



Agenda

City Council Policy Session

Tuesday, June 7, 2022

2:30 PM

phoenix.gov

OPTIONS TO ACCESS THIS MEETING

Virtual Request to speak at a meeting:

- **Register online** by visiting the City Council Meetings page on phoenix.gov **at least 2 hours prior to the start of this meeting.** Then, click on this link at the time of the meeting and join the Webex to speak: <https://phoenixcitycouncil.webex.com/phoenixcitycouncil/onstage/g.php?MTID=e82dafe64036fbac0688aaa326321942a>

- **Register via telephone** at 602-262-6001 **at least 2 hours prior to the start of this meeting.** noting the item number. Then, use the Call-in phone number and Meeting ID listed below at the time of the meeting to call-in and speak.

In-Person Requests to speak at a meeting:

- Register in person at a kiosk located at the City Council Chambers, 200 W. Jefferson St., Phoenix, Arizona, 85003. Arrive **1 hour prior to the start of this meeting.** Depending on seating availability, residents will attend and speak from the Upper Chambers, Lower Chambers or City Hall location.

- Individuals should arrive early, 1 hour prior to the start of the meeting to submit an in-person request to speak before the item is called. After the item is called, requests to speak for that item will not be accepted.

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- **Para registrarse para hablar en español**, llame al 602-262-6001 **al menos 2 horas antes del inicio de esta reunión** e indique el número del tema. El día de la reunión, llame al 602-666-0783 e ingrese el número de identificación de la reunión 2555 524 2864#. El intérprete le indicará cuando sea su turno de hablar.

- **Para solamente escuchar la reunión en español**, llame a este mismo número el día de la reunión (602-666-0783; ingrese el número de identificación de la reunión 2555 524 2864#). Se proporciona interpretación simultánea para nuestros residentes durante todas las reuniones.

- **Para asistir a la reunión en persona**, vaya a las Cámaras del Concejo Municipal de Phoenix ubicadas en 200 W. Jefferson Street, Phoenix, AZ 85003. Llegue 1 hora antes del comienzo de la reunión. Si desea hablar, regístrese electrónicamente en uno de los quioscos, antes de que comience el tema. Una vez que se comience a discutir el tema, no se aceptarán nuevas solicitudes para hablar. Dependiendo de cuantos asientos haya disponibles, usted podría ser sentado en la parte superior de las cámaras, en el piso de abajo de las cámaras, o en el edificio municipal.

CALL TO ORDER**COUNCIL INFORMATION AND FOLLOW-UP REQUESTS**

This item is scheduled to give City Council members an opportunity to publicly request information or follow up on issues of interest to the community. If the information is available, staff will immediately provide it to the City Council member. No decisions will be made or action taken.

CONSENT ACTION

This item is scheduled to allow the City Council to act on the Mayor's recommendations on the Consent Agenda. There was no Consent Agenda for this meeting.

CALL FOR AN EXECUTIVE SESSION

A vote may be held to call an Executive Session for a future date.

REPORTS AND BUDGET UPDATES BY THE CITY MANAGER

This item is scheduled to allow the City Manager to provide brief informational reports on topics of interest to the City Council. The City Council may discuss these reports but no action will be taken.

DISCUSSION AND POSSIBLE ACTION (ITEMS 1-2)**1 2023 General Obligation Bond Program Development
and Report of the Fiscal Capacity Committee**

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This report provides information regarding a potential 2023 General Obligation Bond Program, documents the findings of the City Council-appointed Fiscal Capacity Committee, and requests direction from Mayor and City Council to the General Obligation Bond Committee.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.**Responsible Department**

This item is submitted by City Manager Jeffrey Barton, and the Budget and Research and Finance departments.

2 American Rescue Plan Act Second Tranche Strategic Plan

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This report serves as a follow-up to the City Council discussion during the April 12, 2022 Policy Session that focused on a draft strategic plan for the second tranche of American Rescue Plan Act (ARPA) funds. This report provides City Council with a revised strategic plan (**Attachment C**) based on direction and feedback from the previous meeting and requests City Council approval. Also included in this report is a summary detailing how COVID-19 relief dollars have been spent to date.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Responsible Department

This item is submitted by City Manager Jeffrey Barton and the City Manager's Office.

ADJOURN



2023 General Obligation Bond Program Development and Report of the Fiscal Capacity Committee

This report provides information regarding a potential 2023 General Obligation Bond Program, documents the findings of the City Council-appointed Fiscal Capacity Committee, and requests direction from Mayor and City Council to the General Obligation Bond Committee.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Summary

General Obligation (GO) Bond programs provide a mechanism to fund construction and rehabilitation of City facilities and infrastructure such as parks, libraries, fire stations, streets and storm drains. Bond programs require voter approval, and cannot be used to fund operating costs like staff salaries or to fund assets that are not owned by the City. Since 1957, the City's approved GO Bond programs have totaled \$4.6 billion. The most recent GO Bond program for \$878.5 million was approved by voters in 2006. This 16 year gap is the longest in the City's bond program history and has resulted in a significant amount of unfunded capital needs.

Prior to the COVID-19 pandemic, Mayor and City Council began to lay the foundation for a new GO Bond program, in recognition of the City's growth, aging facilities, and needed infrastructure. After a pause to assess the economic environment, efforts resumed over recent months by the Mayor and City Council-appointed Fiscal Capacity Committee. The committee has recently completed its work and report on its findings. On June 1, Mayor and City Council appointed the 2023 GO Bond Committee in preparation for the next steps towards bond program development.

REPORT OF THE FISCAL CAPACITY COMMITTEE

In March 2019, the Mayor and Council appointed a Public Safety Bond Executive Committee (**Attachment A**) to formulate recommendations for a potential November 2020 public safety bond election.

In October 2019, Mayor Gallego appointed a Public Safety Bond Fiscal Capacity Committee (**Attachment B**) (“the Committee”) to identify the financial parameters for any bond program and the capacity for operations and maintenance, and to report its findings to the City Council. The appointed Committee includes:

- David Krietor, Chair
- Ron Butler
- Deb Fisher
- MaryAnn Guerra
- Hope Levin

Committee meetings were held in December 2019 and January 2020 to formulate recommendations; however, the City paused these efforts as a result of uncertainty stemming from the COVID-19 pandemic. Subsequently, the City acquired the existing building at 100 W. Washington St. to ultimately replace police headquarters - addressing the most critical public safety need - and the Mayor and Council have expressed support for a broader scope of projects for a future GO Bond program. The Committee was renamed the Fiscal Capacity Committee and asked to assess the City’s capacity for a potential November 2023 bond program, irrespective of its scope.

Six total Committee meetings were held:

- Dec. 13, 2019
- Jan. 10, 2020
- Jan. 17, 2020
- Jan. 24, 2022
- Jan. 31, 2022
- Feb. 7, 2022

This report summarizes the information presented to the Committee by staff in January and February 2022, and the Committee's recommendations. Associated staff-provided materials and meeting minutes are transmitted as **Attachment C**.

Summary of Considerations

The principal and interest payments on GO Bonds are typically backed by secondary property taxes. Operations of City facilities are typically funded by General Funds and Special Revenue Funds.

The City's financial ability to implement a GO Bond program is dependent upon:

- The amount of secondary property tax revenue projected to be available to fund additional GO Bond principal and interest, and when it will be available.
- Whether the City can fund additional operations and maintenance costs associated with new systems and facilities.
- Implications on the City's credit ratings.
- Constitutional debt limits.

Property Tax

The City levies a primary and a secondary property tax. The primary property tax is a revenue source to the General Fund, the Parks Fund, and the Library Fund. The City Charter limits the primary property tax rate to \$1.00 per \$100 net assessed value, plus an amount restricted to Library use. The Arizona State Constitution places an additional restriction on the City's primary property tax, calculated by formula. Based on the provisions contained in the City Charter and State Constitution, the City's primary property tax levy is at its maximum allowable levy. The Fiscal Year 2021-22 primary property tax rate is \$1.3055 per \$100 net assessed value, generating a primary property tax levy of \$193 million. Staff's property tax model assumes that the primary property tax levy will continue to be maximized.

The secondary property tax is a revenue source to pay principal and interest on general obligation bond debt. The City's Fiscal Year 2022-23 secondary property tax rate is \$0.8141 per \$100 net assessed value, generating a secondary property tax levy of \$120 million. Current secondary property tax revenues are below annual debt service on outstanding general obligation bond debt; the remaining debt service is currently being paid by an accumulated general obligation bond reserve fund. As a result of a 2017 state law, that reserve fund is legally required to be reduced to 10 percent of annual principal and interest by the end of Fiscal Year 2022-23. Subsequent to Fiscal Year 2022-23, annual secondary property tax revenues will effectively be the sole funding source for annual debt service.

The amount of secondary property tax generated each year for a given tax rate is a function of:

- Annual appreciation on existing property
- New construction
- Assessment ratios established by the state legislature

The taxable value of existing property is the lesser of its full cash value determined by the County Assessor, or an amount 5 percent greater than the prior year's taxable value - this is referred to as limited property value. Citywide, full cash value is

approximately 47 percent higher than limited property value. This provides a buffer against an economic downturn.

