



Council Workshop FY24-25 Budget Discussion

December 12, 2023





Agenda

1) FY24-25 Budget Overview

- a) Property Tax Levy

2) Five-Year Financial Forecasts

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

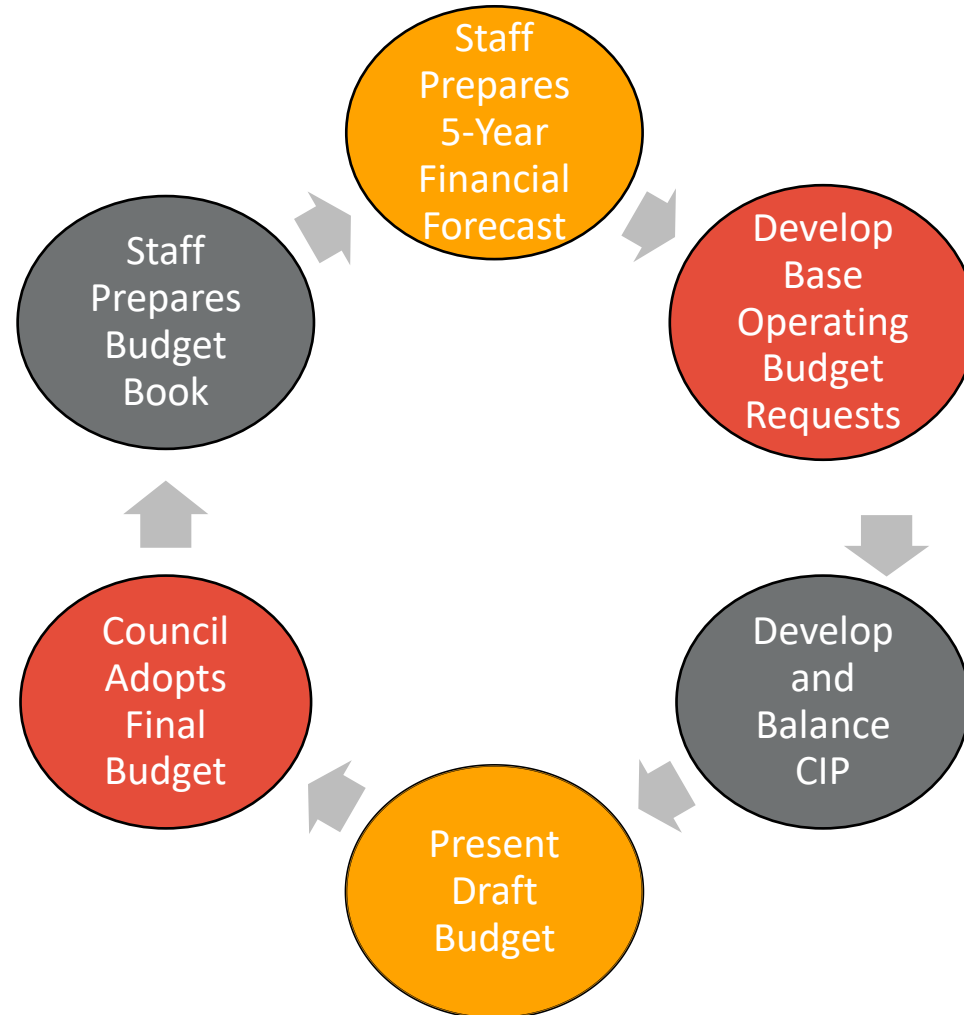


Budget Calendar

Item	Date
<i>Workshop #1 – Budget Overview / Revenues / Five-Year Financial Forecasts</i>	<i>December 12, 2023</i>
Workshop #2 – FY25-34 Capital Improvement Plan	February 6, 2024
Workshop #3 – FY25-34 Capital Improvement Plan	March 5, 2024
Workshop #4 – (All Day) FY25 Operating Budget Department Presentations	April 2, 2024
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Workshop #6 – FY25 Final Budget Workshop	April 16, 2024
Voting Meeting – Tentative Budget Adoption	May 14, 2024
Voting Meeting – Final Budget Adoption / Property Tax Levy	June 11, 2024
Voting Meeting – Property Tax Adoption	June 25, 2024

