

# FY2025 Council Budget Retreat



December 18, 2023



# Agenda

- Financial Update
- Economic Indicators
- CIP Update
- Budget Priorities

# Financial Review of FY2023

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# FY2023 Revenues

Revenue	FY2023 Estimate Mar. 2023	FY2023 Actual	FY2023 Difference	FY2023 % Difference
General Fund	\$108.7	\$111.4	2.7	2%
Public Safety Dedicated Sales Tax	13.6	15.1	1.5	11%
Water	19.9	17.6	(2.3)	(12%)
Sewer	11.0	11.7	0.7	6%
Solid Waste	6.8	6.8	0	0%

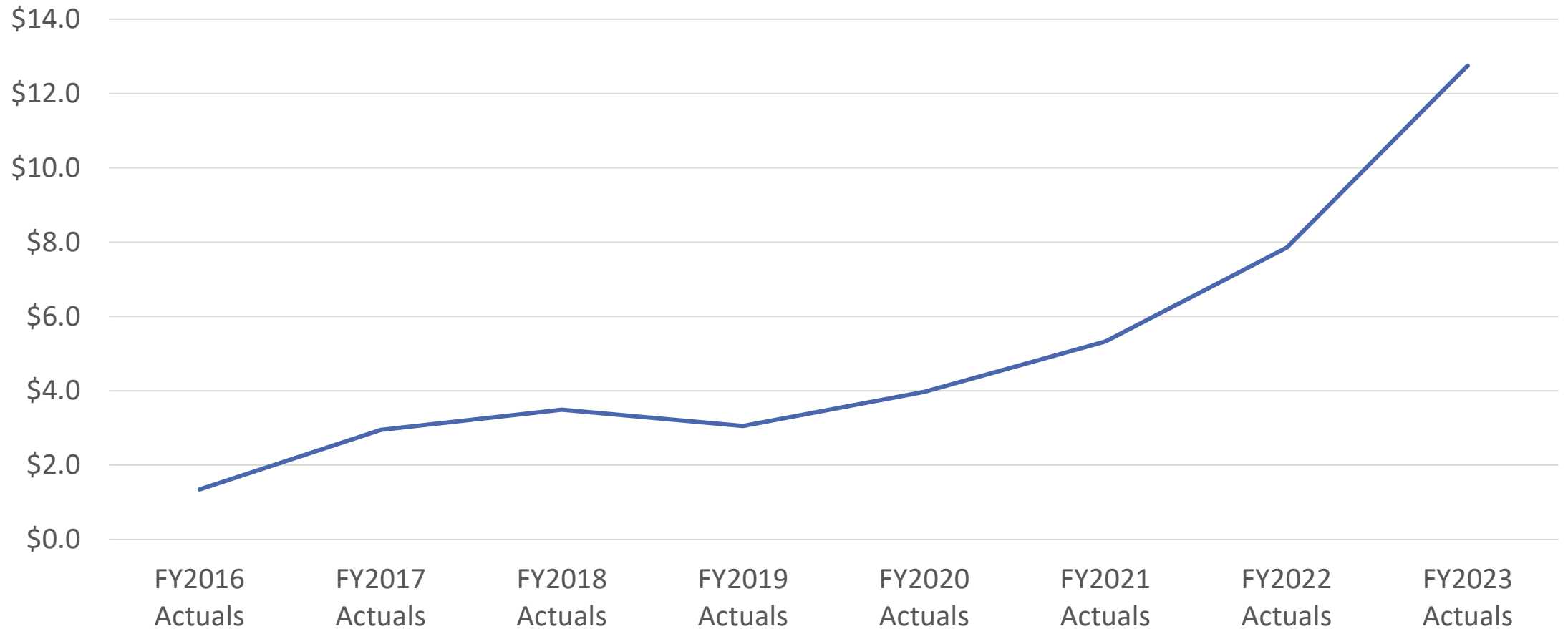
\$ in millions

# General Fund Revenue

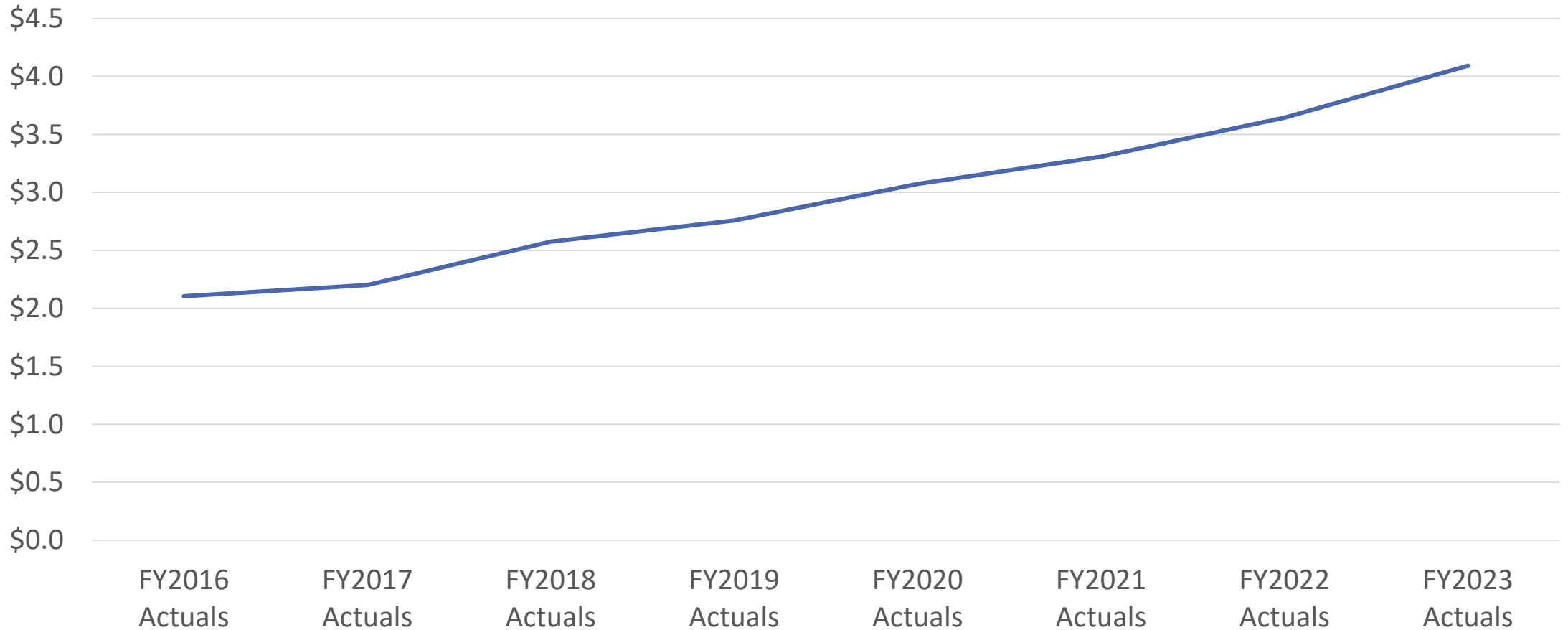
Revenue	FY2023 Estimate Mar 2023	FY2023 Actual	FY2023 Difference	FY2023 % Difference
Sales Tax	\$55.1	\$58.1	\$3.0	5%
Property Tax	3.5	3.5	0	0%
State Shared	34.7	35.1	0.4	1%
Charge for Service/License/Fines	12.6	14.1	1.5	7%
Property Sales and Interest	2.6	0.6	(2.0)	(77%)
<b>General Fund Total</b>	<b>\$108.6</b>	<b>\$111.4</b>	<b>\$2.7</b>	<b>7%</b>