At its Feb. 7, 2022 meeting, the Committee endorsed the following valuation model assumptions:

- Annual net appreciation on existing property of 2.0 percent through Fiscal Year 2025-26 due to reductions to commercial property assessment ratios approved by the Legislature.
- Annual net appreciation on existing property of 3.0 percent thereafter.
- Annual year-over-year growth on new construction of 2.0 percent.
- No change to legislatively-determined assessment ratios after Fiscal Year 2025-26.

The resulting model was used to determine projected primary and secondary property tax rates for various bond program scenarios. The Committee reviewed various stress-test scenarios in addition to these baseline assumptions and determined that realistic stress-test scenarios did not materially impact the City's fiscal capacity.

Operations and Maintenance

The primary property tax rate is currently maximized and is fully used to pay for existing programs and services. The primary property tax rate could therefore not be used as a source of new operations and maintenance revenue for new systems and facilities, absent a corresponding reduction in existing programs and services. The City's ability to absorb new operations and maintenance costs in the future is indeterminate. At its Feb. 7, 2022 meeting, the Committee recommended the City Council minimize new operations and maintenance commitments for bond program projects.

Program Scope

As program content was outside the scope of the Committee's charge, the Committee did not review the magnitude or merit of identified public safety capital needs or non-public safety capital needs. The Committee recommends that City management review all public safety and non-public safety capital needs prior to convening the GO Bond Program Executive Committee.

Ballot Timing

The Fiscal Capacity Committee unanimously recommended the City Council develop a bond program for a November 2023 election.

Tax Rate Informational Requirements

Projected tax rates relayed in this report are based on the valuation assumptions endorsed by the Committee.

State Statute places different restrictions on assumptions conveyed in materials distributed to voters. For the first five years, growth assumptions in voter materials cannot exceed the average appreciation in the past ten years; thereafter, growth assumptions in voter materials cannot exceed 20 percent of the average appreciation in the past ten years. Modeled growth assumptions endorsed by the Committee for the first five years are functionally equivalent to those required by statute, while modeled growth assumptions thereafter are substantively higher. As a result, projected tax rates conveyed to voters in later years will be overtly higher than those the Committee believes are likely. Nevertheless, the statutorily required assumptions do not materially change the City's capacity for a November 2023 bond program.

Program Sizing and Bond Sale Timing

After reviewing property tax revenue models and remaining debt service on existing general obligation bonds, at its meeting on Feb. 7, 2022, the Fiscal Capacity Committee unanimously recommended the City Council develop a \$500 million bond program for a November 2023 election.

Absent unanticipated Legislative changes, or severe economic changes, the Committee determined that a \$500 million bond program can likely be supported without any increases to the current secondary property tax rate of \$0.8141 per \$100 of net assessed valuation. Peak debt service is not anticipated to rise substantially beyond the status quo maximum annual debt service of \$155 million. A bond program of this magnitude is not expected to adversely impact the City's bond ratings.

Further, the Committee advises this approach strategically positions the City for subsequent bond elections in five year increments with values of approximately \$500 million each. Financial models indicate that routine bond programs of this magnitude will continue to be sustainable without any material increases to property tax rates, assuming no significant legislative changes.

2023 BOND PROGRAM DEVELOPMENT

The City's bond processes have traditionally been community-driven. Accordingly, on June 1, the Mayor and City Council appointed a citizen's 2023 GO Bond Committee

and eight subcommittees:

- Arts and Culture
- Economic Development and Education
- Environment and Sustainability
- Housing, Human Services and Homelessness
- Neighborhoods and City Services
- Parks and Recreation
- Public Safety
- Streets and Storm Drainage

City staff have begun the process of identifying critical unfunded capital projects. Subject to the approval of the Mayor and City Council, the Bond Committee and program-area subcommittees would be tasked with reviewing these projects, and recommending funding priorities based on the needs of the community. Bond Committee and subcommittee meetings would be held in public, with opportunities for citizens to provide input both in person and virtually, from August through November. The Bond Committee would provide recommendations to the Mayor and City Council at the Policy Meeting on Dec. 6, 2022. The Mayor and City Council would ultimately determine bond propositions and corresponding values to be proposed to voters in the November 2023 General Election. The findings of the Fiscal Capacity Committee are recommended as the financial framework for the Bond Committee.

Community Engagement and Next Steps

As mentioned earlier, community input is a priority to ensure bond projects reflect the needs of Phoenix residents. Staff has developed a robust communications and engagement plan, which provides multiple ways for residents to provide feedback on proposed bond projects. The plan includes the following:

- Dedicated GO Bond website to include instructional video
- GO Bond interactive tool (available on dedicated website) to allow residents to prioritize and recommend projects
- Press releases/PHX Newsroom
- Social media outreach
- Targeted emails
- Radio ads and interviews
- Print ads - Arizona Republic, AZCentral, AZ Informant, La Voz, Prensa
- Grocery TV ads

- Flyer distributions via multiple City departments
- PAYS Newsletter

Additionally, community input will be solicited at all bond committee meetings, which will be open to the public and residents will be able to attend in person or virtually to request to speak or provide written comments. Bond Committee meetings are scheduled to take place beginning in August 2022 through early November 2022. Information about bond committee meetings, including the schedule and instructions on how to participate will be made available on the GO Bond dedicated website in July 2022 prior to committee meetings commencing in August 2022.

Recommendations from the GO Bond Executive Committee are tentatively scheduled to be presented to City Council in December 2022. Upon Council approval of bond propositions, staff will bring the form of the ballot and publicity pamphlet materials to the Council for approval in the Spring 2023 in preparation for the November 2023 General Election.

RECOMMENDED ACTION

Consistent with the recommendations of the Fiscal Capacity Committee, staff recommends the Mayor and City Council direct the 2023 GO Bond Committee to:

- Review citywide unfunded capital needs, excluding Aviation, Phoenix Convention Center, Public Transit, Wastewater, and Water facilities, but including cultural facilities managed by the Phoenix Convention Center;
- Exclude project proposals that would result in net new ongoing operating costs, except in critical cases;
- Identify the highest priority unfunded capital needs totaling \$500 million for a November 2023 bond election; and
- Report findings and provide recommendations to the Mayor and City Council by Dec. 6, 2022.

Responsible Department

This item is submitted by City Manager Jeffrey Barton, and the Budget and Research and Finance departments.

ATTACHMENT A



To: City Council **Date:** March 15, 2019
From: Mayor Thelda Williams
Subject: Public Safety Bond Executive Committee – **REVISED***

Historically, periodic bond programs have been a best practice for the City of Phoenix to maintain and update the city's infrastructure. Almost 13 years have passed since the last General Obligation bond program, and significant public safety capital needs have accumulated. The Police and Fire departments have identified priority facility and vehicle needs totaling between \$449 and \$613 million. Addressing these needs will take a deliberate and sustained effort.

In accordance with the timeline and process approved at the March 5, 2019 Policy Meeting, I recommend the establishment of a Public Safety Bond Executive Committee to review and refine the bond program's scope and size, and to coordinate community engagement. The committee will provide a final recommendation to Council in the Spring of 2020 in preparation for a November 2020 bond election.

I recommend the following for appointment to the executive committee. Additional members and subcommittees may be added as needed.

CHAIR

David Krietor, former CEO Downtown Phoenix, Inc. and former Phoenix Deputy City Manager

Claude Mattox, Molera Alvarez

Peggy Neely, Neely Public Strategies

Rick Naimark, Arizona State University

*Phil Gordon, former Mayor of Phoenix

Susan Ehrlich, former Arizona Court of Appeals Judge

Art Hamilton, The Art Hamilton Group, LLC

Sue Glawe, Blue Cross Blue Shield

Maria Baier, Phoenix Suns

Gail Knight, Protocol Communications

Verma Pastor



City of Phoenix
Office of Mayor Kate Gallego

To: Phoenix City Council **Date:** October 31, 2019
From: Mayor Kate Gallego
Subject: Public Safety Bond Fiscal Capacity Committee

In March Mayor Williams and City Council approved the formation of the 2019 Public Safety Bond Executive Committee. The committee was created with the charge to provide a final recommendation to the Mayor and Council in the Spring of 2020 in preparation for a November 2020 public safety bond election.

Prior to a final recommendation, a Fiscal Capacity Committee will be instituted to identify the financial parameters for the bond program and the capacity for operations and maintenance, then report to the original committee and the City Council. The Fiscal Capacity Committee will be charged with reviewing the City of Phoenix's financial, operating, and debt capacity and recommending an appropriately sized public safety bond program. It is anticipated the basis for the committee's analysis will be the 25-year assessed valuation forecast as well as forecasted debt service and constitutional debt limits.

The Fiscal Capacity Committee should begin meeting as soon as possible with the goal of delivering a recommendation on financial capacity and parameters.

