



# Council Workshop FY23-24 Budget Discussion

February 14, 2023





# Agenda

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## 1) FY23-24 Budget Overview

- a) Property Tax Levy

## 2) Five-Year Financial Forecasts

- a) General Fund
- b) Special Revenue Funds
- c) Enterprise Funds

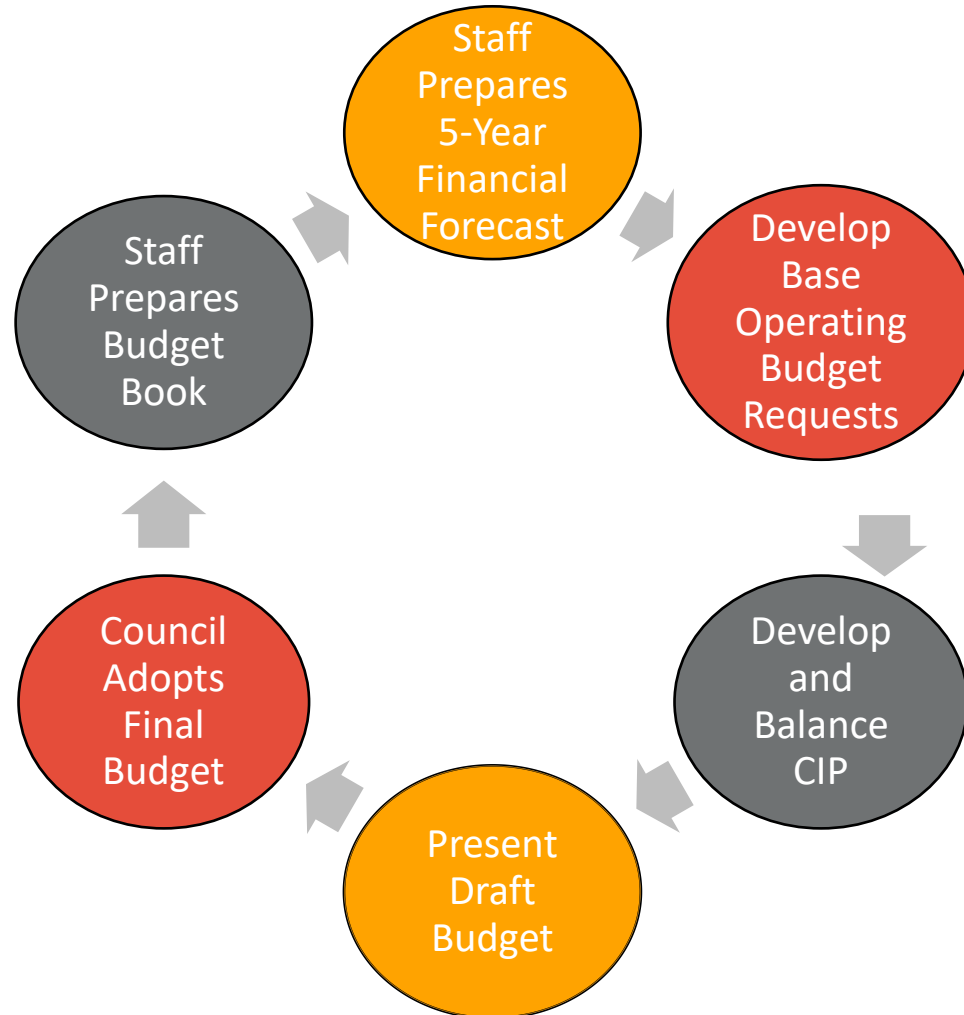


# Budget Calendar

Item	Date
<i>Workshop #1 – Budget Overview / Revenues / Five-Year Financial Forecasts</i>	<i>February 14, 2023</i>
Workshop #2 – FY24-33 Capital Improvement Plan	March 7, 2023
Workshop #3 – (All Day) FY24 Operating Budget Department Presentations	April 4, 2023
Workshop #4 – (All Day) FY24 Operating Budget Department Presentations	April 6, 2023
Workshop #5 – FY24 Final Budget Workshop	April 18, 2023
<b>Voting Meeting – Tentative Budget Adoption</b>	<b>May 9, 2023</b>
<b>Voting Meeting – Final Budget Adoption / Property Tax Levy</b>	<b>June 13, 2023</b>
<b>Voting Meeting – Property Tax Adoption</b>	<b>June 27, 2023</b>