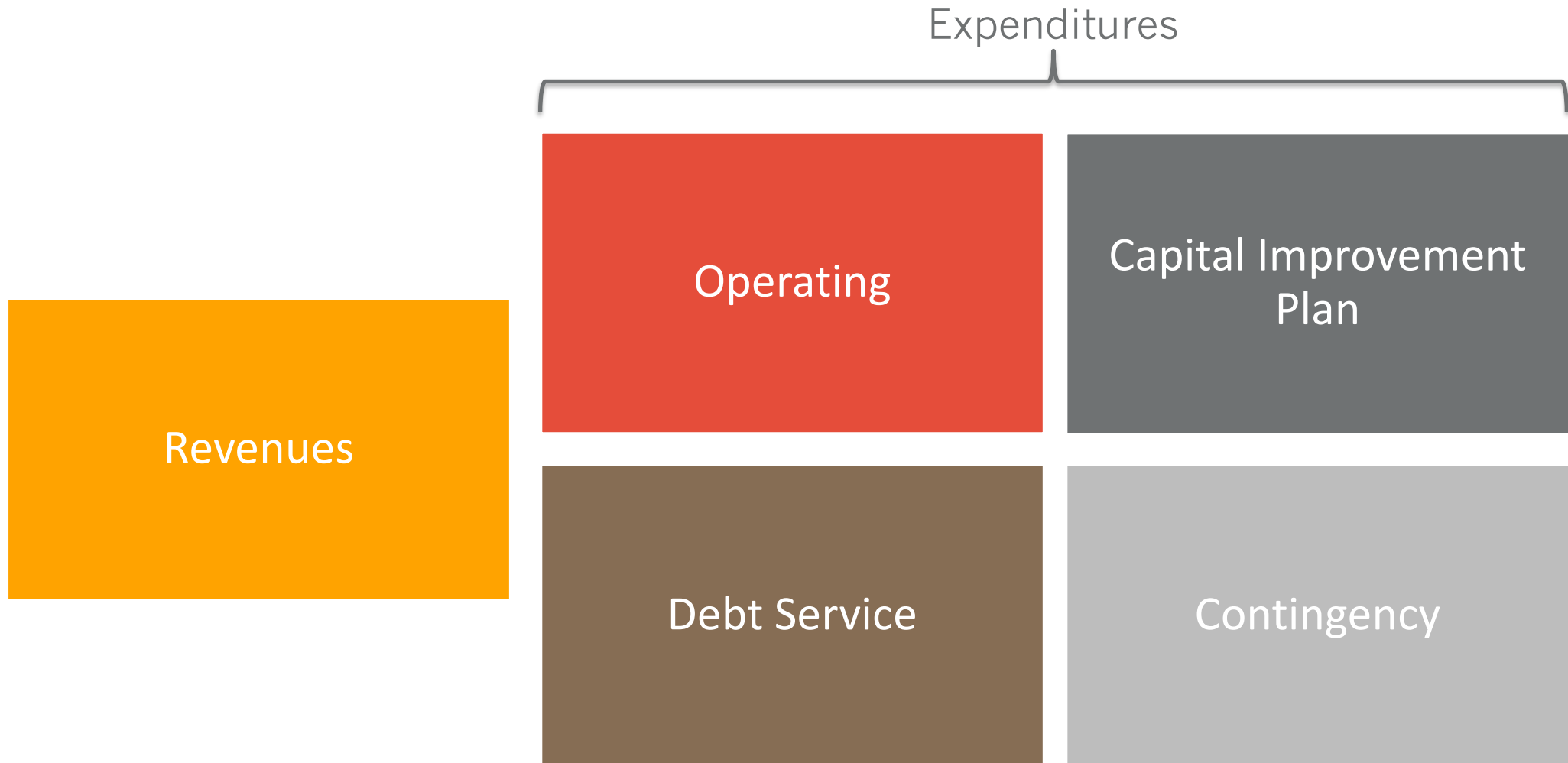


Budget Process



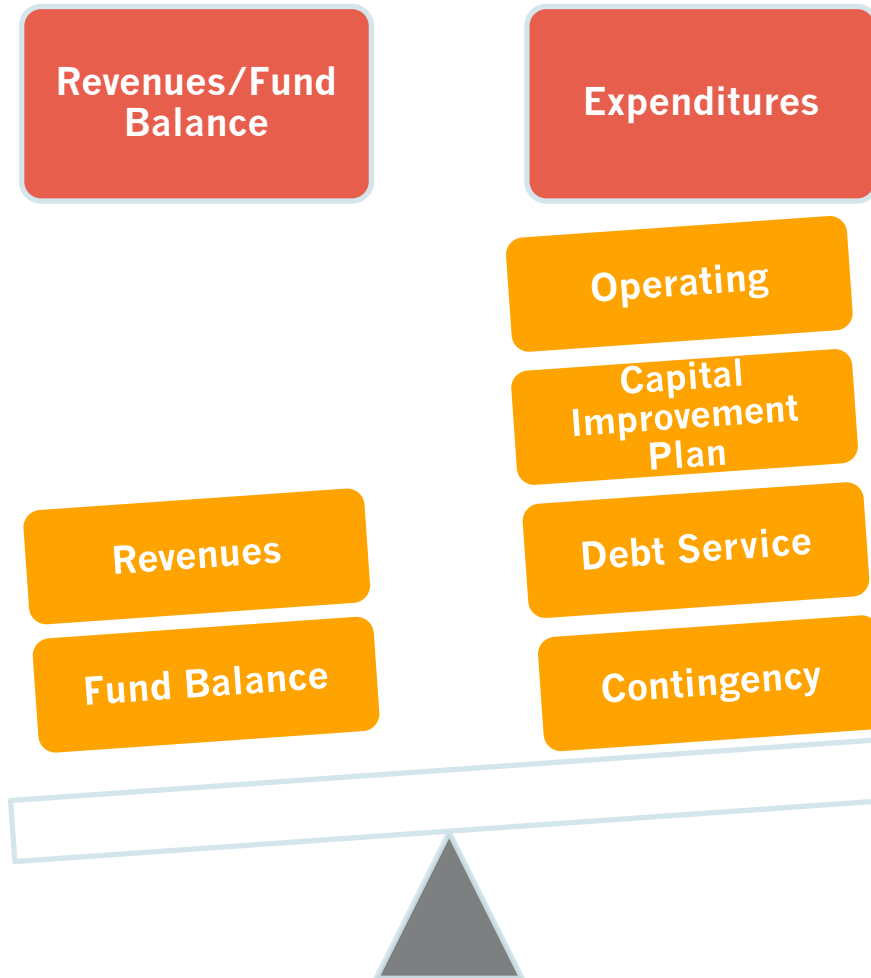


Budget Components





Balanced Budget