The committee shall be composed of five members including one member of the Public Safety Bond Executive Committee. The members are as follows:

Chair David Krietor, former CEO Downtown Phoenix, Inc and former Phoenix Deputy City Manager
Ron Butler, Ernst & Young
Hope Levin, Johnson Financial Group
MaryAnn Guerra, Aesthetics BioMedical Inc.
Deb Fisher, Realty Executives

Cc: Ed Zuercher
Penny Parrella
Deanna Jonovich
Milton Dohoney
Denise Olson
Jeff Barton

ATTACHMENT C

**City of Phoenix
Fiscal Capacity Committee
Summary Minutes
Monday, Jan. 24, 2022**

Virtual Meeting – Via WebEx

Committee Members Present

Dave Krietor, Chair
Ron Butler
Deb Fisher
Hope Levin
MaryAnn Guerra

Committee Members Absent

1. CALL TO ORDER

Chairman Krietor called the Fiscal Capacity Committee to order at 11:05 a.m. with committee members Ron Butler, Deb Fisher, Hope Levin and MaryAnn Guerra present.

2. INTRODUCTORY REMARKS

Chairman Krietor welcomed committee members and staff and invited them to begin with introductions. He explained the committee's charge and history, and he expressed appreciation to members for returning to reconvene the committee for a potential 2023 bond issue.

Chairman Krietor discussed the planned schedule of meetings for the group to arrive at a recommendation. He mentioned the fourth meeting on Feb. 15 had been scheduled but may not be needed. He further explained the schedule would provide staff time to review the recommendation with City Council and move to the next stage of the potential bond issue.

3. REVIEW AND APPROVAL OF THE JANUARY 17, 2020 MEETING MINUTES

Committee member Ron Butler made a motion to approve the minutes of the Jan. 17, 2020 meeting. Committee member Deb Fisher seconded the motion, which passed unanimously, 5-0.

4. STAFF UPDATE REGARDING POTENTIAL GENERAL OBLIGATION BOND PROGRAM

Chairman Krietor introduced the item and City Manager Jeffrey Barton, Budget and Research Director Amber Williamson, and Chief Financial Officer Kathleen Gitkin to provide a staff update on the potential general obligation (GO) bond program.

Mr. Barton thanked the committee for their participation and discussed the impacts of the COVID-19 pandemic on the potential bond program, which previously focused exclusively on public safety. He highlighted the replacement of Police Headquarters as an example of a project previously considered for the bond program, explaining

the city had since acquired 100 West Washington, formerly the Wells Fargo building, to house Police and other city operations. He stated this acquisition would provide greater flexibility within the proposed bond program.

Mr. Barton emphasized the importance of setting up a process to have a bond program every five to seven years, focused on maintenance and no new ongoing costs, with virtually no increase to secondary property tax. He explained that, if successful, the plan would lay the groundwork for four bond programs over the next 20 years and set the city up for success moving ahead.

Chairman Krietor recalled bond issuances in 1987, 2000, and 2006, with no other bond issuances since that time.

Ms. Williamson provided an overview of the city's current financial health, particularly considering the COVID-19 pandemic. She stated the impact of the pandemic on revenues was initially unclear, but that the city has done well financially. She shared that staff was preparing a general fund status and five-year forecast to present to the City Council which would demonstrate potential scenarios about the city's fund balance over the next few years.

Ms. Williamson stressed the importance of focusing on projects that would not result in net new increases in operating expenses, as existing city infrastructure and assets could be expanded, replaced, or renovated. She stated she would provide more detailed information during forthcoming meetings, including challenges the general fund would face.

Ms. Gitkin gave an overview of financial modeling and key metrics that would be presented at forthcoming meetings. She explained the city had contained expenditures remarkably well through the pandemic and acknowledged that the city measured higher revenues than in the past, beyond receiving significant resources from the federal government.

Ms. Gitkin emphasized the importance of thoughtful and methodical planning, as well as relying on experts from Piper Jaffray to obtain exact market numbers for financial modeling. She stated she would hire a financial advisor if the bond program moved forward, to validate the information that would be presented.

Chairman Krietor discussed the tentative schedule for the potential bond program process, explaining that the next meeting would be devoted to reviewing models and figures. He stated the current meeting's agenda would focus on a tutorial of how the property tax works in Phoenix and the technical mechanisms for it.

5. COMMITTEE TITLE

Chairman Krietor introduced the item and explained that it would be necessary to change the name of the committee since it would no longer focused exclusively on public safety projects. He asked Deputy Budget and Research Director Chris Fazio to confirm the new proposed name for the committee.

Mr. Fazio stated the proposed name was Fiscal Capacity Committee.

Committee member Hope Levin made a motion to approve the committee name change. Committee member Ron Butler seconded the motion, which passed unanimously, 5-0.

6. PROPERTY TAX OVERVIEW

Chairman Krietor introduced Deputy Budget and Research Director Christopher Fazio to provide an overview of property tax, specifically in Phoenix.

Mr. Fazio explained general obligation bonds were backed by secondary property tax and reiterated the goal of the proposed bond program to proceed without raising tax rates above current levels.

Mr. Fazio defined property tax, net assessed value, secondary net assessed value, limited property value and full cash market value. He explained implications of Proposition 117, distinguished the property tax levy from the property tax rate, and provided the formula used to calculate municipal property tax levies. He identified changes to Phoenix's full cash value compared to two years earlier.

Chairman Krietor mentioned the calculation of net assessed value was particularly relevant now because of significant appreciation seen in the market.

Mr. Fazio identified changes to Phoenix's full cash value, primary tax levy, and secondary rate and levy, compared to two years earlier. He stated the primary rate remained \$1.3055.

Chairman Krietor asked what years the new tax levies represented in terms of actual assessed valuation.

Mr. Fazio stated the primary levy of \$193 million was indexed approximately 12 months earlier and there would be some predictability moving forward because the market was doing well.

Mr. Fazio discussed the functions of the primary property tax as a general fund source and secondary property tax as supporting debt service for general obligation

bonds. He briefly discussed the city's current secondary property tax reserve, which would be discussed in detail during the Jan. 31 meeting.

Chairman Krietor clarified that the committee's recommendations could not rely heavily on the existing reserve, which has preserved the city's financial position in rough times, as the state would be limiting the amount that could fund the reserve.

Mr. Fazio stated there would be less need for the reserve from a modeling standpoint. He explained forecasting could be hindered by legislative action absent major catastrophic situations that impact property values, due to the change with Proposition 117.

Mr. Fazio gave an overview of a sample property tax bill and emphasized that the city represented only one piece of the total bill. He presented the results of a study benchmarking Phoenix's tax rates against other cities in the region, which showed the \$2.12 combined primary and secondary rate exceeded only by Tempe. He explained the secondary tax rate alone was one of the lowest and the city share of median single-family residential was below average.

Chairman Krietor clarified the recommendation would focus on maintaining the existing tax rate, but people may have to pay more taxes because assessed valuations are increasing.

Mr. Fazio confirmed.

Committee member Maryann Guerra asked if a scenario would be presented that assumed a market crash and decrease in property values.

Mr. Fazio stated this presentation focused on the baseline scenario, based on what will most likely occur. He added Ms. Gitkin would discuss scenarios to look at contingencies and explained a downturn or housing bubble over the long term would tend to be smoothed out.

Chairman Krietor agreed that this is a question the committee would need to understand to make their recommendation and acknowledged that a smaller bond issue would attempt to mitigate the impacts of a downturn.

Mr. Fazio gave an overview of the baseline assumptions for the assessed valuation forecast and discussed what had been presented two years earlier and adjustments since then. He presented the staff net assessed valuation model reflecting long-term growth and indicated stress scenarios would be discussed at the Jan. 31 meeting.

Chairman Krietor clarified the modeled growth did not only reflect what had been built and was appreciating, but also assumed new construction over time.

Mr. Fazio confirmed the model accounted for new construction, appreciation, and new inventory each year. He mentioned one of the stress scenarios considered a bubble in new construction activity.

Chairman Krietor asked if massive commercial projects such as the Taiwan Semiconductor Manufacturing Company development, with tax abatements, would be factored into the calculations.

Mr. Fazio stated the project would not be captured in fiscal year 2022, but it had been factored into long-term new construction figures.

Mr. Fazio explained the statutorily required informational pamphlet accompanying a general obligation bond election must ensure five-year appreciation would not exceed the 10-year average.

Committee member Hope Levin asked if the pamphlet could be updated to reflect changes in growth, since the vision of the program would be smaller, more frequent bond sales.

Mr. Fazio stated each bond election would include its own assessment and assumptions.

Ms. Gitkin confirmed the four proposed bond programs would each have unique pamphlets to reflect new financial impacts.

Committee member Levin recalled a recent Madison School District bond override and referred to the sample tax bill, which showed the city as only one part of the total bill. She asked if there was historic knowledge of how appealing a municipal bond program would be to voters when they have other bond proposals presented to them.

Mr. Fazio stated there was no current data on other jurisdictions' bond elections presented to voters concurrently with a municipal bond election.

Chairman Krietor mentioned there had not been a failed bond issue in the time he has lived in Phoenix, aside from a transit sales tax bond issue.

Committee member Ron Butler expressed support for the effort and appreciation for the property tax tutorial to get back up to speed. He stated he would be interested to see how inflation may impact the timing of the bond issuance.

Ms. Gitkin stated the presentation for the following week would show modeling and assumptions based on 5% interest rate loans to account for unpredictability. She explained there had been historically low rates and inflation is taking time to catch up to the market, particularly with municipal bonds.

Committee member Guerra asked for clarification on the Madison School District and its effect on the Phoenix bond election.

Mr. Fazio clarified that on a property-by-property basis, there could be various school districts involved, each with their own bond elections or overrides. He confirmed those would be in addition to a Phoenix GO bond election.