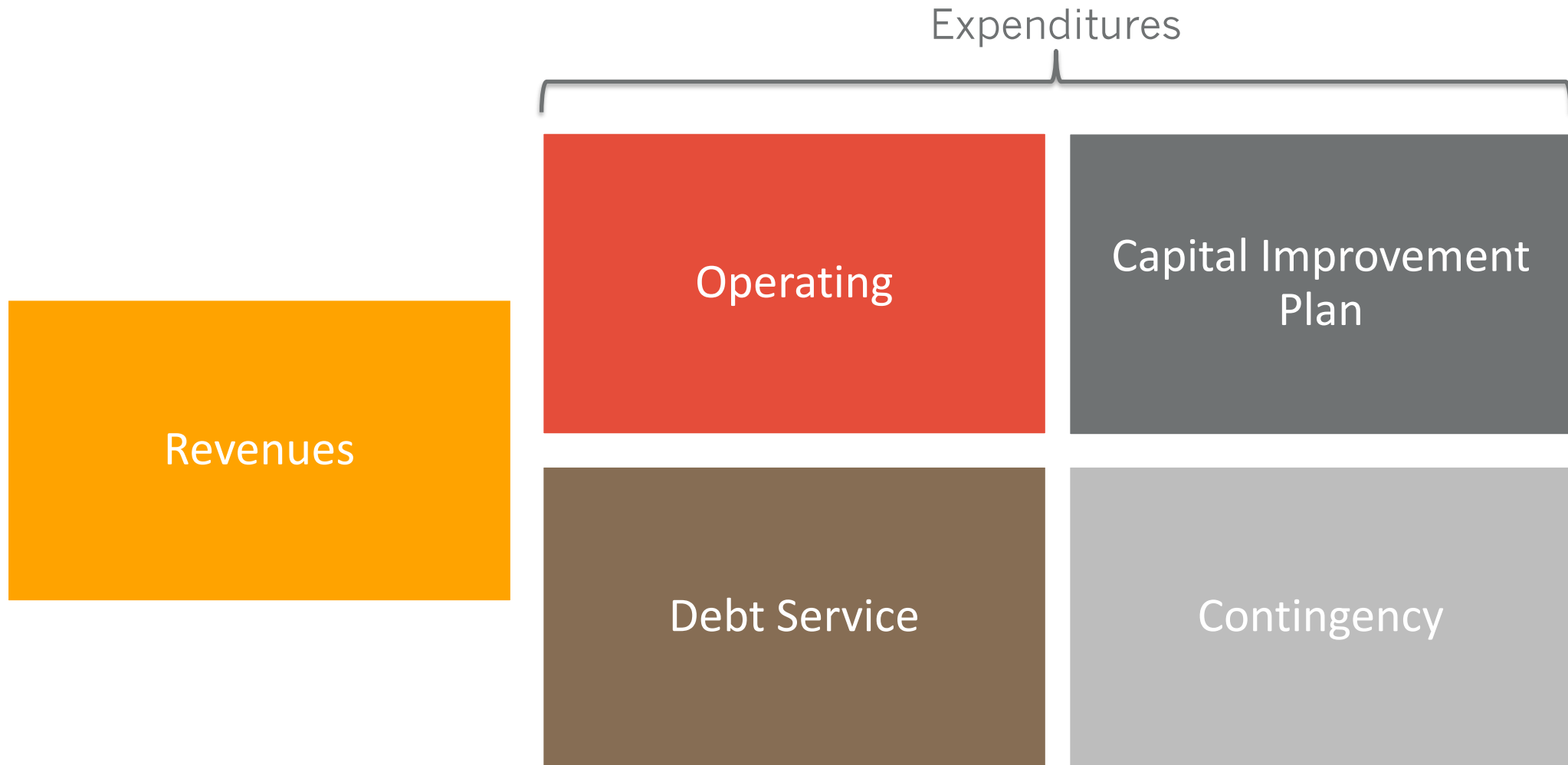


# Budget Process



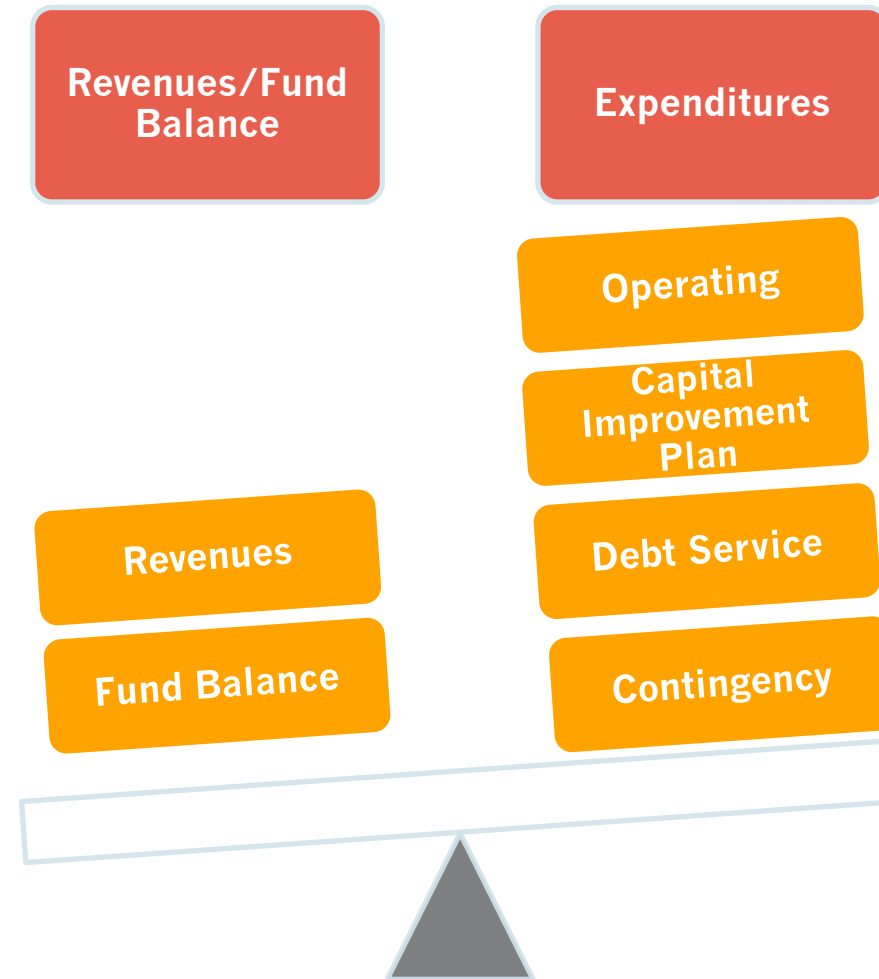


# Budget Components





# Balanced Budget



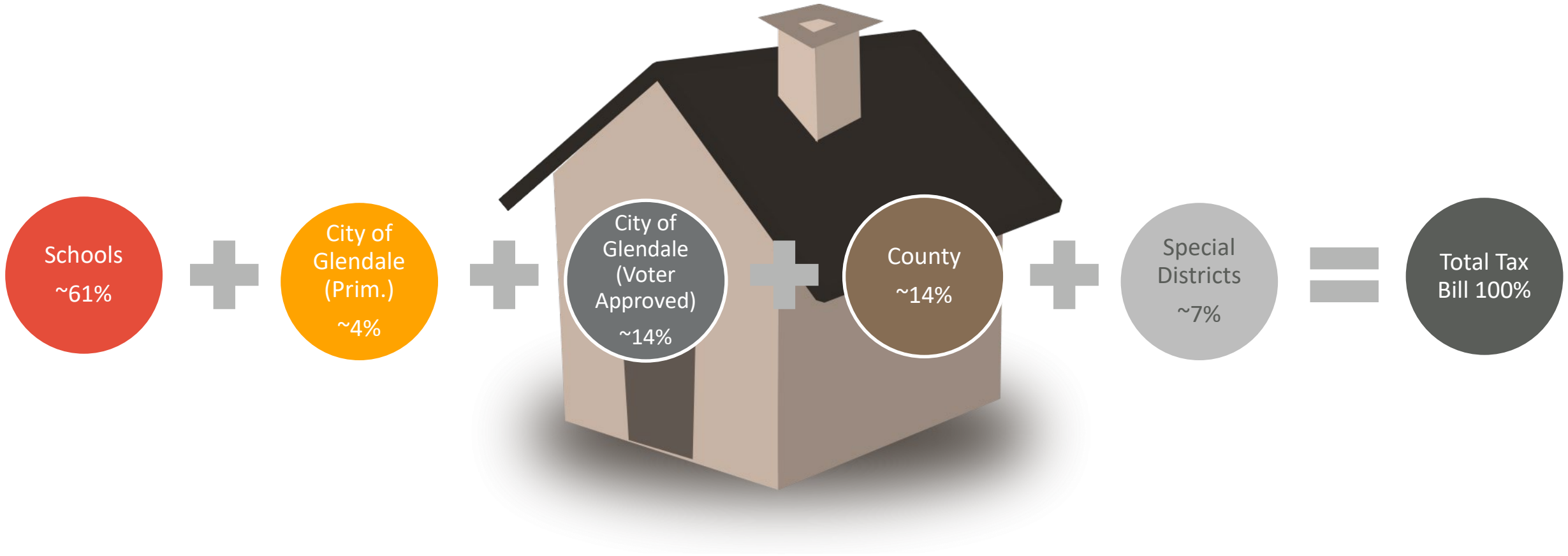


# Financial Policies – Property Tax

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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 (\$378k Home)

	2021		2022		Changes
Assessed Value	\$341,448		\$358,520		\$17,072
Full Cash Value	\$353,200		\$377,500		\$24,300
	<b>Property Tax Levy Calculation</b>				
	2021		2022		
	Rate	Levy	Rate	Levy	\$ Change
Schools/Education (61%)		\$2,116.39		\$1,973.65	(\$142.74)
<b>Glendale Primary (4%)</b>	<b>\$0.38</b>	<b>\$131.39</b>	<b>\$0.37</b>	<b>\$133.51</b>	<b>\$2.12</b>
<b>Glendale Secondary (14%)</b>	<b>\$1.34</b>	<b>\$457.85</b>	<b>\$1.30</b>	<b>\$465.25</b>	<b>\$7.40</b>
County (14%)		\$459.56		\$447.18	(\$12.38)
Special Districts (7%)		\$232.31		\$217.51	(\$14.80)
<b>Total</b>		<b>\$3,397.50</b>		<b>\$3,237.10</b>	<b>(\$160.40)</b>