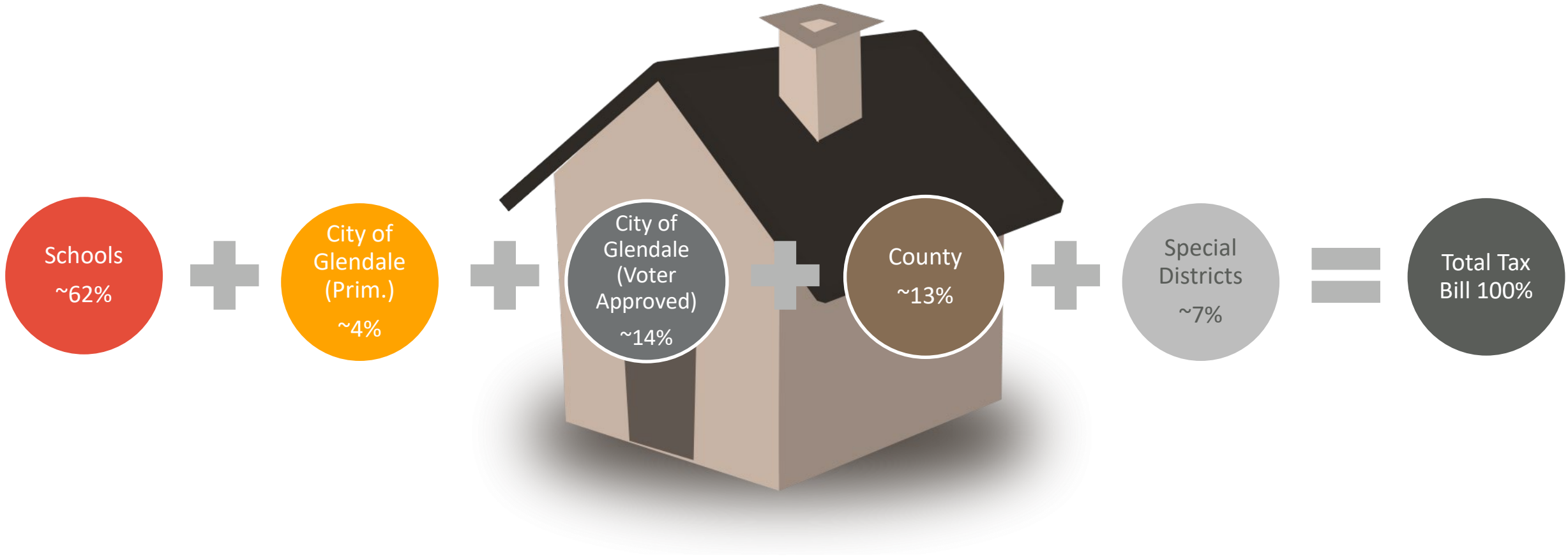




Financial Policies – Property Tax

“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 (\$499k Home)