\$ in millions

# Contracting Sales Tax (All Funds)



# Residential Rental Sales Tax (All Funds)

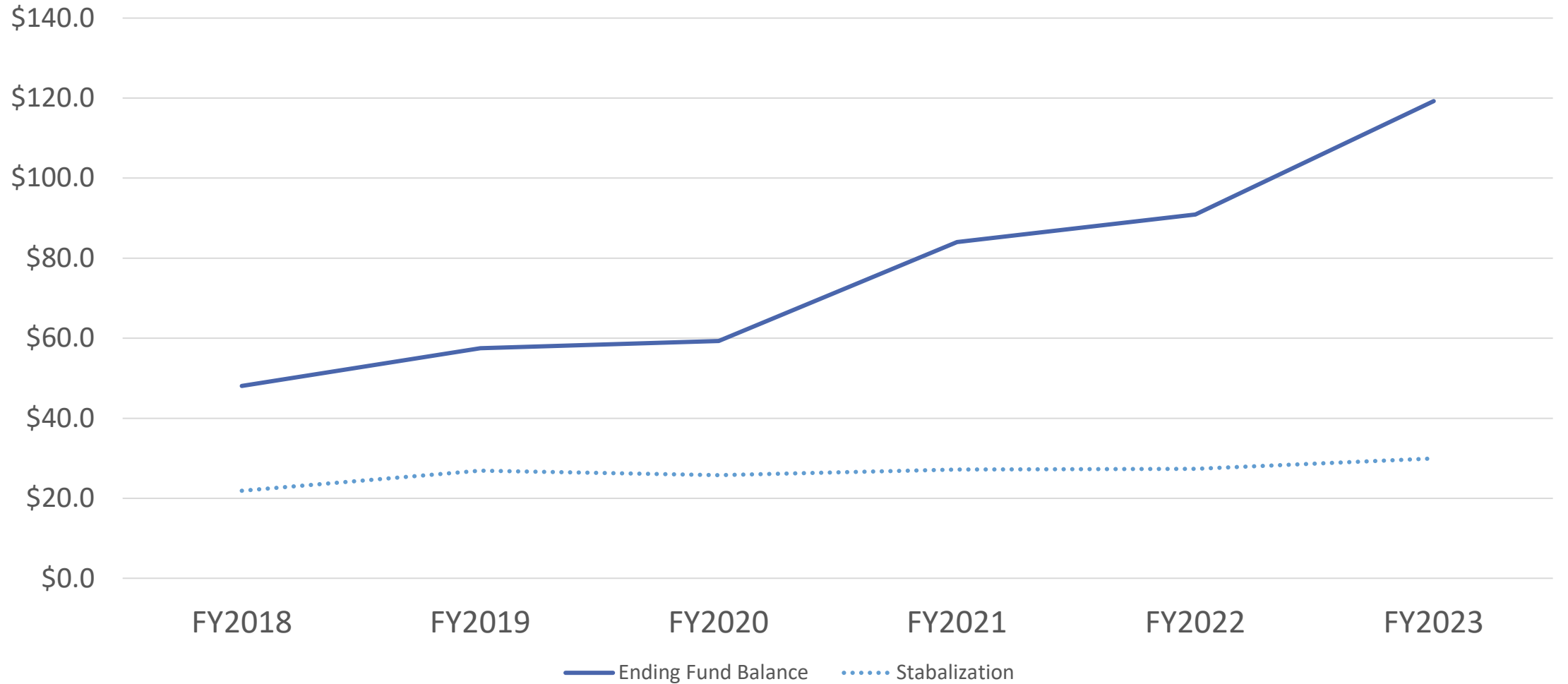


# Operating Expenses – Major Operating Funds

<b>Fund</b>	<b>FY2023 Operating Estimate Mar. 2023</b>	<b>FY2023 Actuals</b>	<b>Variance to Estimate</b>	<b>Variance %</b>
General Fund	\$78.8	\$74.4	\$4.4	6%
Public Safety	10.4	10.4	0.0	0%
Water Operations	14.3	13.1	1.2	8%
Sewer Operations	8.4	7.9	0.5	6%
Solid Waste	7.4	7.3	0.1	1%

\$ in millions

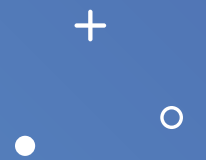
# General Fund Balance



\*in millions



# FY2024 Financial Update



# FY2024 Budget



Approved additional FTEs – 13.5



Funded Supplementals - \$10.6 M



Aquatic Center Project and Operations



Additional funding for Detention Center and Fire Station 171 – \$11.9 M



Funded Asset Replacement - \$13.6 M

# FY2024 Revenues through November

Revenue	FY2023 Nov. YTD Actuals	FY2024 Nov. YTD Budget	FY2024 Nov. YTD Actuals	Variance to PY Actuals	Variance to Budget
General Fund	\$45.2	\$46.9	\$51.0	\$5.8	\$4.1
Public Safety Dedicated Sales Tax	5.4	5.5	5.9	0.1	0.4
Water	9.2	11.5	10.1	0.9	(1.4)
Sewer	5.1	5.1	4.9	(0.2)	(0.2)
Solid Waste	2.9	3.0	3.1	0.2	0.1

\*in millions

# General Fund Revenues through November

Revenue	FY2023 Nov. YTD Actuals	FY2024 Nov. YTD Budget	FY2024 Nov. YTD Actuals	Variance to PY Actuals	Variance to Budget
Sales Tax	\$23.2	\$21.8	\$23.3	\$0.1	\$1.5
Property Tax	1.4	1.6	1.6	0.2	0
State Shared	14.2	17.7	17.5	3.3	(0.2)
Charge for Service/License/Fines	5.5	4.7	4.6	(0.8)	(0.1)
Property Sales and Misc	0.9	1.1	4.0	3.1	2.9
<b>Total</b>	<b>45.2</b>	<b>46.9</b>	<b>51.0</b>	<b>5.8</b>	<b>4.1</b>

\*in millions

# Sales Tax (All funds) – Year to Date through November

Revenue	FY2023 Nov. YTD Actuals	FY2024 Nov. YTD Budget	FY2024 Nov. YTD Actuals	Variance to PY Actuals	Variance to Budget
Retail	\$15.7	\$16.4	\$15.9	\$0.2	\$(0.5)
Auto Dealers	5.4	4.8	5.0	(0.4)	0.2
Restaurant and Bars	2.8	3.0	2.9	0.1	(0.1)
<b>Contracting</b>	<b>5.1</b>	<b>2.6</b>	<b>5.0</b>	<b>(0.0)</b>	<b>2.4</b>
Rentals	3.3	3.5	3.6	0.3	0.1
Utilities	1.2	1.3	1.5	0.2	0.2
Other	1.2	1.3	1.2	(0.1)	(0.1)
<b>Total</b>	<b>34.7</b>	<b>32.8</b>	<b>35.1</b>	<b>0.4</b>	<b>2.3</b>