Chairman Krietor thanked Mr. Fazio for his presentation and stressed the importance of the committee's knowledge of commercial and residential growth, and forthcoming models and forecasting from staff, to arrive at a final recommendation.

7. FUTURE AGENDA ITEMS

Chairman Krietor discussed the items currently planned for the next meeting:

- Summary of Outstanding GO Bond Debt Service
- Constraints and Considerations for a New GO Bond Program
- New GO Bond Program Scenario Assumptions
- New GO Bond Program Scenarios

Chairman Krietor asked if there were other items the committee would like to include. Committee members had no additions.

8. ADJOURNMENT

Chairman Krietor adjourned the meeting at 12:10 p.m.



Public Safety Bond

Fiscal Capacity Committee

January 24, 2022



Agenda

1. Introductory Remarks
2. Approval of Minutes
3. Staff Update
4. Committee Title
5. Property Tax Overview

Planned Meetings



Meeting Schedule (11 am):

Monday, January 24

Monday, January 31

Monday, February 7

Tuesday, February 15

Tentative Schedule



JAN/FEB 2022 – Fiscal Capacity Committee

MAR 2022 – Fiscal Capacity Report to Council

APR 2022 – Community Budget Hearings

MAY 2022 – Council Appoint Bond Committee

AUG 2022 – Start Bond Committee Work

DEC 2022 – Bond Committee Recommendations

NOV 2023 – Election



Property Tax



Property Tax

Ad Valorem tax on real & personal property

Property valued by County Assessor & DOR

Primary & secondary rates established

Assessed and collected by County Treasurer

Distributed to taxing jurisdictions

Formula



$$\begin{aligned} \text{Property Tax Levy} &= \\ \text{Net Assessed Value}/100 & \\ & \times \\ \text{Tax Rate} & \end{aligned}$$

City assumes 1% of its levy is uncollected

Secondary NAV



Historically calculated off of market value

November 2012: Proposition 117

Now calculated off of limited property value

Change first reflected in FY 2016

NAV = LPV x Ratio



Limited Property Value =
lesser of Full Cash (Market) Value or
Prior Year Limited Property Value + 5%

Phoenix's current FCV > LPV by 38% 47%

NAV = LPV x Ratio



Established by State Statute

Residential: 10%

Commercial: 18% => 16%

Agricultural/Vacant: 16%

*~~City assumes no change to these ratios~~
Legislation reducing commercial to 16%*

Levy = NAV x Rate



Established by taxing jurisdictions

Governed by legal limits

City of Phoenix Tax



Primary Rate: \$1.3055

Primary Levy: ~~\$173 million~~ \$193 million

Secondary Rate: ~~\$0.8244~~ \$0.8141

Secondary Levy: ~~\$109 million~~ \$120 million

Primary Property Tax



General Fund source

Ceilings:

Constitutional 2% Levy Limit

City Charter \$1.00 plus Library Levy

Current Rate: \$1.3055

Current Constitutional Limit: ~~\$1.3447~~ \$1.3061

Secondary Property Tax



Debt service for general obligation bonds

Ceilings (2017 HB 2011):

Annual debt service costs

Reserve \leq 10% by end of FY 2023

Sample Tax Bill



Your 2021 Property Tax Summary				
Previous Year Total	\$1,146.46	Total 2021 Assessed Taxes	\$1,187.08	

	2020	Ratio	Assessed	2021	Ratio	Assessed
Limited Value (Primary)	\$112,032.00	10.00%	\$11,203.00	\$117,634.00	10.00%	\$11,763.00
Full Cash Value (Secondary)	\$189,800.00			\$205,500.00	NOT TAXED	

+5%

+8%

Sample Tax Bill



Primary District Information

Tax District	Rate/100	2020	2021	Change
City Of Phoenix	1.3055	\$146.26	\$153.57	5.00%
County	1.3459	\$156.94	\$158.32	0.90%
Elderly Assistance	Credit	\$0.00	\$0.00	0.00%
State Aid	Credit	(\$194.24)	(\$196.44)	0.00%
State Equalization Tax	0.4263	\$49.59	\$50.14	1.10%

School District

Tax District	Rate/100	2020	2021	Change
Community College Dist	1.1112	\$126.03	\$130.71	3.70%
Paradise Valley Unified	3.7424	\$421.20	\$440.22	4.50%

	Rate/100	2020	2021	Change
Primary Tax Totals	7.9313	\$705.78	\$736.52	4.40%

Sample Tax Bill



Secondary District Information				
Tax District	Rate/100	2020	2021	Change
Central Az Water Conservation Dist	0.1400	\$15.68	\$16.46	5.00%
Fire District Assistance Tax	0.0086	\$1.00	\$1.02	2.00%
Flood Control Of Maricopa County	0.1792	\$20.08	\$21.08	5.00%
Library District	0.0556	\$6.22	\$6.54	5.10%
Maricopa Special Health Dist	0.1803	\$20.60	\$21.20	2.90%
Paradise Valley Unified Desegregation <i>A.R.S. 15-910</i>	0.0000	\$0.00	\$0.00	0.00%

Voter Approved Overrides				
Tax District	Rate/100	2020	2021	Change
Paradise Valley Unified Overrides	0.8832	\$104.34	\$103.90	-0.40%

Sample Tax Bill



Voter Approved Bonds				
Tax District	Rate/100	2020	2021	Change
City Of Phoenix Bonds	0.8141	\$92.32	\$95.76	3.70%
Community College Dist Bonds	0.1145	\$13.27	\$13.47	26.30%
Maricopa Special Health Dist Bonds	0.1167	\$13.53	\$13.73	1.50%
Paradise Valley Unified Bonds	1.1801	\$130.10	\$138.82	6.70%

City Portion (this taxpayer):				
	Rate/100	2020	2021	Change
Secondary Tax Totals	0.5723	\$422.14	\$431.98	2.30%

$(\$154 + \$96)/(\$1,187) = 21\%$

Special District Information				
Special Districts	Rate/100	2020	2021	Change
WEST-MEC	0.1579	\$18.54	\$18.58	0.20%
TOTAL FOR SPECIAL DISTRICTS	0.1579	\$18.54	\$18.58	0.20%

City Portion (average for all taxpayers):
16%

Grand Totals				
		2020	2021	Change
Grand Total For Tax Districts		\$1,146.46	\$1,187.08	3.50%

FY 2022 Tax Rates



	Primary	Secondary	Combined
Tempe	0.8852	1.4816	2.3668
Phoenix	1.3055	0.8141	2.1196
Glendale	0.3848	1.3409	1.7257
Mesa	-	1.1319	1.1319
Chandler	0.2426	0.8700	1.1126
Scottsdale	0.5039	0.5042	1.0081
Gilbert	-	0.9895	0.9895

FY 2022 Tax Rates



	Primary	Secondary	Combined
Tempe	0.8852	1.4816	2.3668
Glendale	0.3848	1.3409	1.7257
Mesa	-	1.1319	1.1319
Gilbert	-	0.9895	0.9895
Chandler	0.2426	0.8700	1.1126
Phoenix	1.3055	0.8141	2.1196
Scottsdale	0.5039	0.5042	1.0081

FY 2022 Tax Bills



	Median SFR (City Share Only)
Tempe	\$397
Scottsdale	\$344
Phoenix	\$251
Chandler	\$226
Gilbert	\$216
Glendale	\$204
Mesa	\$170

Average: \$258



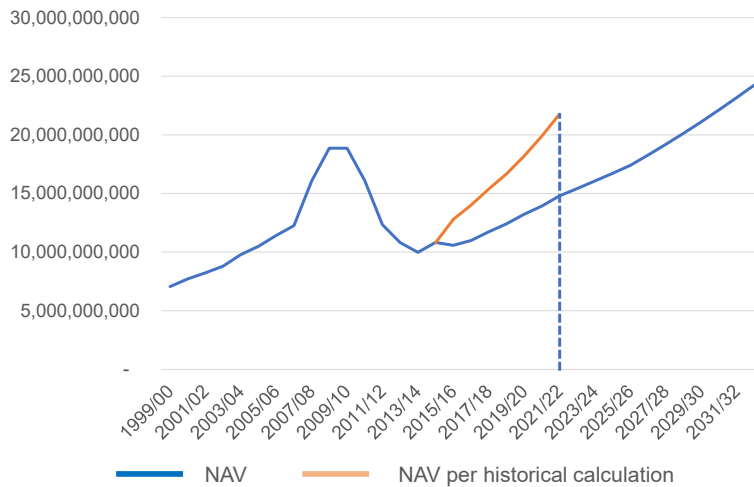
Assessed Valuation Forecast

Staff Assumptions



Assessment ratios held constant
Assessment ratios held constant after FY 2026
~~3.5%~~ 2.0% appreciation through FY 2026
3.0% appreciation thereafter
Annual new construction growth of 2.0%
12/2019 FY 2022 Projected NAV: \$14.84B
Actual FY 2022 NAV: \$14.80B (-0.3%)

Staff NAV Model



Informational Pamphlet



Required by statute

Growth years 1-5 \leq prior 10-year average

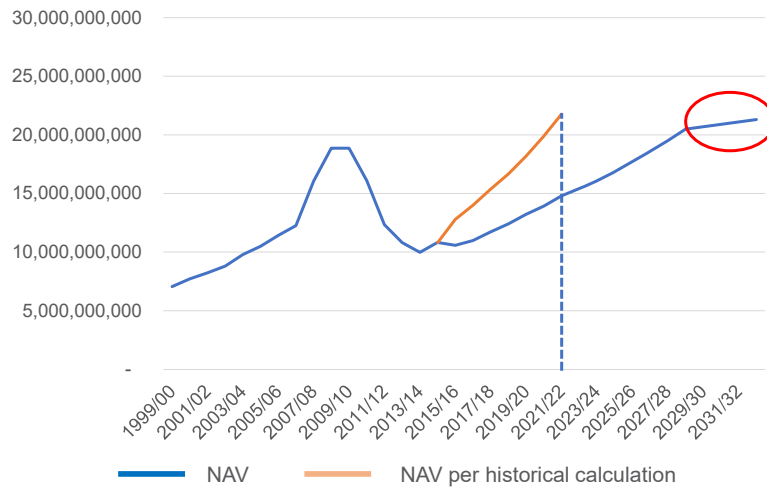
0% ~5% growth assumption

Growth years 6+ \leq 20% of prior 10-year avg.