	2022		2023		Changes
Assessed Value	\$358,520		\$376,446		\$17,926
Full Cash Value	\$377,500		\$498,500		\$121,000
	Property Tax Levy Calculation				
	2022		2023		
	Rate	Levy	Rate	Levy	\$ Change
Schools/Education (62%)		\$1,973.65		\$2,057.23	\$83.58
Glendale Primary (4%)	0.3724	\$133.51	0.3484	\$131.16	(\$2.35)
Glendale Secondary (14%)	1.2977	\$465.25	1.2142	\$457.09	(\$8.16)
County (13%)		\$447.18		\$453.40	\$6.22
Special Districts (7%)		\$217.51		\$234.18	\$16.67
Total		\$3,237.10		\$3,333.06	\$95.96



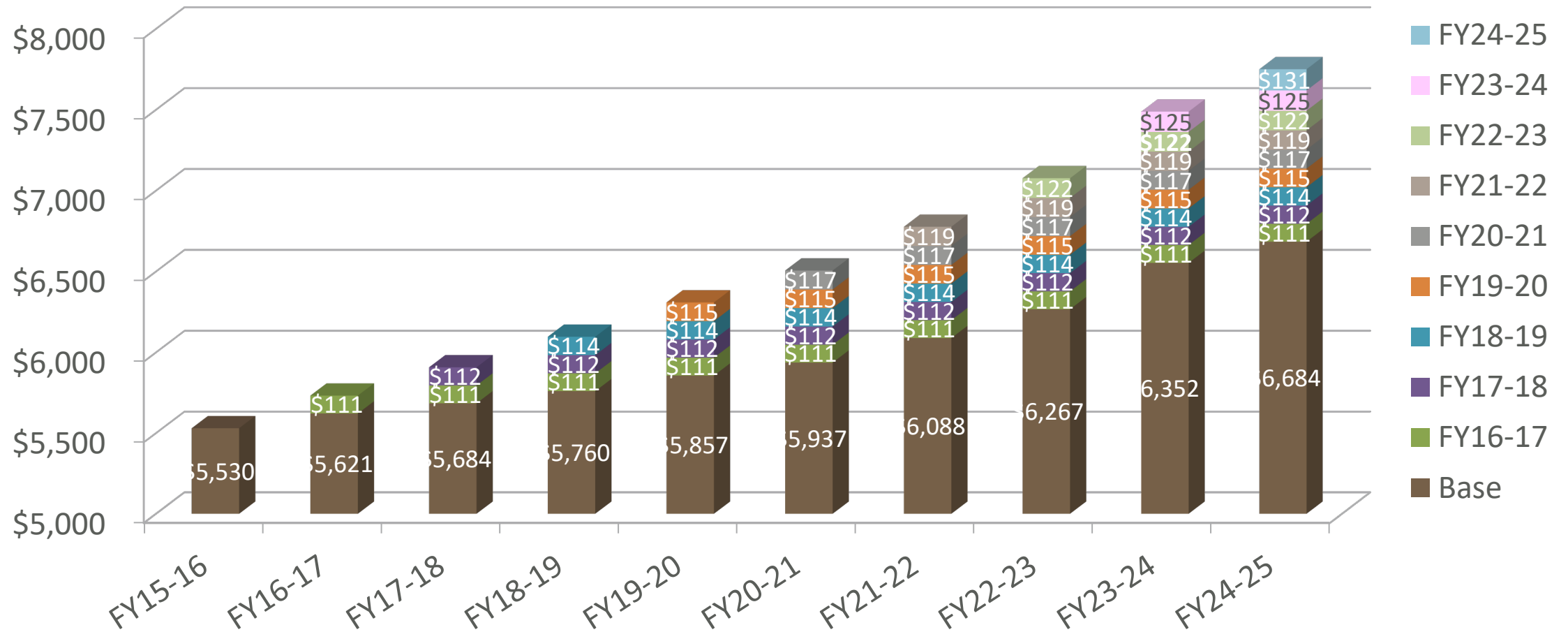
Property Tax Levy with 2% Increase

	FY23-24			FY24-25		
	Budget			Projected		
	Rate	Levy		Rate	Levy	Increase
<i>Primary</i>	<i>0.3484</i>	<i>\$6,553,047</i>		<i>0.3554</i>	<i>\$6,684,108</i>	<i>\$131,061</i>
Secondary	1.2142	22,837,857		1.2142	22,837,857	0
Total	1.5626	\$29,390,904		1.5696	\$29,521,965	\$131,061