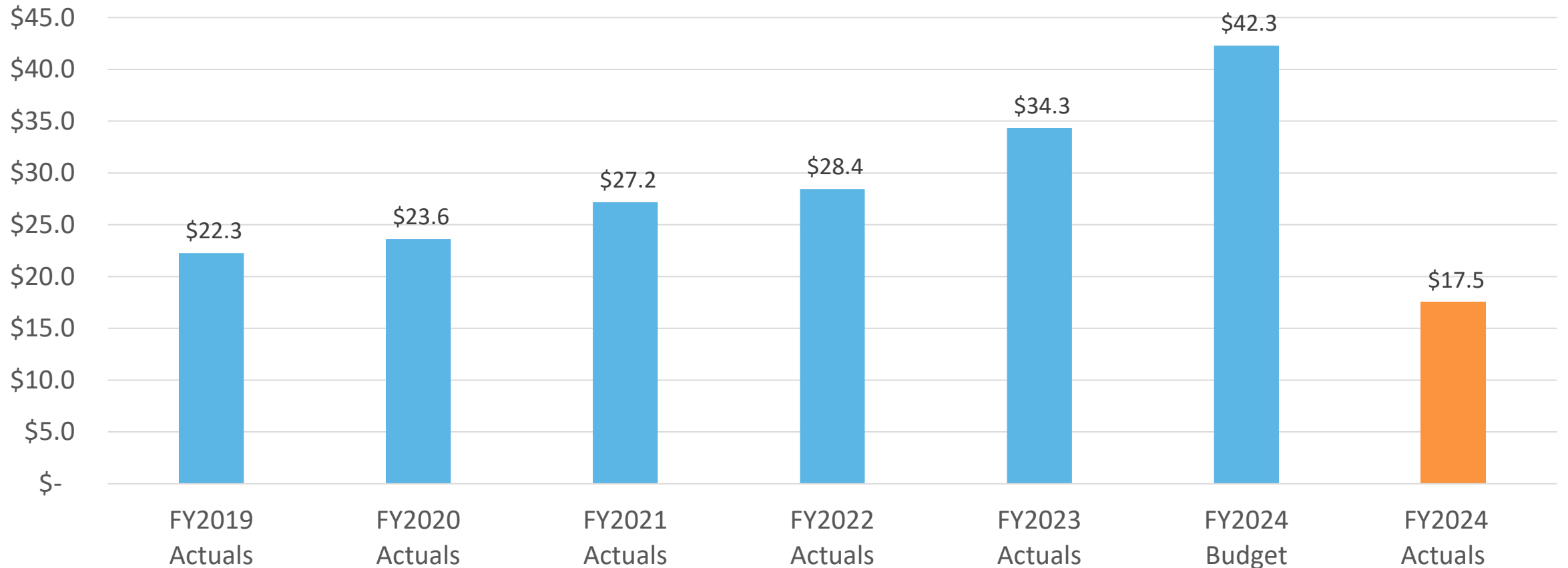
\*in millions

# Sales Tax (All funds) – 5-Year History



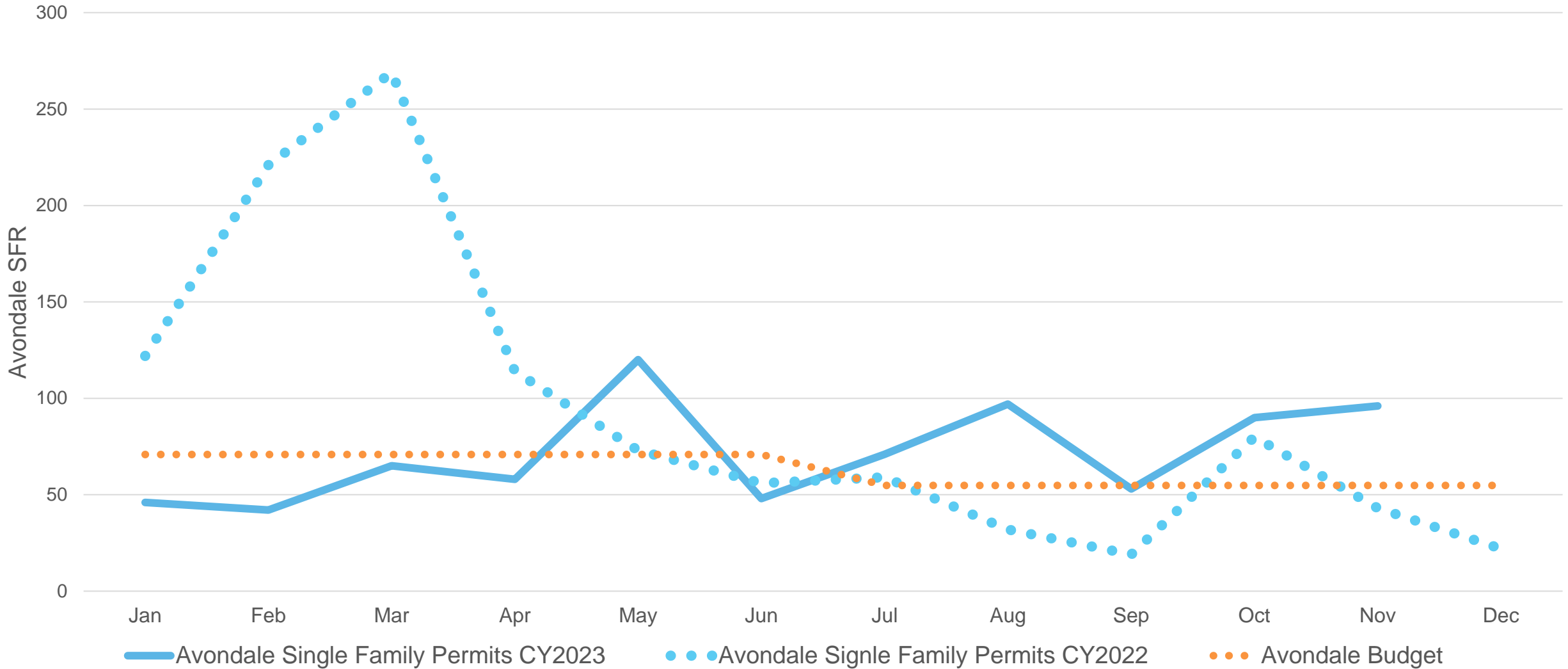
Source: Arizona Department of Revenue based on sales tax collections

# State Shared Revenue – 5-Year History



\*in millions

# Single Family Residential Permits (Calendar Year)



# Operating Expenses – Major Operating Funds

<b>Fund</b>	<b>FY2023 YTD Actuals (November)</b>	<b>FY2024 YTD Budget (November)</b>	<b>FY2024 Actuals (November)</b>	<b>Variance to PY Actuals</b>	<b>Variance to Budget</b>
General Fund	\$29.9	\$41.1	\$38.4	\$8.5	(2.7)
Public Safety	3.7	5.7	5.1	2.0	(0.6)
Water Operations	3.6	5.7	4.6	1.0	(1.1)
Sewer Operations	2.2	2.8	2.5	0.3	(0.3)
Solid Waste	2.3	2.6	2.7	0.3	(0.1)

