372,690)	(15,981,193)
Capital Outlay	(6,913,265)	(5,427,500)	(5,590,326)	(5,690,334)	(5,863,073)	(6,040,998)
Contingency	(1,000,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
<b>Total Surplus/(Deficit)</b>	<b>(1,281,133)</b>	<b>(1,789,986)</b>	<b>(1,542,367)</b>	<b>(1,692,442)</b>	<b>(1,948,833)</b>	<b>(2,323,853)</b>
Ending Fund Balance	12,700,098	10,910,112	9,367,745	7,675,303	5,726,470	3,402,618
<b>Fund Balance Policy 15% Operating Revenue</b>	<b>2,817,269</b>	<b>2,884,200</b>	<b>2,969,555</b>	<b>3,042,884</b>	<b>3,118,039</b>	<b>3,179,751</b>



# Transportation Sales Tax

	FY21-22 Revised Budget	FY22-23 Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY28-32 Budget
Beginning Fund Balance	70,960,313	74,337,672	72,061,313	70,336,396	66,208,904	62,367,651	57,755,836
Operating Revenue	41,206,086	42,408,186	42,500,169	42,631,723	43,106,935	43,815,535	219,780,448
Operating Expenditures	(14,606,120)	(15,956,147)	(16,946,952)	(17,916,336)	(18,952,623)	(20,061,000)	(121,607,889)
Debt Service	(6,709,183)	(6,704,040)	(6,708,897)	(6,712,754)	(6,710,230)	(6,710,956)	(34,057,520)
Capital Outlay	(15,513,424)	(19,024,358)	(17,569,237)	(19,130,125)	(18,285,334)	(18,655,395)	(95,751,890)
Contingency	(1,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(20,000,000)
<b>Total Surplus/(Deficit)</b>	<b>3,377,359</b>	<b>(2,276,359)</b>	<b>(1,724,917)</b>	<b>(4,127,493)</b>	<b>(3,841,252)</b>	<b>(4,611,817)</b>	<b>(51,636,852)</b>
Ending Fund Balance	74,337,672	72,061,313	70,336,396	66,208,904	62,367,651	57,755,836	6,118,985
<b>Fund Balance Policy 10% Operating Revenue</b>	<b>4,092,619</b>	<b>4,212,829</b>	<b>4,222,028</b>	<b>4,235,183</b>	<b>4,282,704</b>	<b>4,353,564</b>	<b>4,432,370</b>



# Public Safety Sales Tax – Police

	FY21-22 Revised Budget	FY22-23 Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget
Beginning Fund Balance	6,694,100	10,791,411	8,791,411	6,791,411	4,791,411	2,791,411
Operating Revenue	24,453,646	25,210,017	25,312,412	25,433,471	25,750,885	26,201,328
Operating Expenditures (Transfer Out)	(20,356,335)	(27,210,017)	(27,312,412)	(27,433,471)	(27,750,885)	(27,201,328)
<b>Total Surplus/(Deficit)</b>	<b>4,097,311</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>	<b>(2,000,000)</b>	<b>(1,000,000)</b>
Ending Fund Balance	10,791,411	8,791,411	6,791,411	4,791,411	2,791,411	1,791,411
<b>Fund Balance Policy 5% Operating Revenue</b>	<b>1,222,682</b>	<b>1,260,501</b>	<b>1,265,621</b>	<b>1,271,674</b>	<b>1,287,544</b>	<b>1,310,066</b>



# Public Safety Sales Tax – Fire

	FY21-22 Revised Budget	FY22-23 Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget
Beginning Fund Balance	3,244,786	5,829,250	4,829,250	3,829,250	2,829,250	1,829,250
Operating Revenue	12,256,599	12,634,548	12,678,233	12,732,739	12,887,756	13,110,802
Operating Expenditures (Transfer Out)	(9,672,135)	(13,634,548)	(13,678,233)	(13,732,739)	(13,887,756)	(14,110,802)
<b>Total Surplus/(Deficit)</b>	<b>2,584,464</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
Ending Fund Balance	5,829,250	4,829,250	3,829,250	2,829,250	1,829,250	829,250
<b>Fund Balance Policy 5% Operating Revenue</b>	<b>612,830</b>	<b>631,727</b>	<b>633,912</b>	<b>636,637</b>	<b>644,388</b>	<b>655,540</b>



# Special Revenue Fund Summary

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- Watch revenues/economy closely
- Manage Capital Outlay to stay within fund balance policies



# Enterprise Funds

- Water Sewer, Solid Waste and Landfill
- Supported primarily from user fees or charges
- Funds operate much like a not-for-profit business
- Revenue Assumptions
  - Assumes Council approved rate increases only
  - Nominal enterprise fund revenue growth
- More capital-intensive operations
- Financial Policies
  - Recommendation to use fund balance for financial targets
    - Current policy is working capital
  - One of the important metrics used by rating agencies
  - Council consensus