- 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





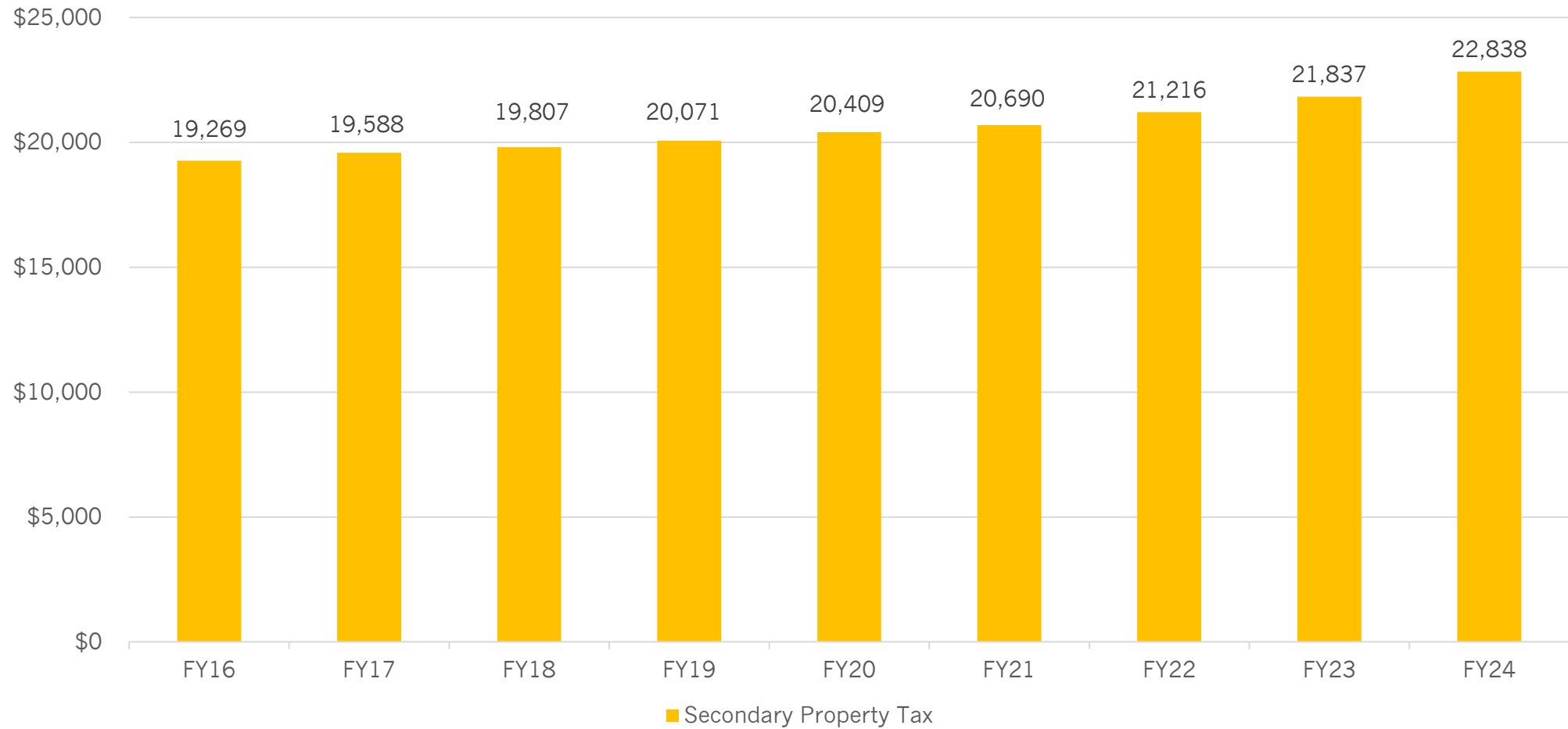
Property Tax Discussion

- Primary Levy Limit
 - Any general fund expense
 - Allowable 2% increase per year
 - Cumulative increase is approximately \$1.1M
- Council Consensus
 - Primary tax levy



Secondary Property Tax History

Secondary Property Tax History (In Thousands)





Property Tax Discussion

- 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 FY24-25 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
 - Residential Rental Tax
 - \$13M collected in residential rental tax in FY23 across all funds
 - \$7M General Fund
 - \$3M Transportation Sales Tax
 - \$2M Public Safety Sales Tax – Police
 - \$1M Public Safety Sales Tax – Fire
 - Reduction in Residential Rental Tax beginning January 1, 2025
 - Conservative growth for FY25 through FY29
 - Assumed reductions in construction sales tax beginning in FY25, reaching average trend in FY29
 - 2% average growth for all other categories
 - Addition of revenue for VAI Resort beginning in FY25