\*in millions

# Assumptions in FY2024 5-Year Forecast

5% pay increases for staff

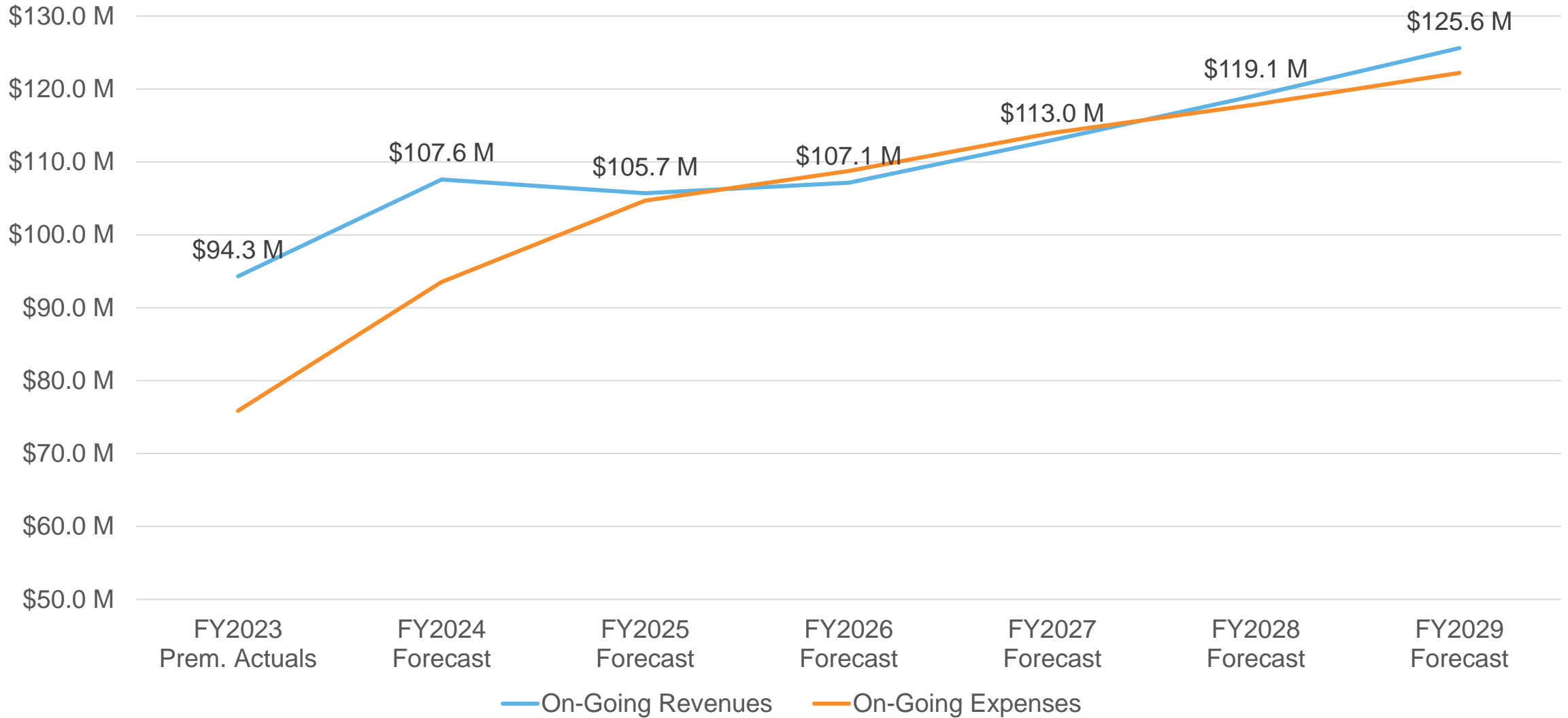
Compensation increases for sworn staff

Updated revenue forecast

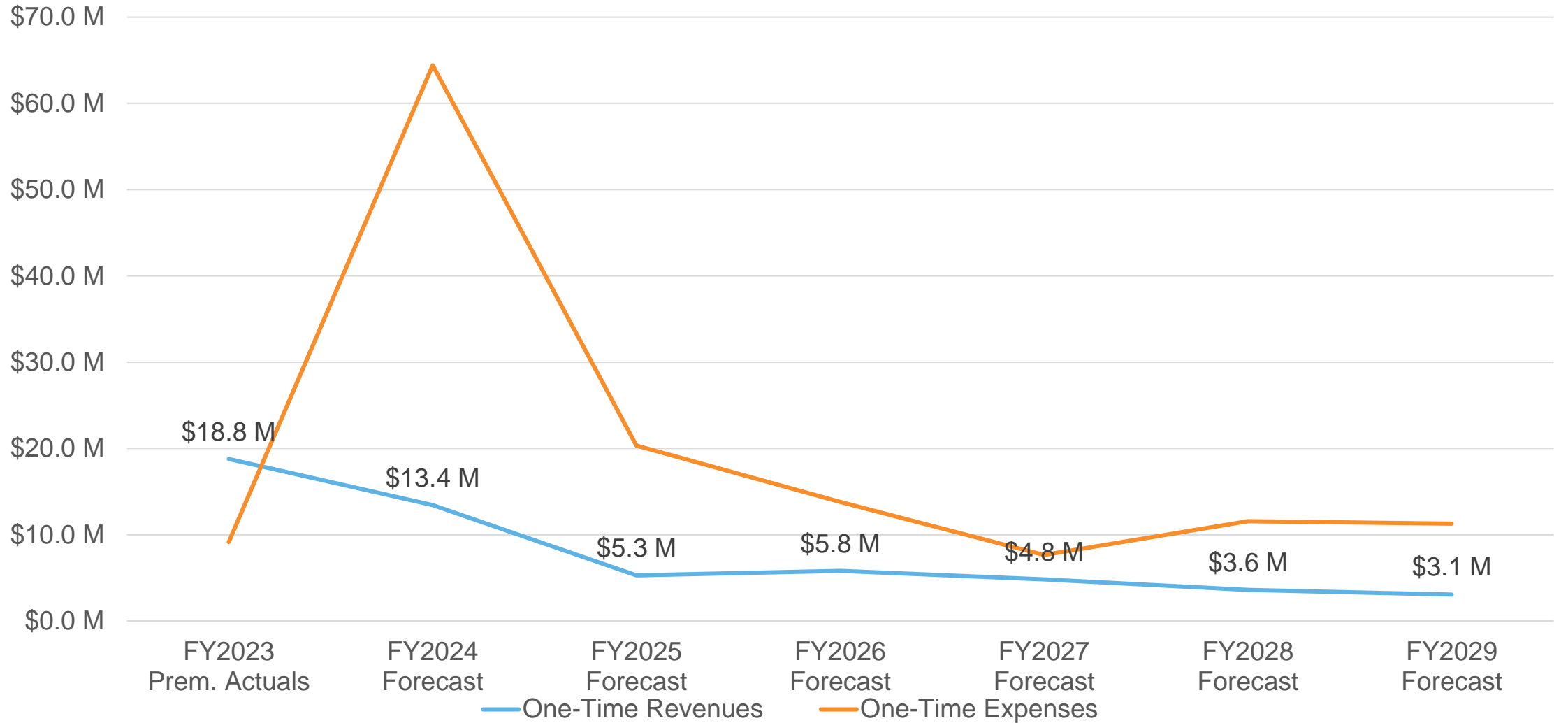
Takehome vehicle program

Projected capital increases

# General Fund Forecast On-Going Revenue & Expense

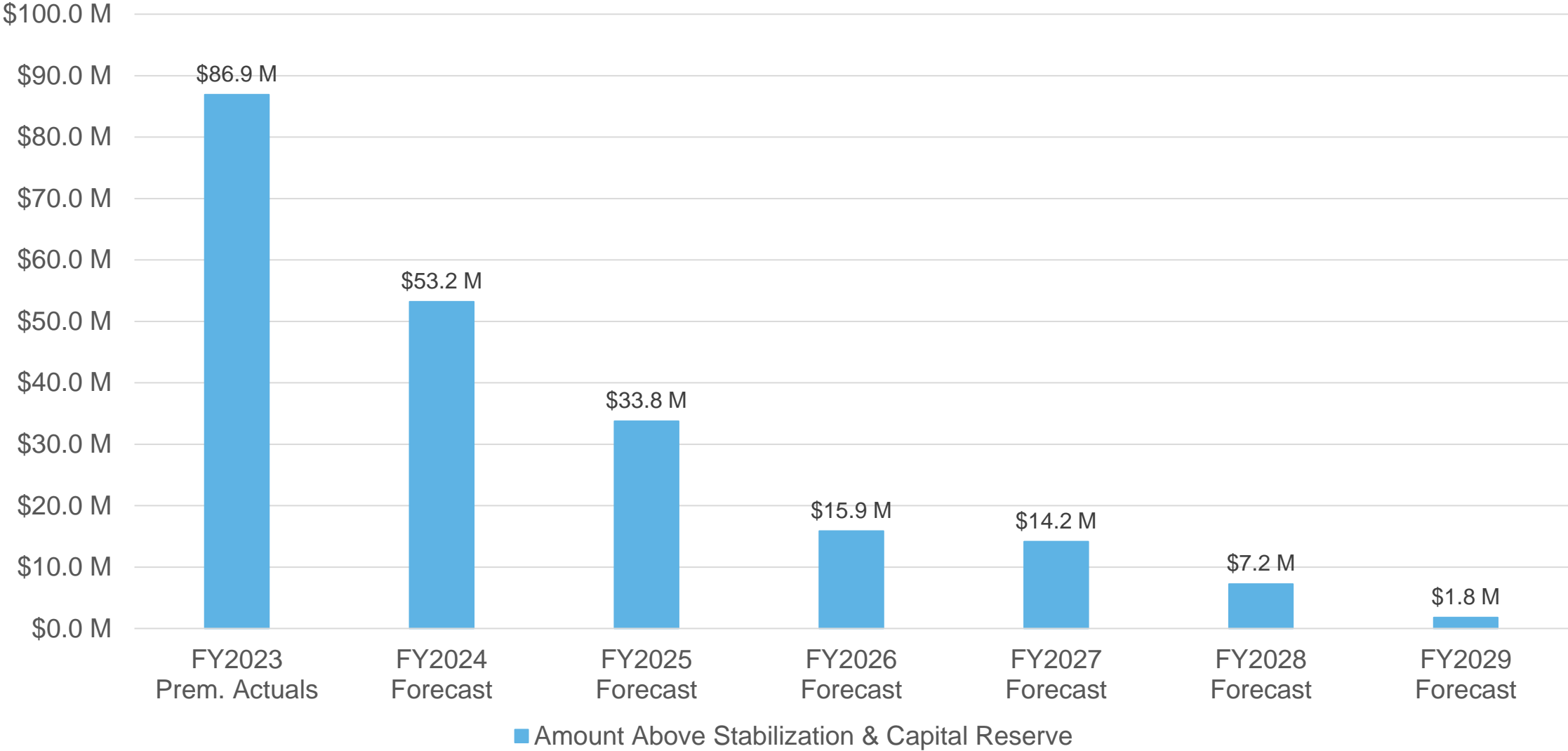


# General Fund Forecast One-Time Revenue & Expense



# General Fund Forecast

## Fund Balance Above Stabilization





# FY2025 Budget Overview



# FY2025 Budget Objectives

Maintain a structurally balanced budget - on-going expenses less than or equal to on-going revenues

Maintain Fund Balances and Reserves

Smoothing of CIP projects over five-year planning period

Address employee compensation and retention

Budget decisions based off five-year forecast

Develop long-term financial plan for future projects

# CIP Project Look Ahead

- Finishing Detention Center and Fire station 171
- Asset Replacement Program
- Wastewater treatment plant expansion
- Alamar public safety facility
- Fire training tower
- Bond election projects

# Other Budget Considerations

## PSPRS and ASRS

- Continue to monitor the City's funding level of pensions plans

## Legislation

- Continue to address legislation that could negatively impact revenues

## Inflationary Increases

- Planning for anticipated timelines to better forecast price fluctuations

# Potential Impacts of an Economic Downturn

## Sales Tax

- A -5% to -15% decrease would be \$3.8M-\$11.4M annually
- Does not include structural changes to sales tax
- Portion currently forecasted as one-time

## State Shared Revenue

- State Income Tax
  - A -5% to -20% decrease would be \$750k-\$3M annually
- State Sales Tax
  - A -5% to -15% decrease would be \$600k-\$2M annually
- Revenue losses would impact on-going expenses

## Development Revenues

- A 50% to 90% decrease would be \$5M-\$10M annually
- Forecasted as one-time revenues

# Budget Process Next Steps

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March Council Budget Discussion

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April City Manager's Recommended Budget presented to council

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May Adopt Tentative Budget

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June Public Hearing and Adopt Final Budget

Questions?  
Comments?