# Water & Sewer

	FY21-22 Revised Budget	FY22-23 Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget
Beginning Fund Balance	69,600,000	49,033,524	40,511,109	37,509,064	34,000,799	32,785,544
Operating Revenue	107,648,527	111,839,663	115,815,096	120,106,446	124,569,344	129,203,031
Revenue- CIP Reimb	15,960,250	1,415,200	1,508,700	1,594,900	1,685,500	995,000
Bond Proceeds	26,000,000	26,000,000	25,000,000	20,000,000	20,000,000	
Operating Expenditures	(60,666,683)	(63,983,652)	(66,908,302)	(69,380,034)	(71,951,387)	(74,626,383)
Debt Service	(24,861,748)	(27,582,450)	(29,330,434)	(31,088,361)	(32,699,812)	(31,485,205)
Capital Outlay	(81,646,823)	(51,211,175)	(45,087,105)	(40,741,215)	(38,818,900)	(44,518,000)
Contingency	(3,000,000)	(5,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
<b>Total Surplus/(Deficit)</b>	<b>(20,566,476)</b>	<b>(8,522,414)</b>	<b>(3,002,045)</b>	<b>(3,508,264)</b>	<b>(1,215,255)</b>	<b>(24,431,558)</b>
Ending Fund Balance	49,033,524	40,511,109	37,509,064	34,000,799	32,785,544	8,353,986
<b>Fund Balance Policy 50% Operating Expenses</b>	<b>30,333,341</b>	<b>31,991,826</b>	<b>33,454,151</b>	<b>34,690,017</b>	<b>35,975,694</b>	<b>37,313,192</b>



# Solid Waste

	FY21-22 Revised Budget	FY22-23 Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget
Beginning Fund Balance	1,375,000	(71,675)	(66,383)	1,014,958	1,141,008	2,005,396
Operating Revenue	21,695,200	23,473,214	24,769,986	26,119,315	27,253,114	28,336,513
Operating Expenditures	(17,928,212)	(18,707,386)	(19,578,293)	(20,321,312)	(21,094,626)	(21,899,473)
Capital Outlay	(5,013,663)	(4,560,536)	(3,910,351)	(5,471,953)	(5,094,099)	(3,628,537)
Contingency	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
<b>Total Surplus/(Deficit)</b>	<b>(1,446,675)</b>	<b>5,292</b>	<b>1,081,341</b>	<b>126,049</b>	<b>864,388</b>	<b>2,608,503</b>
Ending Fund Balance	(71,675)	(66,383)	1,014,958	1,141,008	2,005,396	4,613,899
<b>Fund Balance Policy 10% Operating Revenue</b>	<b>2,149,095</b>	<b>2,326,339</b>	<b>2,455,464</b>	<b>2,589,852</b>	<b>2,702,694</b>	<b>2,810,423</b>





# Landfill

	FY21-22 Revised Budget	FY22-23 Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget
Beginning Fund Balance	6,622,467	8,028,722	3,294,584	3,744,749	(168,740)	(1,092,554)
Operating Revenue	13,963,635	14,673,676	15,253,718	15,782,238	16,322,893	16,880,194
Bond Proceeds	10,900,000		4,175,000			
Operating Expenditures	(10,382,964)	(10,641,642)	(11,123,701)	(11,532,350)	(11,957,530)	(12,399,912)
Debt Service		(732,651)	(732,651)	(1,013,277)	(1,013,277)	(1,013,277)
Capital Outlay	(12,574,417)	(7,533,520)	(6,622,200)	(6,650,100)	(3,775,900)	(10,947,000)
Contingency	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
<b>Total Surplus/(Deficit)</b>	<b>1,406,255</b>	<b>(4,734,138)</b>	<b>450,165</b>	<b>(3,913,489)</b>	<b>(923,814)</b>	<b>(7,979,996)</b>
Ending Fund Balance	8,028,722	3,294,584	3,744,749	(168,740)	(1,092,554)	(9,072,550)
<b>Fund Balance Policy 15% Op Revenue</b>	<b>1,933,702</b>	<b>2,035,811</b>	<b>2,118,474</b>	<b>2,193,462</b>	<b>2,770,323</b>	<b>2,349,105</b>



# Enterprise Fund Summary

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- Hold the line on costs
- Watch revenues/economy closely
- Manage Capital Outlay to minimize debt service costs
- Plan for future debt issuance, if necessary
- Ensure responsible timing of rate adjustments
  - Solid Waste
  - Landfill



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**Questions?**



# City Sales Tax



# City Sales Tax

- 0.7% increase in August 2012
  - Does not apply to retail over \$5k and residential rental
- Discuss sales tax rate annually during the budget process

Business Category	Tax Rate	0.1% Revenue FY21 Actuals	0.1% Revenue 5-Year Total (Est.)
Retail Sales	2.9%	2,986,864	16,313,621
Food Tax*	2.5%	693,210	3,786,167
Restaurant & Bars	3.9%	574,440	3,137,471
Construction	2.9%	531,816	1,847,316
Retails Sales > 5,000	2.2%	441,685	2,412,390
Amusement	2.9%	51,927	283,615
Hotel/Motel**	7.9%	97,601	533,078

\*Food purchased with food stamp or EBT are exempt from tax

\*\*Includes bed tax (5%)



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**Questions?**



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