General Fund Revenue Assumptions

- State-Shared Sales Tax
 - Consistent with Department of Revenue report
- State-Shared Income Tax
 - Based on state income tax collected 2 years ago
 - Reduction in FY26, conservative growth for FY27-29
- One-Time Sales Tax Revenues for Mega Events
 - Expenditure Offset Equal to Revenue
- 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	FY23-24 July thru Oct
Amusement	4,920,483	4,925,211	4,417,597	1,514,058	5,943,710	12,910,184	3,489,072
Construction	6,683,790	7,047,739	12,958,146	17,341,703	26,743,518	31,627,274	12,121,170
Hotel/Motel	3,827,337	4,190,143	3,766,143	3,823,133	6,387,003	8,313,564	2,054,049
License Fee	847,739	957,008	772,862	916,825	1,091,751	1,037,323	134,499
Other	4,746,683	5,374,609	5,629,885	5,891,962	6,019,737	7,220,431	916,835
Rentals	18,628,758	20,588,254	21,120,616	21,986,704	26,231,371	31,698,010	10,500,667
Restaurant/Bar	20,497,585	22,214,252	21,126,474	22,488,718	29,300,707	32,010,253	10,801,968
Retail Sales	81,857,671	85,409,952	90,574,335	104,958,513	119,778,208	128,092,193	40,037,666
Retail Sales >\$5,000	7,904,468	9,039,007	9,757,565	11,776,541	14,524,311	15,908,868	5,246,329
Telecom/Cable TV	3,485,822	3,032,115	3,020,102	2,438,399	2,123,719	2,048,167	782,638
Utilities	8,994,933	9,000,104	8,583,505	9,114,217	9,421,026	10,251,277	4,736,997
TOTAL	162,395,269	171,778,394	181,727,230	202,250,773	247,565,061	281,117,544	90,821,890



General Fund Expenditure Assumptions

- Operating Expenses
 - 8% average increase for FY25, 5% for FY26, and 4% for FY27-29
 - Salaries (including Temp Pay and Overtime) - \$9.5M increase for FY25
 - Benefits and Retirement - \$4.3M increase for FY25
- Increases in Risk Management, Worker's Comp, and Shop Charges
- Placeholder for addition of COPS Grant Police Officers (13)
- Increases to Public Safety per preliminary Memorandums of Understanding
- Replacement of Fire Apparatus
- Replacement of Police Radios
- Right of Way Landscape Program
- Certificates of Participation (PSPRS Pension Obligations)
 - PSPRS contribution rates
 - \$19.5M in debt service for FY25 and increases to an average of \$20.9M for FY26-29
 - Pension reserve fund - \$20M funded in FY25



General Fund Expenditure Assumptions

- Focus on Deferred Maintenance
 - Building Maintenance Reserve \$1.8M per year
 - Addition of \$1M ongoing for Parks Maintenance
- Vehicle Replacement Fund increased from \$3.2M to \$3.5M
 - 8% annual increase
- VAI Parking Garage Project
 - \$16M in FY24, \$54.7M in FY25
 - City's investment after revenue offset is \$12.7M
- Council Contingency \$5M in FY25
 - Removed contingency in future fiscal years. Amount can be evaluated annually
 - Use of contingency requires Council approval



General Fund Forecast

	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget	FY28-29 Budget
Beginning Fund Balance	232,447,014	234,656,979	183,701,763	218,469,380	184,390,548	153,859,904
Operating Revenue	359,504,440	363,988,068	400,048,672	348,491,888	353,748,145	359,824,359
Ongoing Operating Expenditures	(275,356,324)	(302,736,783)	(316,484,171)	(329,687,025)	(346,078,851)	(360,575,887)
One-Time Operating Expenditures	(7,098,923)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Net Transfers	(69,839,227)	(104,706,501)	(46,296,883)	(50,383,695)	(35,699,937)	(37,527,874)
Contingency	(5,000,000)	(5,000,000)				
Total Surplus/(Deficit)	2,209,965	(50,955,217)	34,767,617	(34,078,832)	(30,530,643)	(40,779,402)
Ending Fund Balance	234,656,979	183,701,763	218,469,380	184,390,548	153,859,904	113,080,502
Assigned FB - TPT Revenue Stabilization	(5,000,000)					
Assigned FB - Offset Inflation Risk	(5,000,000)					
Assigned FB - Mega Events	(3,000,000)	(3,000,000)				
Assigned FB - General Govt CIP	(88,870,614)	(28,569,124)	(27,171,963)	(10,773,467)	(11,401,177)	(11,101,177)
Pension Reserves (Committed)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)	(20,000,000)
Unassigned Fund Balance	112,786,365	132,132,639	171,297,417	153,617,081	122,458,727	81,979,325
Fund Balance Policy 25% Ongoing Operating Expenses	68,839,081	75,684,196	79,121,043	82,421,756	86,519,713	90,143,972