# Economic Indicators



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# Economic Data

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State facing budget shortfall

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Impact of state flat income tax

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1.5% annualized growth in personal income in Arizona since last year (4.7% last year)

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Unemployment 4% in Metro Phoenix (3.7% last year)

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Arizona inflation falling back in line with national average

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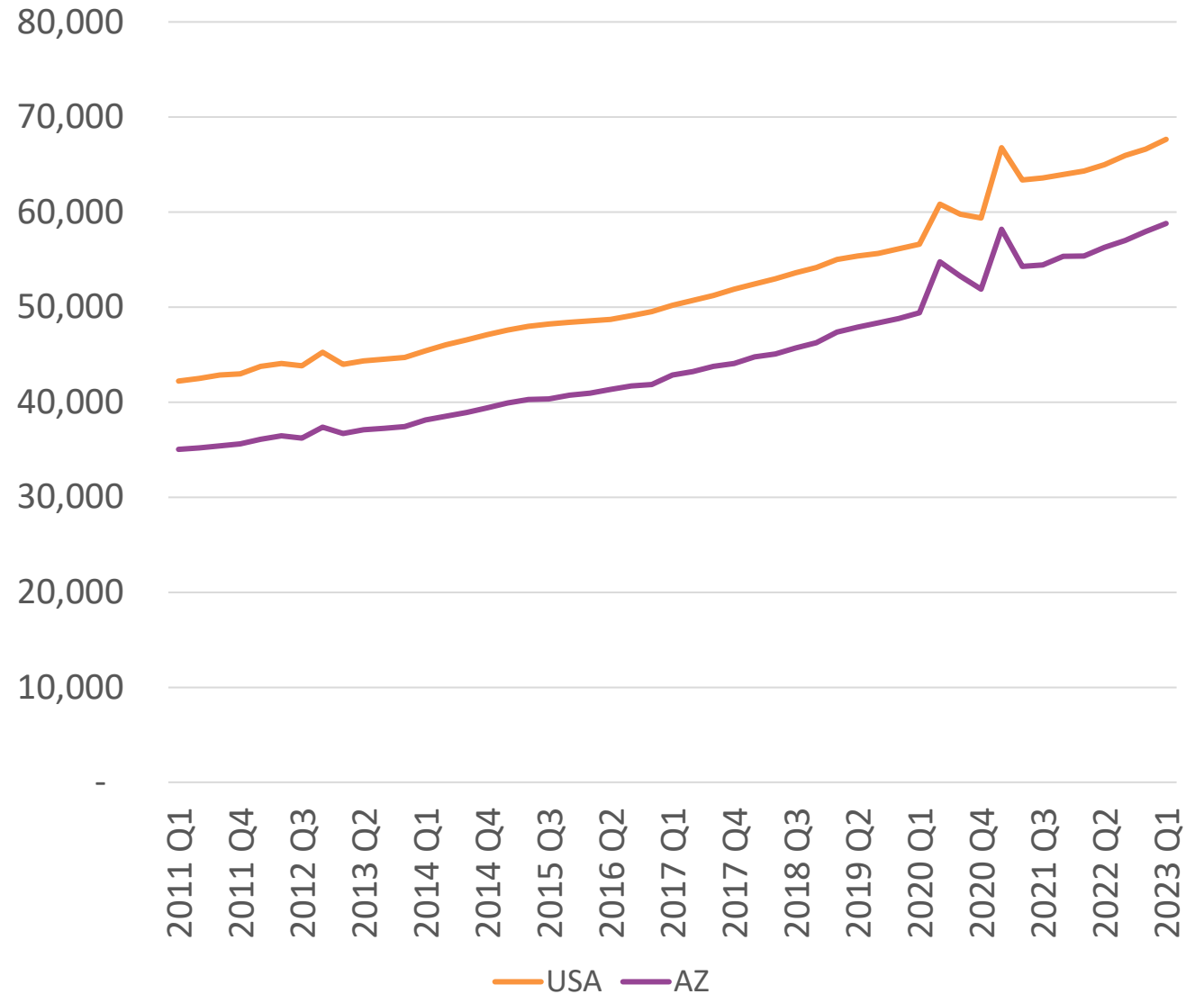
Single family home permits are slowing

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30-year mortgage interest rates highest in 10+ years

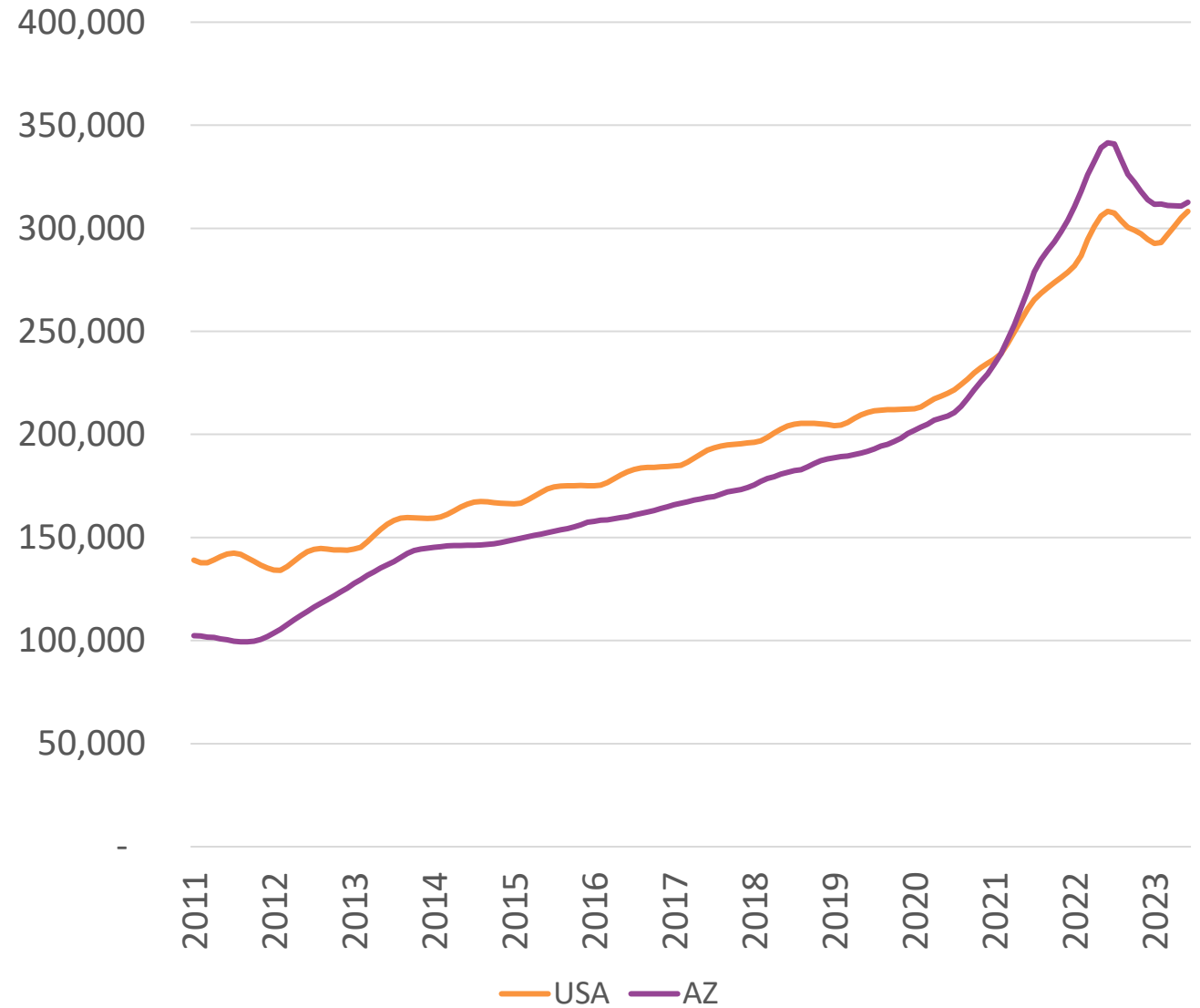
# Personal Income

- **Arizona: \$58,804**
  - Year over year – 1.49%
  - 5-year average growth – 5.43%
  - 10-year average growth – 5.71%
- **United States: \$67,640**
  - Year over year – 1.55%
  - 5-year average growth – 4.97%
  - 10-year average growth – 5.13%