0% ~1% growth assumption

Informational pamphlet must reflect long range assumptions that staff considers unlikely

Pamphlet NAV Max



Next Meeting Agenda



1. Summary of Outstanding GO Bond Debt Service
2. Constraints and Considerations for a New GO Bond Program
3. New GO Bond Program Scenario Assumptions
4. New GO Bond Program Scenarios



Questions

**City of Phoenix
Fiscal Capacity Committee
Summary Minutes
Monday, Jan. 31, 2022**

Virtual Meeting – Via WebEx

Committee Members Present

Dave Krietor, Chair
Ron Butler
Deb Fisher*
MaryAnn Guerra
Hope Levin

Committee Members Absent

*Joined at 11:11 a.m.

1. CALL TO ORDER

Chairman Krietor called the Fiscal Capacity Committee to order at 11:04 a.m. with committee members Ron Butler, Hope Levin and MaryAnn Guerra present.

2. REVIEW AND APPROVAL OF THE JANUARY 24, 2022 MEETING MINUTES

Committee member Hope Levin made a motion to approve the minutes of the Jan. 24, 2022 meeting. Committee member Ronald Butler seconded the motion, which passed unanimously, 4-0. Committee member Deb Fisher joined the meeting after the motion passed at 11:11 a.m.

3. FISCAL CAPACITY ANALYSIS

Chairman Krietor introduced Chief Financial Officer Kathleen Gitkin to present on the fiscal capacity analysis. He explained the basis of the analysis would assume one \$500 million bond issue every five years, for a total of \$2 billion over a 20-year period.

Ms. Gitkin began by sharing the history of the city's general obligation (GO) bond programs beginning in 1957, with 12 voter-approved programs totaling \$4.6 billion since then. She indicated the last GO bond program was in 2006 and the last new money bonds issued associated with the authorization were in 2012.

Chairman Krietor reiterated that voters approved the last bond program in 2006, but the last issue that went to market was in 2012. He asked if staff structured the sales of individual bonds based on the demand generated by the approved projects, after voters approved the bond issue.

Ms. Gitkin confirmed that after voter authorization is received, staff considers project planning timeframes, procurement needs, and cash flows before there are capital

expenditures and bond issuances. She added staff would not want to issue bonds too soon and have unused cash.

Ms. Gitkin discussed the legal and statutory requirements and restrictions for GO bonds. She explained the city could only issue bonds for major infrastructure and capital expenditures with a long useful life, to ensure the debt could be repaid before the end of its useful life. She added that bond sales could be adjusted to coincide with the life of the asset.

Ms. Gitkin explained cost of issuance could also be paid, including bond counsel fees, financial advisor fees, underwriter fees, and staff cost specifically related to sale of the bonds.

Ms. Gitkin cautioned against using tax-exempt bond proceeds for private activity or loans, using a Family Advocacy Center and a neighborhood clean-up loan program as examples of activities that would not be permissible by the IRS as tax-exempt. She explained a city-owned Family Advocacy Center operated by various non-profits to offer services to the public, while serving the community and the city's goals, would be considered private activity and no longer a public use. She added that there would be a small allocation for private activity and stated that if a program was a priority for the city, taxable bonds could be issued, which had been done in the past but could be more costly.

Ms. Gitkin stated action could only be taken based on what was written in the proposition that would go before voters. She explained the proposition should be written in a manner that strikes a balance between being clear for voters to understand and flexible for how bond proceeds could be used. She cautioned against omitting necessary language, using land acquisition for a municipal building as an example where the language should clearly state that land would be purchased, and a building constructed.

Chairman Krietor wanted to know how taxable or tax-exempt would be determined in a situation where the city hypothetically planned to purchase the old Channel 12 headquarters and renovate it for use by the Southwest Center for HIV.

Ms. Gitkin stated the process the Budget and Research Department was undertaking, asking departments to submit recommended projects early, provides ample opportunity to get tax opinions early and discuss with departments.

Ms. Gitkin discussed the existing GO bonds, currently outstanding in the principal amount of \$919 million. She pointed out the period from 2022 through 2027 had substantial debt service. Total GO bond debt service is fully paid off in 2034. She

stressed the importance of being mindful of the maximum annual debt service (MADS), the peak debt service, currently at \$155 million in 2026.

Ms. Gitkin discussed two aspects that would impact the look of the debt stack, the GO bond reserve and GO bond refunding opportunities.

Ms. Gitkin reiterated the impact of House Bill (HB) 2011 on the GO bond reserve, which would require the city to deplete the reserve to less than or equal to 10% of annual debt service by the end of fiscal year 2023. She discussed the history of the reserve and explained a significant amount had been used to pay down debt service from 2011 through 2016. She explained that by the end of 2022, \$73 million would remain in the reserve, which would be approximately \$60 million higher than what would be required by HB 2011. She detailed staff's proposal to use approximately \$54 million of the GO Bond Reserve balance to pay off \$58 million in debt service, which includes interest, to drive down the MADS from \$155 million to \$146 million.

Ms. Gitkin stated there were approximately \$280 million outstanding in 2012 GO bonds, 30% of all city bonds, which could potentially be refunded for savings on July 1, 2022, and result in savings of approximately \$15 million over the life of the GO bonds. She detailed staff's proposal to take advantage of refunding to target savings early and increase capacity for a new GO bond program in 2023.

Chairman Krietor clarified there would be \$54 million in the reserve and the refunding would provide \$15 million in savings, to give capacity to do additional bonds, which would be almost \$70 million.

Ms. Gitkin confirmed taking these actions would create additional capacity for another bond program and could also help avoid a property tax rate increase in 2026, the peak year, even if a bond program is not done.

Committee member Hope Levin asked what the interest rate had been on the previous bonds, and how time passing from bond approval to issuance could impact the rate.

Ms. Gitkin stated there would always inherently be savings in a bond sale because the city issues debt with a 10-year par call. She explained this meant the city could call or pay off the bonds without premium or penalty in 10 years, even if they would not be set to mature for another five to 10 years. She stated most likely in 2012, the city paid around 4 to 5% yield, which would be 1.8% right now for a 20-year bond. She emphasized the new refunding bonds would not go out beyond 2034 and the city would not extend the life of the bonds.

Finance Debt Manager Andrew Durket confirmed yields to 2034, the longest date of maturity, was 3.75%, so the 1.8% to 2% yield would provide plenty of savings.

Committee member Maryann Guerra asked if paid down bond funds could be reused, or if it would only serve to improve capacity for future bonds.

Ms. Gitkin stated legislation had been passed three to four years ago that prevented the city from reusing authorization and the city could be penalized.

Ms. Gitkin provided an overview of the debt stack including the reserve payoff and refunding opportunity, which would decrease the MADS to \$135 million and build approximately \$20 million in capacity in the front end. She explained the scenarios moving forward would assume both actions were taken, and staff would be going to City Council for formal authorization to do the refunding that same week.

Ms. Gitkin discussed bond ratings and explained the city would take them into consideration but not make decisions based on the rating agencies' methodologies. She explained that we do not want any increase to MADS or any negative impact to fixed cost burden, and affordability of additional operating expenses would be important.

Chairman Krietor asked if \$155 million had been based on the rating agencies' view and wanted to know if that amount was the pain threshold.

Ms. Gitkin confirmed that was correct and the amount reflected the bond rating perspective.

Ms. Gitkin discussed another major consideration was property tax affordability and reiterated the intent to ensure capacity for \$500 million of projects every five years, with no increase to the current total property tax rate or the secondary property tax rate.

Ms. Gitkin gave an overview of the final considerations related to legislative and administrative mandates, including reduction of the GO reserve fund, growth rate assumptions, the timing of infrastructure needs, and other legislative changes.

Ms. Gitkin discussed fixed cost burden as an impact to credit ratings and the differences between the rating agencies' methodologies. She explained Moody's considered pension cost, other post-employment benefits, and debt service fixed costs, and added a disclaimer that this did not represent a generally accepted standard and Finance did not believe it was an adequate methodology to measure financial stability.