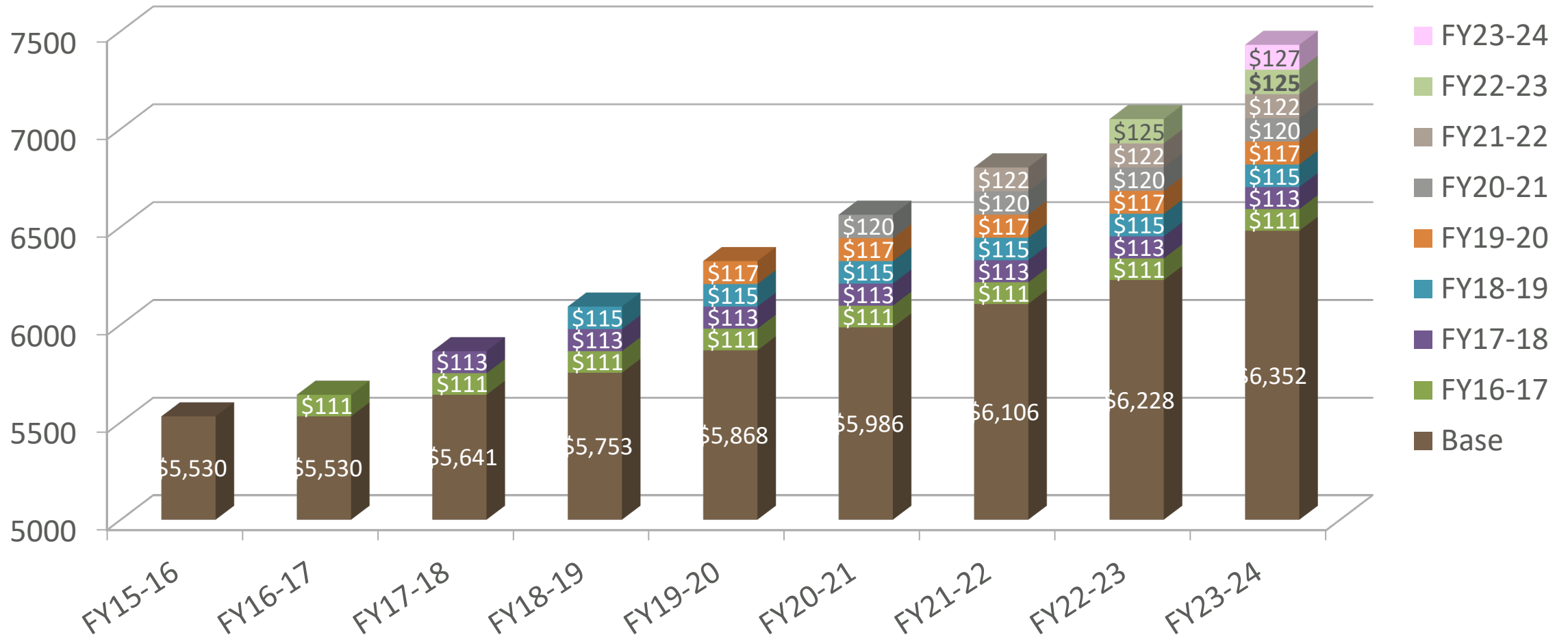
# Property Taxes

	FY22-23			FY23-24		
	Budget			Projected		
	Rate	Levy		Rate	Levy	Increase
<i>Primary</i>	<i>0.3724</i>	<i>\$6,266,777</i>		<i>0.3798</i>	<i>\$6,392,113</i>	<i>\$125,336</i>
Secondary	1.2977	21,837,801		1.2977	21,837,801	0
Total	1.6701	\$28,104,578		1.6775	\$28,229,914	\$125,336

- Primary – Levy increased by 2%
- Secondary (Voter Approved) – No levy increase
- Simple example, assumes no new construction & no increase in assessed valuation



# 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 \$950k
- 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



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**Questions?**



# Five-Year Financial Forecasts





# Five-Year Financial Forecasts

- First step in the FY23-24 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 FY23 by 8% from \$160M original budget to \$173M
    - Very conservative forecast for FY23
    - Based on year-to-date actuals
  - Conservative growth for FY24 through FY28
    - Assumed reductions in construction sales tax beginning in FY24, reaching average trend in FY28
    - 2% 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



# City Sales Tax

City Sales Tax by Category						
	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22	FY22-23 (6 Months)
Amusement	4,916,662	4,893,334	4,363,114	1,452,357	5,793,186	3,645,155
Construction*	6,656,873	6,807,300	12,296,520	16,922,150	25,105,835	13,573,604
Hotel/Motel	3,825,521	3,970,644	3,761,665	3,820,245	6,380,550	3,085,217
License Fee	847,704	956,862	772,700	916,541	1,091,323	545,433
Other	4,685,870	5,301,519	5,483,839	5,540,221	5,864,244	3,600,489
Rentals	18,105,380	19,690,599	20,702,089	21,551,335	25,463,366	14,078,620
Restaurant/Bar	20,450,972	22,051,165	20,707,683	22,302,348	29,081,057	14,716,161
Retail Sales*	81,554,645	78,916,500	89,874,691	104,355,209	118,479,372	61,415,091
Retail Sales >\$5,000	7,888,299	9,016,095	9,728,090	11,687,464	14,498,344	7,405,574
Telecom/Cable TV	3,485,608	3,031,501	3,019,581	2,437,948	2,118,910	959,591
Utilities	8,994,685	9,000,071	8,583,441	9,111,433	9,422,143	6,032,490
<b>TOTAL</b>	<b>161,412,219</b>	<b>163,635,591</b>	<b>179,293,413</b>	<b>200,097,252</b>	<b>243,298,330</b>	<b>129,057,424</b>