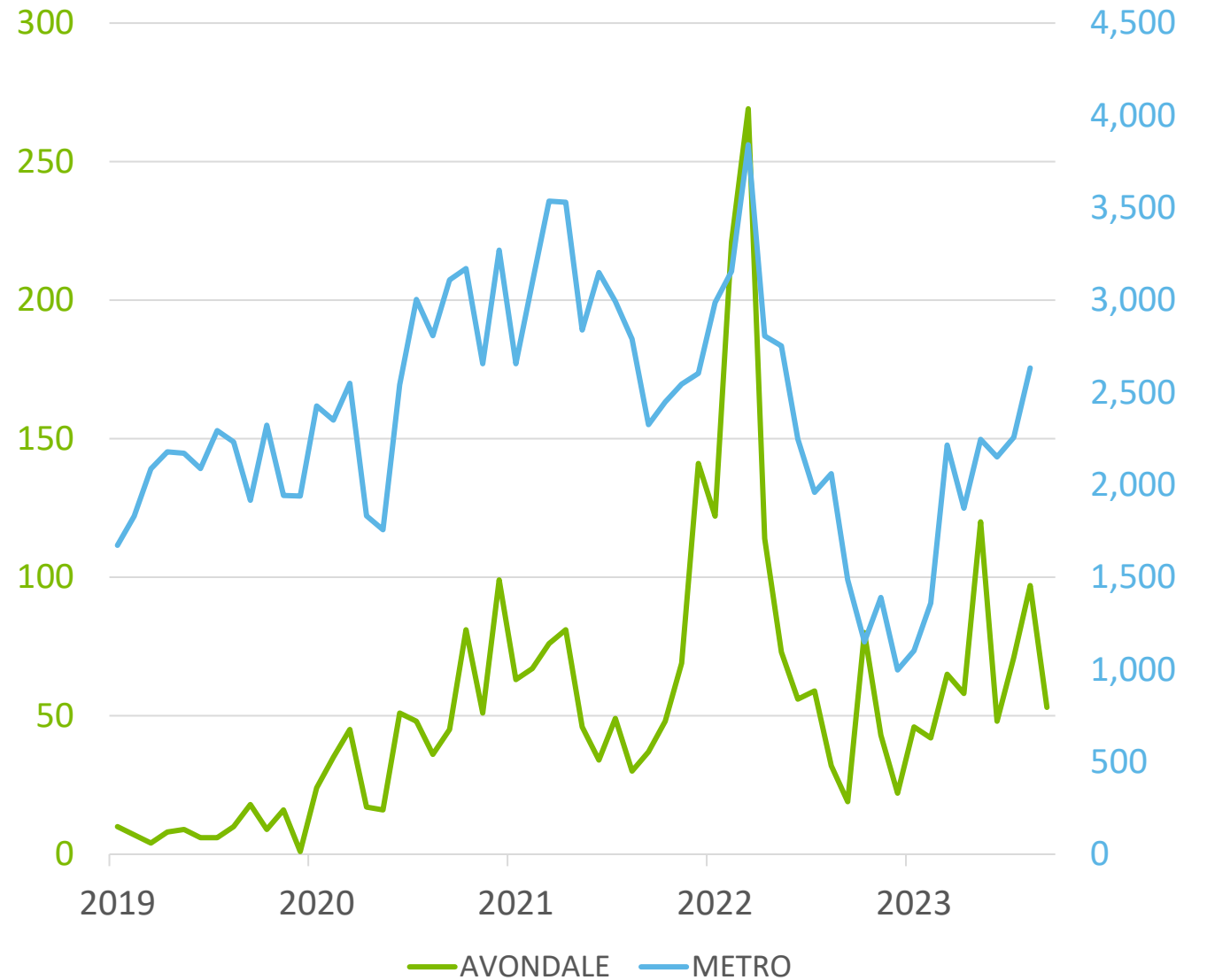
# Median Home Price

- **Arizona: \$318,442**
  - Year over year – -1.17%
  - 5-year average growth – 14.27%
  - 10-year average growth – 12.15%
- **United States: \$311,499**
  - Year over year – 4.18%
  - 5-year average growth – 10.33%
  - 10-year average growth – 9.52%



# Single Family Home Permits

- **Current YTD**
  - Metro 15,836
  - Avondale 600
- **Last year YTD**
  - Metro 26,829
  - Avondale 1,110
- **Peak Month**
  - Metro 3,841 (April 2022)
  - Avondale 269 (March 2022)



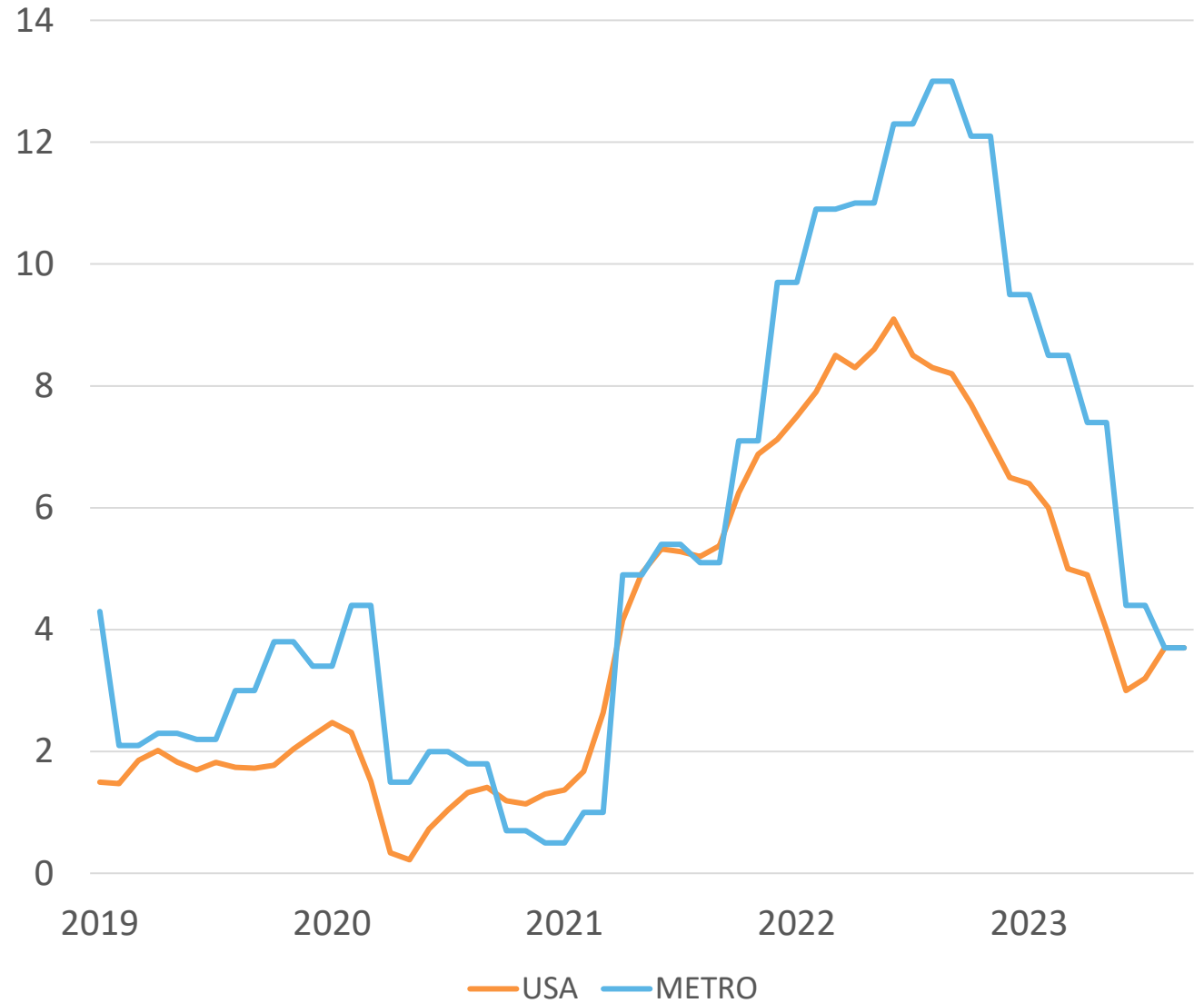
# 30-year Mortgage Rates

- **Current**
  - 7.31%
- **Last year**
  - 6.7%
- **Previous Low**
  - 2.65% (January 2021)