Ms. Gitkin stated the city was rated AA+, stable outlook, with S&P; AAA, stable outlook, with Fitch; and Aa1, negative outlook, with Moody's. She explained the city had been on a negative outlook with Moody's since 2016, in preparation to downgrade, primarily because of the fixed cost burden caused by pension costs. She explained the city has paid its liabilities and more on pension costs than what has been required, and stressed the importance of maintaining the debt below \$155 million because Moody's is watching those pension costs and the city would not want to do anything related to debt to drive numbers up.

Committee member Guerra asked if the Moody's rating had always been AA1.

Ms. Gitkin confirmed the city has long been rated Aa1 with Moody's, and the recession put the city on a negative outlook due to economic impacts. She added S&P previously rated the city as AAA, but changed their rating methodology in 2013 to assess the city's economy score based on the state's economy score.

Chairman Krietor asked if exceeding \$155 million threshold would result in a downgrade.

Ms. Gitkin emphasized the significance of rising pension costs, specifically Public Safety Personnel Retirement System (PSPRS) costs, risking a downgrade. She explained that raising debt service costs above current levels could increase potential credit rating concerns which the city would not want to be the reason behind a downgrade.

Chairman Krietor acknowledged the difficulty of working around the state's requirements for PSPRS.

City Manager Jeffrey Barton confirmed the bigger concern with Moody's was the public safety pension costs and the limitations those presented on the city's flexibility from a general fund perspective. He mentioned the rating methodology around fixed cost burden did not account for the city's provision of other key public services.

Ms. Gitkin explained the rating methodology was called "treading water" and assumed a rate of return of 3%, while both the public safety and civilian plans were over 7%.

Chairman Krietor asked if the interest rate differential would be material if the city were to be downgraded.

Ms. Gitkin confirmed it would not have a major cost difference, as the city already has a split credit rating and would likely be priced in the AA range, which is what the GO bonds currently price at.

Committee member Levin asked if residents would be swayed by bond ratings.

Ms. Gitkin did not know how voters would react to the credit rating, but she anticipated they would react similarly to bondholders, indifferent.

Mr. Barton agreed and added he believed there would be a larger political reaction to the credit ratings.

Budget and Research Director Amber Williamson gave an overview of challenges that could put pressure on the general fund, specifically challenges with forecasting revenue and other operating budget needs. She highlighted the city's strategic approach with CARES and ARPA funding and the city's nationwide lead in job growth, net migration, and diversification of the economy over the last 20 years. She stated the general fund was in a good position and forecasted a surplus but did not anticipate it would continue this way as COVID-related federal aid works its way out of the system.

Ms. Williamson emphasized the importance of being mindful of increasing net new operating costs because of other outstanding operating budget needs, including employee compensation increases, classification and compensation study impacts, PSPRS costs, information technology needs, health insurance cost increases, appropriate funding for trust fund reserves, and fleet replacements. She stated it would be important to have resources available to meet those needs as well as City Council and community demands for more programs and services, including affordable housing, homelessness, and climate initiatives.

Ms. Gitkin reminded the committee of the three bond program options, and their associated property tax rate impact, that were discussed in 2020. She shared the final discussion with the committee centered on the impact of timing on bond sales and the committee recommended Option 1, a \$450 million program, or Option 2, a \$615 million program. She added the committee's further recommendation that the city postpone a bond election to Nov. 2021.

Ms. Gitkin discussed the city's financial capacity for three new scenarios:

- No new GO Bond Program
- Four GO Bond Programs – No change to Total Rate
- Four GO Bond Programs – No increase to Total or Secondary Rate

Ms. Gitkin began by discussing the scenario in which there would be no new program, which showed no tax rate increases above the current fiscal year 2022 rate with the MADS at \$135 million. She detailed the scenario modeling assumptions,

which included an annual coupon payment of 5% on all new bond sales which would build a significant cushion should any unforeseen fluctuations in the market arise.

Ms. Gitkin discussed the timing of the proposed bond programs and sales, which laid out a plan to put \$500 million bond programs before voters in 2023, 2028, 2033, and 2038, and split bond sales into two \$250 million tranches between each election.

Chairman Krietor recalled the city had done a \$2 billion bond program over the last 20 years, but there had been no strategic approach. He expressed appreciation for the planned bond program schedule as it demonstrated a more strategic approach.

Ms. Gitkin presented the scenario of four new bond programs resulting in no increase to the total rate, which showed increases in the secondary rate with a MADS of \$157 million. She stated this program would be achievable and the MADS would increase slightly above \$155 million in 2027 but go back down.

Ms. Gitkin continued by discussing the scenario of four new bond programs which would result in no increase to the secondary or total rate with a MADS of \$157 million. She explained this scenario would also be feasible, relying on the depletion of the reserve fund to \$4.4 million in the first five years of peak debt service. She explained if that were to happen, there would be capacity after 2027 to start rebuilding the reserve balance to 10% of annual debt service.

Chairman Krietor asked what risks would be involved in depleting the reserve further.

Ms. Gitkin stated the main risk would be flexibility to address unforeseen changes in the market. She explained that if the interest rates skyrocket, net assessed valuation drops, or a legislative mandate occurs, the city could use the GO reserve fund to balance rather than increase property tax rates.

Ms. Gitkin reaffirmed that the city could afford a \$500 million bond program but presented alternative scenarios with a coupon rate of 6% or a \$600 million program. She explained these scenarios would have no increases to the total rate but would increase the secondary rate and deplete the reserve fund to \$5.9 million. She added that an additional \$5.6 million in other resources would be needed to maintain the current secondary rate, which the city may not be able to afford.

Chairman Krietor clarified the amount of the bond programs after the first could increase beyond \$500 million.

Mr. Barton explained it would depend on other resources the city would come to bear in this same window. He stressed the importance of being strategic and practical in creating a framework that could deliver for the City Council and the community.

Chairman Krietor invited his fellow committee members to weigh in on the proposed scenarios.

Committee member Ron Butler stated the first bond program seemed capped at \$500 million and graduated increases could occur in the long term. He expressed interest in how the \$500 million would be used.

Committee member Guerra wanted to understand the community's critical needs to determine the level of risk that would be taken financially.

Chairman Krietor asked what steps would need to be taken to get to a bond election in 2023.

Ms. Williamson provided an overview of the timeline for the next two years, including formal action by City Council, the solicitation of community input on the bond program, developing and refining the total scope of projects, and working with the City Clerk to get the bond program on the ballot.

Committee member Butler asked if it would be the committee's recommendation on the total amount of the bond program, the timing of the program, and direction on tax rate impacts.

Mr. Barton stated he would defer to Chairman Krietor but explained staff's perspective would be to have no increase, or a minimal increase, given the political appetite for tax increases.

Chairman Krietor recommended staff return to the committee with a report that outlines the two scenarios with a \$500 million program and a clear strategic pathway. He stated during the next meeting, the committee could discuss those two scenarios to develop a recommendation for City Council and that the small increase above MADS for one year should be addressed.

Committee member Levin asked if the recommendation would become a strategic plan for the City Council, and whether it provides them with flexibility in 2030 and for future programs.

Mr. Barton explained it would be like a 5-year capital improvement program, where the City Council would adopt the 2023 bond program as well as a strategic plan for

the next 20 years, which would allow flexibility for future councils to make decisions depending on market conditions.

Committee member Guerra asked if the committee should consider any negative impacts using the GO reserve fund as proposed in the scenarios might have on bond ratings.

Ms. Gitkin stated the rating agencies are familiar with this and there would be no anticipated impact to ratings that should be considered.

Chairman Krietor asked if a bond issuance could be delayed, given any catastrophic change in the market, since the bonds would be sold in two tranches.

Ms. Gitkin confirmed that this is possible and was done historically with the recent water bond sale.

Chairman Krietor expressed his hope that the committee would be recommending a structure that would avoid that situation.

Ms. Gitkin gave an overview of the legislative scenario and explained that the legislation dictates the content of the pamphlet and how the numbers would appear. She discussed the assumptions associated with growth in net-assessed value (NAV) and how the assumed growth rate has increased since the committee first convened in 2020. She explained that Deputy Budget and Research Director Chris Fazio had looked at every potential scenario and this scenario seemed unlikely. She added that the primary property tax levy would be impacted.

Ms. Gitkin went on to discuss the legislative requirement scenario and pointed out that 2048 is when it would start to compound. She explained the city would only have to show the first program in the pamphlet and it would not have a significant impact on the city's ability to do a bond program. She noted that a rate increase of \$0.13 may be a dramatic change to voters that would have to be noted in the pamphlet.

Chairman Krietor clarified that that change would be in a future pamphlet.

Ms. Gitkin confirmed it would be in a pamphlet far into the future. She reaffirmed that for the first five years there would be no impact.

Ms. Gitkin presented the stress scenario and discussed the assumptions, including that the legislature continues incremental cuts to commercial assessment ratio to 10%, then appreciation of 2.5%. She described additional assumptions, such as new construction slowing in the first year after the election, and that the primary rate is

held constant unless there is a reduction required by the constitutional levy limit. She explained that the scenario modeled an immediate impact in the first five years, but not as dramatic as the legislative requirement scenario.