\*One-Time Revenues



# General Fund Expenditure Assumptions

- Operating Expenses
  - 9.2% average increase for FY24, 5% for FY25, and 4% for FY26-28
    - Salaries - \$10.8M increase for FY24
    - Benefits and Retirement - \$4.6M increase for FY24
  - Local match for 3 police FTEs - COPS grant
  - Addition of 3 Park Rangers for new Park Ranger Program
  - Addition of 1 Sergeant, 4 Officers, and 2 Civilian Personnel for MROP Program
- Increases in Risk Management, Worker's Comp, and Shop Charges
- Police Radio Replacement (4-year replacement plan)
- Fire Heart Monitor Replacement
- Right of Way Landscaping Program
- Certificates of Participation (PSPRS Pension Obligations)
  - PSPRS contribution rates
  - \$18.8M in debt service for FY24 and increases to an average of \$20.4M for FY25-28
  - Pension reserve fund - \$20M funded in FY24



# General Fund Expenditure Assumptions

- Focus on Deferred Maintenance
  - Building Maintenance Reserve \$1.8M per year
  - Additional ongoing funding for Parks Maintenance increased from \$1M to \$1.5M
  - Camelback Ranch Capital Repair and Maintenance (average of \$1.5M per year)
  - Exterior Building Repair and Maintenance \$1.3M per year
- Vehicle Replacement Fund increased from \$3M to \$3.2M
  - 8% annual increase
- Funding for Scallop Streets, \$4M in FY24
- Mega Events \$3M for FY23 and \$1M for FY24



# General Fund Expenditure Assumptions

- Funding for Downtown Campus Reinvestment Project
  - \$85.7M Total Project Budget per Council Consensus on January 24, 2023

General Government Bonds	\$14.0M
Cultural Facility Bonds	\$10.5M
Park Bonds	\$ 4.5M
ARPA	\$ 7.5M
Fund Balance – General Fund	\$49.2M
<b>Total DCRP Project Budget</b>	<b>\$85.7M</b>
- Council Contingency \$5M each year
  - Use of contingency requires Council approval



# General Fund Forecast

	FY22-23 Revised Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget
Beginning Fund Balance	173,086,283	213,417,082	166,247,073	153,056,927	134,007,877	108,070,807
Operating Revenue	338,414,114	336,650,065	337,191,983	340,025,366	346,813,648	352,021,692
Operating Expenditures	(256,622,278)	(300,417,383)	(313,147,417)	(323,767,394)	(338,130,973)	(350,511,142)
Net Transfers	(36,461,037)	(78,402,691)	(32,234,711)	(30,307,022)	(29,619,744)	(30,611,145)
Contingency	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)
<b>Total Surplus/(Deficit)</b>	<b>40,330,799</b>	<b>(47,170,009)</b>	<b>(13,190,145)</b>	<b>(19,049,050)</b>	<b>(25,937,070)</b>	<b>(34,100,595)</b>
Ending Fund Balance	213,417,082	166,247,073	153,056,927	134,007,877	108,070,807	73,970,212
Assigned Fund Balance - Revenue Stability		(5,000,000)	(5,000,000)			
Assigned Fund Balance - Offset Inflation Risk		(5,000,000)	(5,000,000)			
Assigned Fund Balance - Fire Apparatus	(12,988,391)	(10,693,993)	(8,377,113)	(5,990,727)	(4,374,039)	(2,223,028)
Assigned Fund Balance - Mega Events	(3,000,000)	(1,000,000)				
Assigned Fund Balance - CIP	(81,901,697)	(62,786,755)	(14,702,384)	(10,963,945)	(9,246,219)	(9,531,394)
Assigned Fund Balance - DCRP	(30,000,000)					
Pension Reserves (Committed)	(13,333,333)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Unassigned Fund Balance	72,193,662	61,766,326	99,977,431	97,053,206	74,450,550	42,215,791



# General Fund Summary

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- Increase in general fund reserves in FY23
  - Robust city sales tax revenues
  - Includes \$107.3M 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)