# Inflation

- **Current:**
  - Metro: 3.7%
  - United States: 3.7%
- **Last year:**
  - Metro: 13.0%
  - United States: 8.2%
- **Peak Prior to Pandemic:**
  - Metro: 4.30%
  - United States: 2.47%
- **Low Prior to Pandemic:**
  - Metro: 2.10%
  - United States: 1.47%



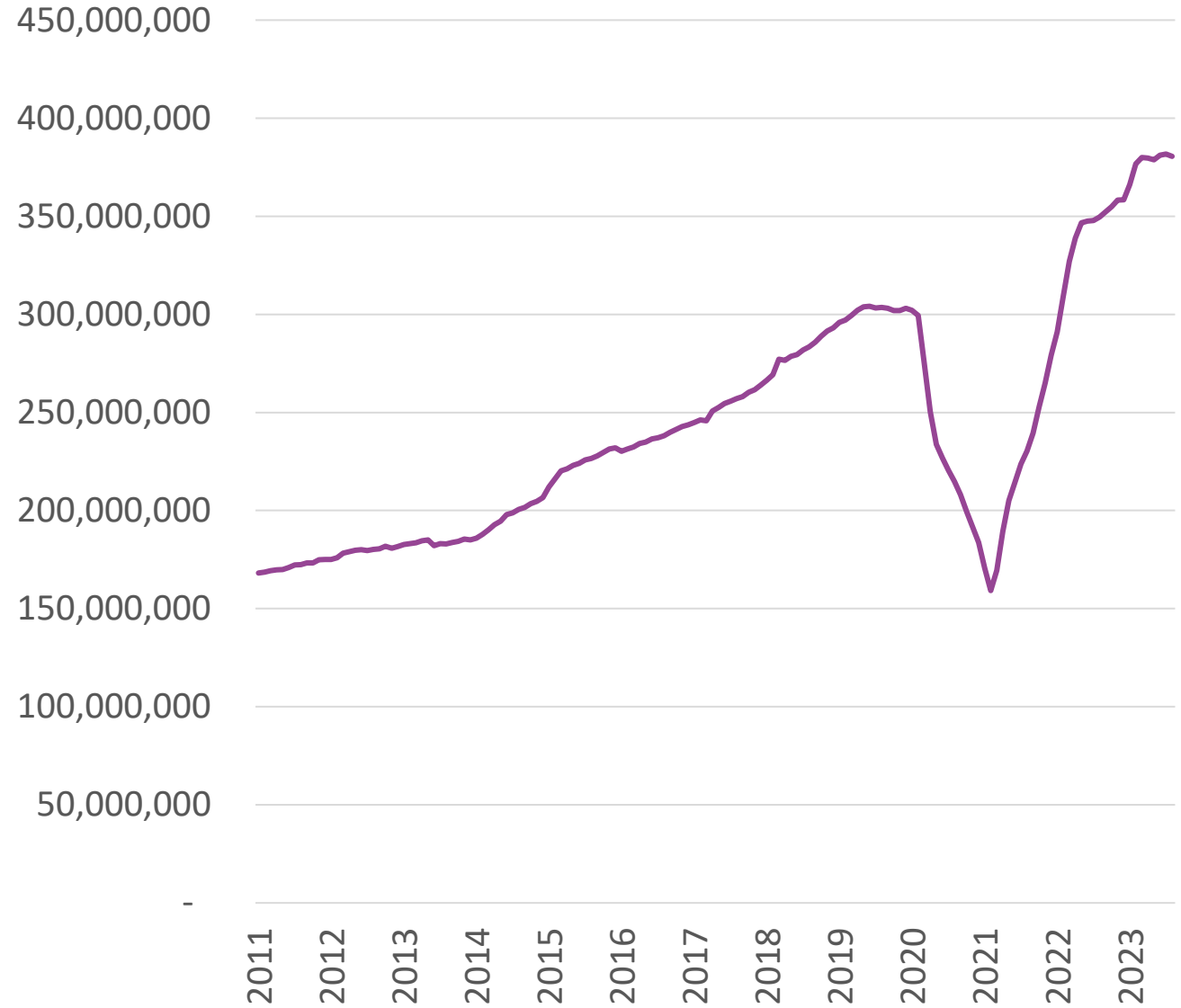
# Unemployment

- **Current:**
  - Metro: 4.04%
  - Arizona: 3.99%
  - United States: 3.80%
- **Peak April 2020:**
  - Metro: 13.46%
  - Arizona: 14.24%
  - United States: 14.80%
- **Low April 2022:**
  - Metro: 2.42%
  - Arizona: 3.29%
  - United States: 3.5%



# Arizona Hotel Sales

- **Current:** \$380 million
- **Pre-Pandemic Peak June 2019:** \$304 million
- **Pandemic Low February 2021:** \$159 million





Questions?





# Fiscal Year 2024 and 2025 Capital Improvement Plan Update

December 18, 2023



# Completed since July 1

- Avondale Blvd & Lower Buckeye Intersection
- \$6.94M





# Completed since July 1

- Mountain View Community Center
- \$4.28M





# Completed since July 1

- Dysart Road Sewer Improvements - \$5.6M
- 10<sup>th</sup> Street Lift Station Force Main- \$2.0M  
Improvements (Van Buren sewer line)
- Fire Station #172 parking - \$1.56M  
– (north PD substation)
- MOSC security and workspace - \$700k
- Court Lobby Expansion - \$828k



# Complete by June 30

- Old Town Phase II
  - \$6.39M





# Complete by June 30

- Sam Garcia Library and Sernas Park Improvements
- Community Development Block Grant





# Complete by June 30

- Sand Volleyball Courts - \$2.86M
- Distribution Pressure Improvements - \$6.82M
- Water Reclamation Facility Odor Control - \$8.47M
- City Hall Furniture - \$750k
- Aquatic Center - \$32.4M



# Breaking Ground by June 30

- Civic Center Park - \$3.93M





# Breaking Ground by June 30

- Western Avenue Reconstruction - \$1.025M





# Breaking Ground by June 30

- BLVD Well & Transmission Line - \$3.1M
- HAWK signals
  - Avondale Boulevard and Palm Lane - \$280K
  - Central Ave at Holly Lane - \$280K
  - Coldwater Springs and 118<sup>th</sup> Ave - \$290K
  - El Mirage Road and Alamar Park entrance - \$275K
  - El Mirage Road and Pima Street - \$280K