Ms. Gitkin explained the total rate would increase in this scenario in fiscal year 2027 by approximately \$.04 and, after depleting the bond reserve, the city would still need \$3.2 million to fund with other sources. She stated there were things the city could do now to alleviate that, such as another refunding opportunity and use of the cushion built into the assumptions with 5% couponing. She stated that under an extreme stress scenario, a program would be manageable.

Mr. Fazio reminded the committee that there was a window into the future with property taxes, as there was a lag between market conditions and what is seen.

Chairman Krietor acknowledged special attention should be paid to this stress scenario. He recalled commercial and industrial assessment ratios had been 2.5 times higher than residential.

Mr. Fazio stated commercial is currently at 18% and would be reduced to 16%. He added there is a bill currently floating to take off two more half-percents.

Committee member Levin clarified if this impacts other cities in the county.

Mr. Fazio confirmed this has a statewide impact.

Chairman Krietor commended staff on their presentation, which built on the property tax overview from the previous meeting.

Committee member Butler echoed Chairman Krietor's comments and commended staff on the presentation.

4. FUTURE AGENDA ITEMS

Chairman Krietor asked staff to return to the committee at the Feb. 7 meeting with a draft report including the two scenarios discussed and a recommendation to strategically position the city for recurring bond issues every five years.

Chairman Krietor asked if there were other items the committee would like to include. Committee members had no additions.

5. ADJOURNMENT

Chairman Krietor adjourned the meeting at 12:47 p.m.



 Overview

- Existing GO Bond Program
- GO Bond Program Considerations & Constraints
- GO Bond Program Capacity As Presented in 2020
- 2023 GO Bond Program Scenarios
- 2023 GO Bond Program Stress Scenario

1



Existing GO Bond Program

**Parks
Libraries
City Hall**



**Technology
Facilities
Equipment**



**Police
Fire
Arts**



2



Existing GO Bond Program

The City has a long history of issuing GO bonds

- Phoenix voters have approved 12 bond programs since 1957, totaling \$4.6 billion
- 2006 GO Bond Program was the last
- Last new money GO Bonds were issued in 2012
- GO bonds are issued for major capital infrastructure throughout the City with very finite legal restrictions



Legal Uses of Bond Proceeds

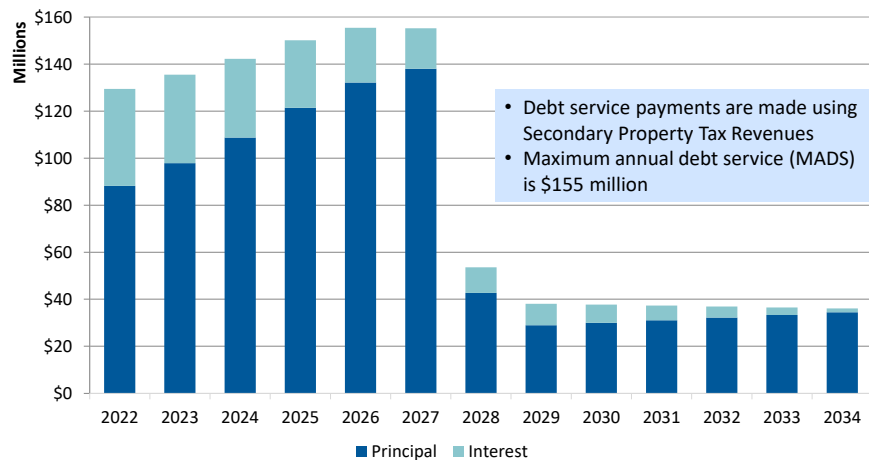
- Capital projects (major infrastructure)
 - No operating costs or working capital
 - Long useful life
- Cost of issuance
 - Bond Counsel
 - Financial Advisor
 - Underwriter
- NO private activity or loans, unless bonds are issued taxable
- Only what is written in the propositions

4



Existing GO Bond Debt Service

Annual GO Bond Debt Service (principal and interest) for \$919 Million Principal Amount of Currently Outstanding GO Bonds



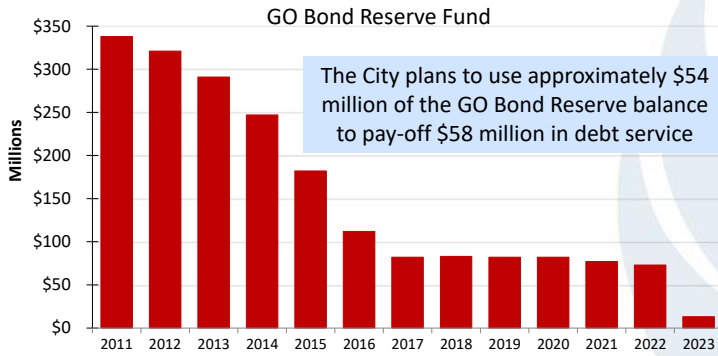
5



GO Bond Reserve

State Law

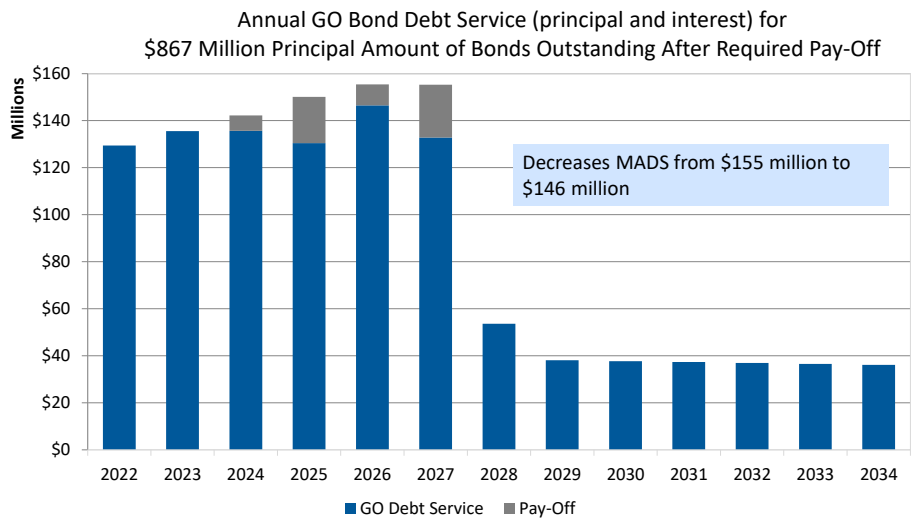
HB 2011 - Existing general obligation reserve fund balance must be $\leq 10\%$ of annual debt service by end of FY 2023



6



Existing GO Bond Debt Service After Required Pay-Off

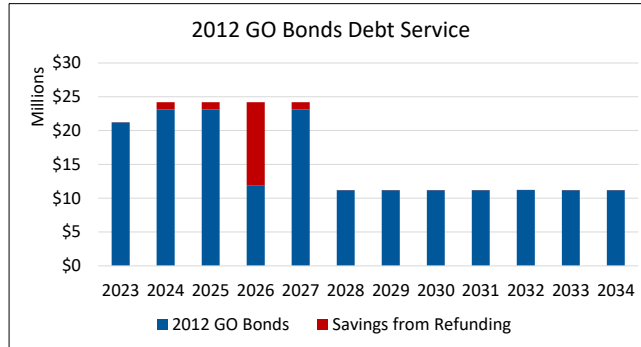


7



GO Bond Refunding Opportunity

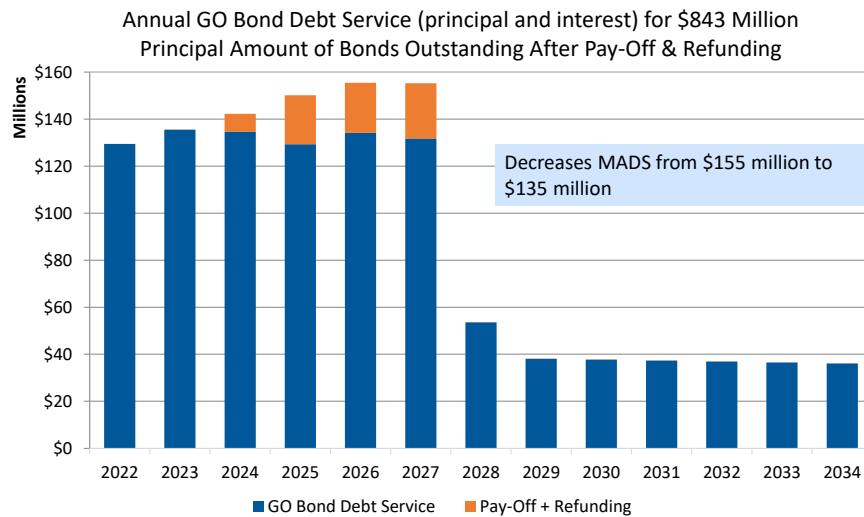
- The City has \$280 million outstanding (30% of total) in 2012 GO Bonds
- The 2012 GO Bonds can be refunded for savings on 7-1-2022
- Total savings of approximately \$15 million over the life of the GO Bonds



8



Existing GO Bond Debt Service After Pay-Off & Refunding



9



GO Bond Program Considerations & Constraints



Bond Program Capacity Considerations

Bond Ratings

- No increase to peak debt service, approximately \$155 million
- No negative impact to fixed cost burden
- Affordability of additional operating expenses