	FY22-23 Revised Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget
Beginning Fund Balance	20,807,203	14,497,957	12,523,972	10,280,827	7,821,355	5,094,267
Operating Revenue	18,009,266	18,462,709	19,009,320	19,478,858	19,960,099	20,355,181
Operating Expenditures	(13,139,718)	(14,389,671)	(15,109,096)	(15,696,470)	(16,344,642)	(17,019,688)
Capital Outlay	(9,678,795)	(4,547,022)	(4,643,369)	(4,741,860)	(4,842,545)	(5,160,726)
Contingency	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
<b>Total Surplus/(Deficit)</b>	<b>(6,309,247)</b>	<b>(1,973,984)</b>	<b>(2,243,146)</b>	<b>(2,459,472)</b>	<b>(2,727,088)</b>	<b>(3,325,233)</b>
Ending Fund Balance	14,497,957	12,523,972	10,280,827	7,821,355	5,094,267	1,769,034
<b>Fund Balance Policy 15% Operating Revenue</b>	<b>2,701,390</b>	<b>2,769,406</b>	<b>2,851,398</b>	<b>2,921,829</b>	<b>2,994,015</b>	<b>3,053,277</b>



# Transportation Sales Tax

	FY22-23 Revised Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget
Beginning Fund Balance	89,766,252	78,439,498	73,622,825	75,097,609	74,370,079	75,886,328
Operating Revenue	45,828,934	46,083,494	46,356,390	46,949,757	47,764,529	48,635,375
Operating Expenditures	(16,451,263)	(17,957,252)	(19,100,454)	(20,198,748)	(21,371,058)	(22,623,054)
Debt Service	(6,704,040)	(6,698,897)	(6,702,754)	(6,700,230)	(6,700,956)	(6,699,182)
Capital Outlay	(31,171,319)	(23,244,018)	(16,078,398)	(17,778,309)	(15,176,265)	(13,883,006)
Contingency	(2,829,066)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
<b>Total Surplus/(Deficit)</b>	<b>(11,326,754)</b>	<b>(4,816,673)</b>	<b>1,474,784</b>	<b>(727,531)</b>	<b>1,516,249</b>	<b>2,430,132</b>
Ending Fund Balance	78,439,498	73,622,825	75,097,609	74,370,079	75,886,328	78,316,461
<b>Fund Balance Policy 10% Operating Revenue</b>	<b>4,432,678</b>	<b>4,458,134</b>	<b>4,485,424</b>	<b>4,544,760</b>	<b>4,626,238</b>	<b>4,713,322</b>



# Public Safety Sales Tax – Police

	FY22-23 Revised Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget
Beginning Fund Balance	12,860,586	13,341,265	9,341,265	6,341,265	4,341,265	2,841,265
Operating Revenue	27,690,696	27,814,519	27,962,380	28,320,772	28,821,958	29,356,356
Operating Expenditures (Transfer Out)	(27,210,017)	(31,814,519)	(30,962,380)	(30,320,772)	(30,321,958)	(30,356,356)
<b>Total Surplus/(Deficit)</b>	<b>480,679</b>	<b>(4,000,000)</b>	<b>(3,000,000)</b>	<b>(2,000,000)</b>	<b>(1,500,000)</b>	<b>(1,000,000)</b>
Ending Fund Balance	13,341,265	9,341,265	6,341,265	4,341,265	2,841,265	1,841,265
<b>Fund Balance Policy 5% Operating Revenue</b>	<b>1,384,180</b>	<b>1,390,726</b>	<b>1,398,119</b>	<b>1,416,039</b>	<b>1,441,098</b>	<b>1,467,818</b>



# Public Safety Sales Tax – Fire

	FY22-23 Revised Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget
Beginning Fund Balance	6,825,891	7,024,600	5,524,600	4,024,600	2,774,600	1,774,600
Operating Revenue	13,833,256	13,898,671	13,972,551	14,151,634	14,402,070	14,669,102
Operating Expenditures (Transfer Out)	(13,634,548)	(15,398,671)	(15,472,551)	(15,401,634)	(15,402,070)	(15,669,102)
<b>Total Surplus/(Deficit)</b>	<b>198,708</b>	<b>(1,500,000)</b>	<b>(1,500,000)</b>	<b>(1,250,000)</b>	<b>(1,000,000)</b>	<b>(1,000,000)</b>
Ending Fund Balance	7,024,600	5,524,600	4,024,600	2,774,600	1,774,600	774,600
<b>Fund Balance Policy 5% Operating Revenue</b>	<b>691,663</b>	<b>694,934</b>	<b>698,628</b>	<b>707,582</b>	<b>720,103</b>	<b>733,455</b>



# Special Revenue Fund Summary

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



# Enterprise Funds

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- 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