General Fund Summary

- Changes in City Sales Tax
 - Reduction in Residential Rental Tax
 - Slow down of Construction Sales Tax
 - Increase in City Sales Tax from VAI/Mattel
- Includes \$116M investment in capital improvement in FY25
 - Council approved projects
 - Deferred maintenance
- Monitor revenues and economy closely
 - Conservative forecast
 - Adjust for inflation risk or recession in future years



Special Revenue Funds

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)

	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget	FY28-29 Budget
Beginning Fund Balance	19,286,881	13,698,984	11,731,883	10,660,414	9,086,092	6,976,945
Operating Revenue	19,701,862	20,091,852	20,489,618	20,895,316	21,309,103	21,731,140
Operating Expenditures	(14,668,040)	(15,630,900)	(16,412,447)	(17,091,022)	(17,797,846)	(18,534,099)
Capital Outlay	(9,121,719)	(4,928,053)	(5,148,641)	(5,378,616)	(5,620,404)	(6,426,979)
Contingency	(1,500,000)	(1,500,000)				
Total Surplus/(Deficit)	(5,587,897)	(1,967,101)	(1,071,469)	(1,574,322)	(2,109,147)	(3,229,938)
Ending Fund Balance	13,698,984	11,731,883	10,660,414	9,086,092	6,976,945	3,747,007
Fund Balance Policy 15% Operating Revenue	2,955,279	3,013,778	3,073,443	3,134,297	3,196,365	3,259,671



Transportation Sales Tax

	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget	FY28-29 Budget
Beginning Fund Balance	101,080,411	85,658,425	84,591,930	79,701,385	74,998,965	70,830,604
Operating Revenue	44,581,340	44,400,120	43,507,220	44,136,841	44,948,249	45,809,062
Other Revenue	1,502,153	1,502,153	1,502,153	1,502,153	1,502,153	1,502,153
Operating Expenditures	(18,679,588)	(20,148,827)	(21,439,392)	(22,675,762)	(23,995,677)	(25,405,548)
Debt Service	(6,704,040)	(6,702,754)	(6,700,230)	(6,700,956)	(6,699,182)	(6,699,408)
Capital Outlay	(36,121,852)	(19,817,186)	(21,760,296)	(20,964,697)	(19,923,904)	(22,320,466)
Contingency		(300,000)				
Total Surplus/(Deficit)	(15,421,986)	(1,066,494)	(4,890,545)	(4,702,421)	(4,168,361)	(7,114,207)
Ending Fund Balance	85,658,425	84,591,930	79,701,385	74,998,965	70,830,604	63,716,397
Fund Balance Policy 10% Operating Revenue	4,458,134	4,440,012	4,350,722	4,413,684	4,494,825	4,580,906



Public Safety Sales Tax – Police

	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget	FY28-29 Budget
Beginning Fund Balance	15,331,936	11,331,935	8,331,935	5,331,935	3,331,935	2,331,935
Operating Revenue	27,814,519	27,774,047	27,327,581	27,601,963	28,035,068	28,502,285
Operating Expenditures (Transfer Out)	(31,814,519)	(30,774,047)	(30,327,581)	(29,601,963)	(29,035,068)	(29,252,285)
Total Surplus/(Deficit)	(4,000,000)	(3,000,000)	(3,000,000)	(2,000,000)	(1,000,000)	(750,000)
Ending Fund Balance	11,331,935	8,331,935	5,331,935	3,331,935	2,331,935	1,581,935
Fund Balance Policy 5% Operating Revenue	1,390,726	1,388,702	1,366,379	1,380,098	1,401,753	1,425,114



Public Safety Sales Tax – Fire

	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget	FY28-29 Budget
Beginning Fund Balance	8,026,397	6,526,397	4,526,397	2,526,397	1,526,397	776,397
Operating Revenue	13,898,671	13,878,741	13,655,944	13,793,062	14,009,494	14,242,971
Operating Expenditures (Transfer Out)	(15,398,671)	(15,878,741)	(15,655,944)	(14,793,062)	(14,759,494)	(14,242,971)
Total Surplus/(Deficit)	(1,500,000)	(2,000,000)	(2,000,000)	(1,000,000)	(750,000)	
Ending Fund Balance	6,526,397	4,526,397	2,526,397	1,526,397	776,397	776,397
Fund Balance Policy 5% Operating Revenue	694,934	693,937	682,797	689,653	700,475	712,149