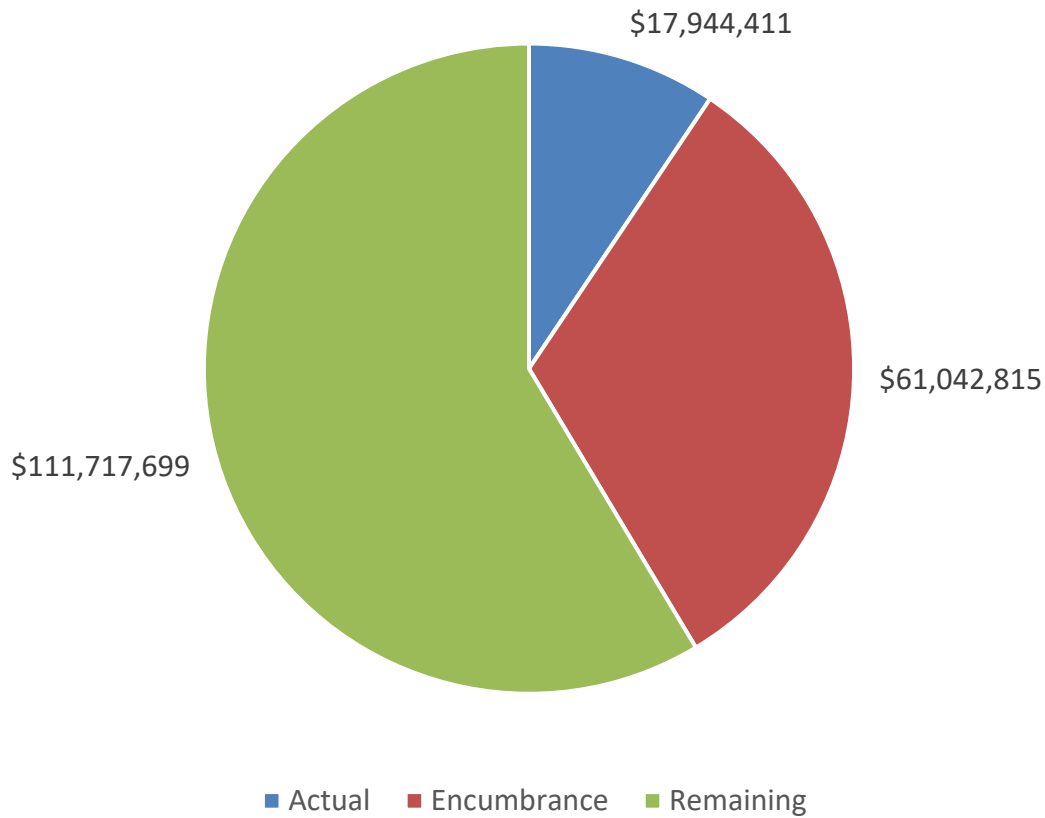
# Budget Transfers for Projects

- Cadence
  - Quarterly
    - July 10
    - October 23
  - January 2024 upcoming
    - DeConcini Park
    - Crystal Gardens Sediment Removal
    - Mountain View Park Expansion
  - April 2024 if needed



# CIP Spend to Date

Fiscal Year 2024 CIP Budget - \$190,746,157



\* As of December 12



# Priorities

Completion of planned projects

Secure grant funding

Expand trails and sidewalks

Aggressively treat our roadways

Continue to enhance facilities

Community Pride

Recreation / Tourism



# Breaking Ground Next FY

- Old Town Phase III
- Donatela Park
- Fire Station #171
- Traffic Signal at Lower Buckeye & El Mirage



# FY 2025 Project Adjustments

- Fire Station #171
- Water Reclamation Facility Expansion
- Additional Public Works Projects
  - \$25M over 5 years
- \$2.9M in FY2025 for other projects



# FY25 New Asks

- Court Expansion – expand and enhance jury room to be multi-use meeting space
- Resource Center Expansion – growth for community partners
- Indoor Recreational Facility – possible gym / pickleball court next to Aquatic Center
- Parks/Facilities/Traffic Maintenance Building – on vacant lot across from MOSC
- Mill and Overlay Avondale Blvd. – 1-10 to Whyman Avenue
- Fire Training Tower – current facility needs to be replaced
- Agua Fria Multiuse Path – run the trail under Lower Buckeye

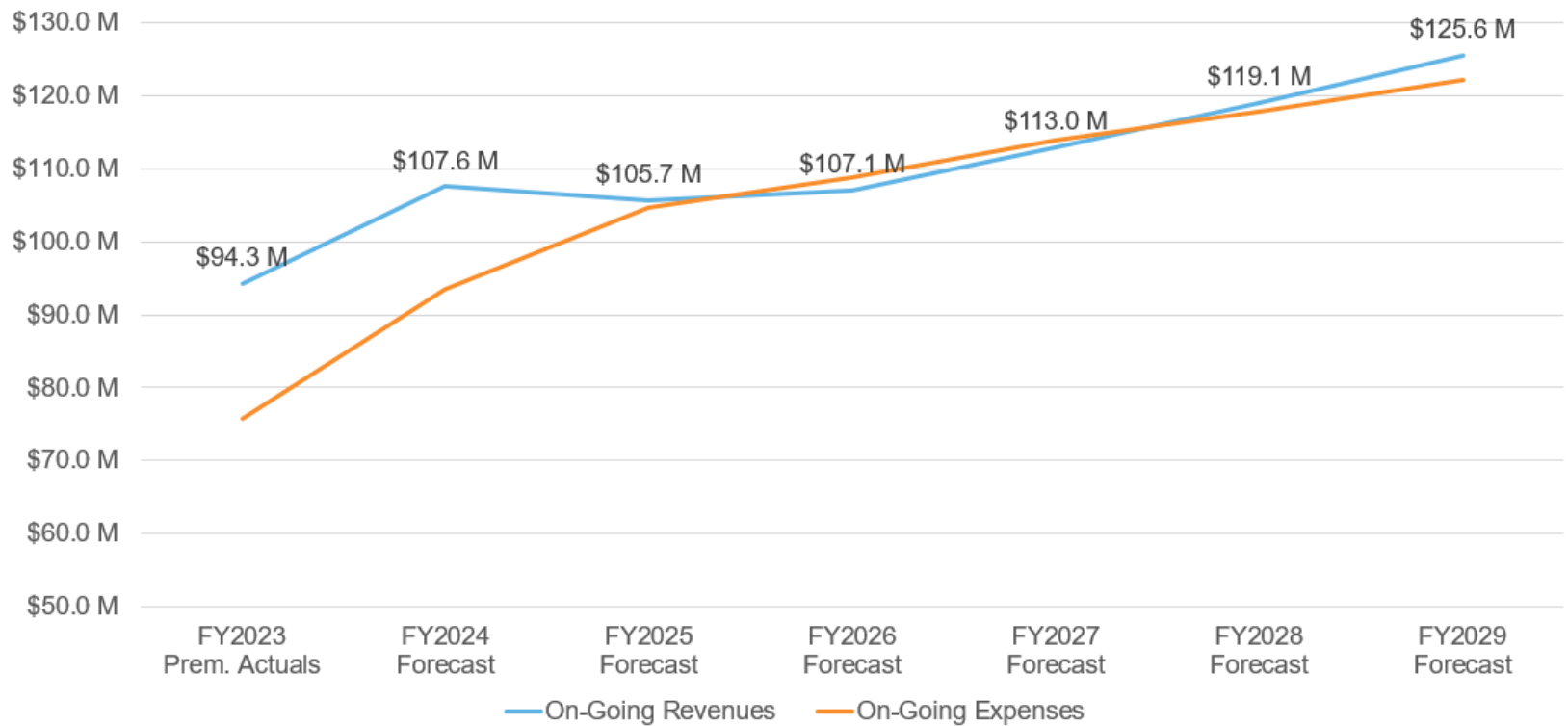


- Questions
- Comments

# City Budget Priorities

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## General Fund Forecast On-Going Revenue & Expense



# City Budget Priorities On-Going

## Personnel

- Attracting and retaining dedicated employees
- Addressing workload gaps
- Reducing vacancies
- Assessing resources for new or expanded services

## Maintaining Current Programs

- Addressing homelessness
- Expiring ARPA Funding
- Sustaining Recycling program

# City Budget Priorities On-Going

## New or Expanding Programs

- Faster review/inspections
- Transportation
- Streets
- Trails
- Community Programs
- Special events

# City Budget Priorities One-Time

## Continue/Finish Projects

- Police Substation/Detention Center
- Fire Station 171
- Parks
- Municipal buildings

## Replacement Programs

- Large Vehicles
- IT Programs

## Infrastructure

- Roads
- Sidewalks
- Water/Wastewater

## New Requests:

- Parks/Traffic/Facilities storage building
- Performing Arts Center
- Resource Center expansion
- Fire Training Tower
- Base and Meridian Wildlife Area restoration
- Indoor Pickleball
- Court jury/training room

# City Budget Summary

## Notes:

- No future revenue loss included in forecast
- No economic downturn assumed
- Ongoing Rev/Exp deficits FY26-27
- Cash balances
- Potential financing options

### Bond Election Planning Timeline

6+ Months Prior to Election	Community Feedback; potential committee
120 Days Prior	Deadline to submit signed election resolution to county
90 Days Prior	Pro / Con arguments due Submit publicity pamphlet for printing
35 Days Prior	Mailing informational pamphlet
27 Days Prior	Early voting starts