# Water & Sewer

	FY22-23 Revised Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget
Beginning Fund Balance	62,862,608	44,191,790	36,399,071	43,902,526	38,426,755	24,002,142
Operating Revenue	116,934,701	130,626,195	122,805,066	124,784,915	126,714,311	126,913,101
Revenue- CIP Reimb	2,000,000	1,547,000	1,547,000	1,547,000	1,547,000	1,547,000
Bond Proceeds	0	30,000,000	30,000,000	20,000,000	16,000,000	0
Operating Expenditures	(64,335,155)	(72,841,170)	(76,483,228)	(79,569,117)	(82,779,769)	(86,120,242)
Debt Service	(26,109,625)	(26,115,250)	(28,127,121)	(30,242,554)	(29,388,155)	(27,528,578)
Capital Outlay	(45,233,996)	(69,009,494)	(40,238,262)	(39,996,015)	(44,518,000)	(31,099,000)
Contingency	(1,926,743)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
<b>Total Surplus/(Deficit)</b>	<b>(18,670,818)</b>	<b>(7,792,719)</b>	<b>7,503,455</b>	<b>(5,475,771)</b>	<b>(14,424,613)</b>	<b>(18,287,719)</b>
Ending Fund Balance	44,191,790	36,399,071	43,902,526	38,426,755	24,002,142	5,714,422
<b>Fund Balance Policy 50% Operating Expenses</b>	<b>32,167,577</b>	<b>36,420,585</b>	<b>38,241,614</b>	<b>39,784,559</b>	<b>41,389,885</b>	<b>43,060,121</b>





# Solid Waste

	FY22-23 Revised Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget
Beginning Fund Balance	739,453	1,117,219	1,511,999	989,207	837,047	346,169
Operating Revenue	25,249,090	26,462,262	27,689,723	28,717,246	29,367,254	30,014,429
Operating Expenditures	(20,110,788)	(21,998,512)	(23,098,437)	(24,022,375)	(24,983,271)	(25,982,602)
Capital Outlay	(4,560,536)	(3,868,971)	(4,914,077)	(4,647,031)	(4,674,861)	(4,096,958)
Contingency	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)	(200,000)
<b>Total Surplus/(Deficit)</b>	<b>377,766</b>	<b>394,780</b>	<b>(522,791)</b>	<b>(152,160)</b>	<b>(490,878)</b>	<b>(265,131)</b>
Ending Fund Balance	1,117,219	1,511,999	989,207	837,047	346,169	81,039
<b>Fund Balance Policy 10% Operating Revenue</b>	<b>2,400,628</b>	<b>2,607,226</b>	<b>2,748,347</b>	<b>2,851,100</b>	<b>2,916,100</b>	<b>2,980,818</b>



# Landfill

	FY22-23 Revised Budget	FY23-24 Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget
Beginning Fund Balance	13,045,812	4,852,505	1,116,806	69,625	1,036,482	2,435,702
Operating Revenue	16,458,171	15,918,289	16,993,931	17,576,509	18,174,254	18,784,484
Bond Proceeds						
Operating Expenditures	(10,518,618)	(11,495,151)	(12,069,908)	(12,552,704)	(13,054,812)	(13,577,006)
Debt Service	(715,750)	(717,250)	(713,000)	(713,250)	(712,750)	(716,500)
Capital Outlay	(12,917,110)	(6,941,587)	(4,758,205)	(2,843,697)	(2,507,473)	(7,065,799)
Contingency	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)	(500,000)
<b>Total Surplus/(Deficit)</b>	<b>(8,193,307)</b>	<b>(3,735,699)</b>	<b>(1,047,182)</b>	<b>966,858</b>	<b>1,399,220</b>	<b>(3,074,820)</b>
Ending Fund Balance	4,852,505	1,116,806	69,625	1,036,482	2,435,702	(639,118)
<b>Fund Balance Policy 15% Op Revenue</b>	<b>2,003,485</b>	<b>2,062,901</b>	<b>2,136,672</b>	<b>2,212,287</b>	<b>2,289,792</b>	<b>2,369,234</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?**



# Budget Calendar

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Workshop #1 – Budget Overview / Revenues / Five-Year Financial Forecasts	February 14, 2023
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