Special Revenue Fund Summary

- 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



Solid Waste

	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget	FY28-29 Budget
Beginning Fund Balance	4,147,549	3,745,247	3,736,930	3,008,337	2,097,442	1,087,501
Operating Revenue	26,072,263	26,939,305	28,305,523	28,955,056	29,598,915	30,276,511
Other Revenue	390,000	206,250	206,250	206,250	206,250	
Operating Expenditures	(22,404,334)	(23,852,106)	(25,044,711)	(26,046,498)	(27,088,359)	(28,171,892)
Capital Outlay	(4,260,231)	(3,101,766)	(4,195,655)	(4,025,703)	(3,726,747)	(5,148,779)
Contingency	(200,000)	(200,000)				
Total Surplus/(Deficit)	(402,302)	(8,317)	(728,593)	(910,895)	(1,009,941)	(3,044,160)
Ending Fund Balance	3,745,247	3,736,930	3,008,337	2,097,442	1,087,501	(1,956,659)
Fund Balance Policy 10% Operating Revenue	2,607,226	2,693,931	2,830,552	2,895,506	2,959,892	3,027,651



Landfill

	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget	FY28-29 Budget
Beginning Fund Balance	10,397,893	3,356,426	3,064,076	4,143,841	5,637,047	2,633,101
Operating Revenue	16,787,730	17,203,356	16,767,149	17,344,489	17,931,739	18,535,668
Other Revenue	1,130,559	1,159,160	1,187,406	1,219,496	1,251,192	1,286,693
Operating Expenditures	(11,920,489)	(12,683,660)	(13,317,843)	(13,850,556)	(14,404,578)	(14,980,761)
Debt Service	(717,250)	(713,000)	(713,250)	(712,750)	(716,500)	(714,250)
Capital Outlay	(11,822,018)	(4,758,205)	(2,843,697)	(2,507,473)	(7,065,799)	(2,262,192)
Contingency	(500,000)	(500,000)				
Total Surplus/(Deficit)	(7,041,468)	(292,350)	1,079,765	1,493,206	(3,003,946)	1,865,158
Ending Fund Balance	3,356,426	3,064,076	4,143,841	5,637,047	2,633,101	4,498,259
Fund Balance Policy 15% Op Revenue	2,518,160	2,580,503	2,515,072	2,601,673	2,689,761	2,780,350



Water & Sewer

	FY23-24 Revised Budget	FY24-25 Budget	FY25-26 Budget	FY26-27 Budget	FY27-28 Budget	FY28-29 Budget
Beginning Fund Balance	45,931,144	46,782,666	37,209,225	39,455,097	13,210,810	(10,027,704)
Operating Revenue	129,214,978	124,809,066	129,609,112	133,417,444	134,930,506	136,541,433
Other Revenue	2,958,217	2,768,907	2,874,607	2,987,706	3,108,722	3,238,210
Bond Proceeds	30,000,000	36,000,000	55,000,000	30,000,000	25,000,000	25,000,000
Operating Expenditures	(77,723,998)	(83,425,333)	(87,596,599)	(91,133,729)	(94,814,008)	(98,643,244)
Debt Service	(26,140,250)	(28,226,082)	(30,641,248)	(34,515,707)	(34,463,735)	(33,331,767)
Capital Outlay	(55,457,424)	(59,500,000)	(67,000,000)	(67,000,000)	(57,000,000)	(55,000,000)
Contingency	(2,000,000)	(2,000,000)				
Total Surplus/(Deficit)	851,522	(9,573,442)	2,245,872	(26,244,286)	(23,238,515)	(22,195,368)
Ending Fund Balance	46,782,666	37,209,225	39,455,097	13,210,810	(10,027,704)	(32,223,072)
Fund Balance Policy 50% Operating Expenses	38,861,999	41,712,666	43,798,300	45,566,864	47,407,004	49,321,622



Enterprise Fund Summary

- Watch revenues/economy closely
- Manage capital outlay to minimize debt service costs
- Ensure responsible timing of rate adjustments
- Plan for future debt issuance, if necessary



Questions?



Budget Calendar

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Workshop #1 – Budget Overview / Revenues / Five-Year Financial Forecasts	December 12, 2023
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