Property Tax Affordability

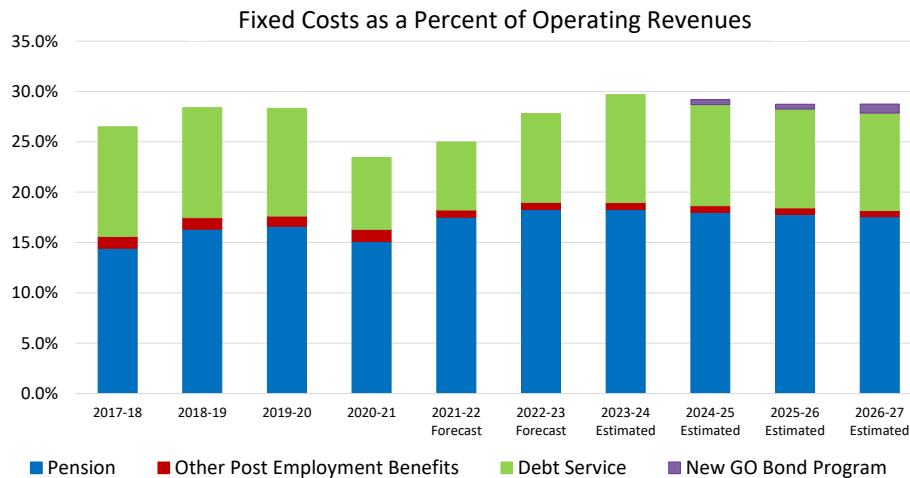
- Capacity for \$500 million of projects every 5 years
- No increase to current total property tax rate of \$2.1196
- No increase to secondary property tax rate of \$0.8141

Legislative & Admin Mandates

- Reduction of the GO Reserve Fund requiring pay-off of debt
- Growth rate assumption in election pamphlet
- Timing of infrastructure needs (special initiatives)
- Other legislative changes (ratio or debt limitation changes)



Fixed Cost Burden



Phoenix City Charter requires full payment of annual pension costs

12



Other Operating Budget Needs

- Employee Compensation Increases
- Classification & Compensation Study Impacts
- Public Safety Pension (PSPRS) Costs
- Information Technology Needs
- Health Insurance Cost Increases
- Trust Fund Reserve Levels
- Fleet Replacements
- Council and community demands for more programs and services

13



GO Bond Program Capacity As Presented in 2020



Summary of 2020 Presentation

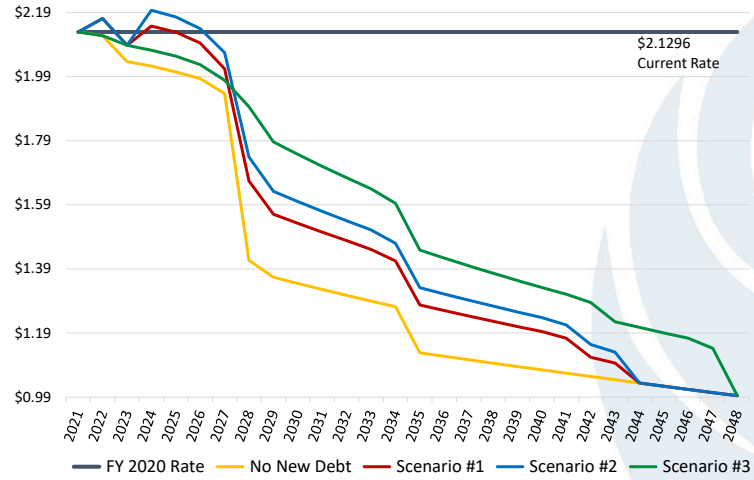
Option 1 \$450 Million*	\$200 million	FY 2022	6-year interest only
	\$250 million	FY 2024	4-year interest only
Option 2 \$615 Million*	\$200 million	FY 2022	6-year interest only
	\$415 million	FY 2024	4-year interest only
Option 3 \$1.1 Billion*	\$200 million	FY 2023	5-year interest only
	\$900 million	FY 2028	no interest only

*Assumed interest rates: FY 2022 – 4%
FY 2024 – 5%

- The final discussion with the committee centered on the impact of timing on the bond sales
- The committee recommended Option 1 or Option 2
- The committee also recommended that the City postpone a bond election for a year, November 2021 rather than November 2020



Total Property Tax Rates from 2020 Presentation



2023 GO Bond Program Capacity



- No new GO Bond Program
- Four GO Bond Programs - No change to Total Rate
- Four GO Bond Programs - No increase to Total or Secondary Rate





No New GO Bond Program

- GO Reserve Fund Pay-off by 7/1/23
- Refunding by 7/1/22

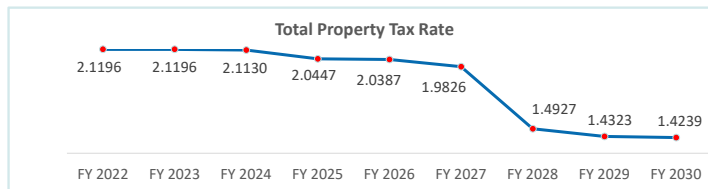
No Increases Above Current FY 2022 Rate

Total Rate	Secondary Rate	Fiscal Year
\$2.1196	\$0.8141	FY 2023
\$2.1130	\$0.8141	FY 2024
\$2.0447	\$0.7521	FY 2025

Max Annual Debt Service

\$135 million

FY 2023



Note: Tax rates are subject to change (plus or minus) based on actual Net Assessed Values (NAV). There is no guarantee that NAV forecast will be achieved.

18



Scenario Modeling Assumptions

- Four separate \$500 million GO Bond Programs, every 5-years
- Use of GO Bond Reserve Fund to pay-off a portion of bonds
- Refunding of the GO Bonds, Series 2012A and 2012C
- Refunding assumes current market interest rates plus 50bps (.50%)
- First bond sale is interest only for three-years; All others are interest only for 2-years
- 25-year amortization for all bond sales

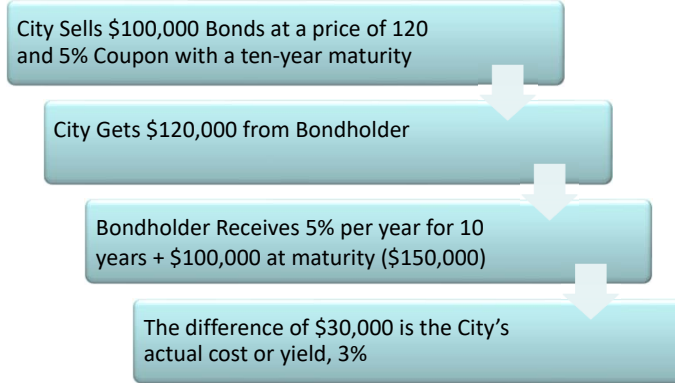
Note: Tax rates are subject to change (plus or minus) based on actual Net Assessed Values (NAV). There is no guarantee that NAV forecast will be achieved.

19



Scenario Modeling Assumptions (continued)

- Annual coupon payment of 5.0% on all new bond sales

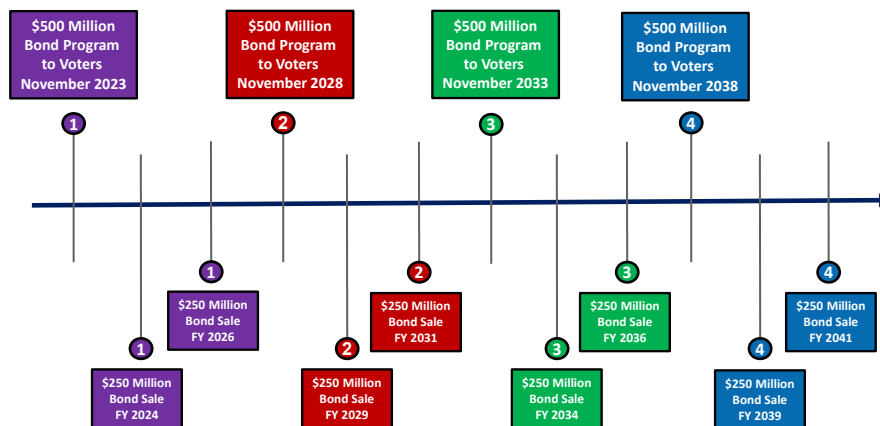


Note: Tax rates are subject to change (plus or minus) based on actual Net Assessed Values (NAV). There is no guarantee that NAV forecast will be achieved.

20



Timing of Bond Programs & Sales



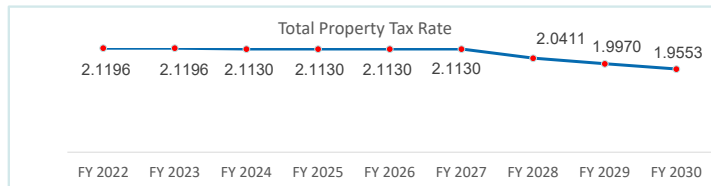
21



Four GO Bond Programs – No Increase to Total Rate

Increases in Secondary Rate	Total Rate	Secondary Rate	Fiscal Year
	\$2.1196	\$0.8141	FY 2023
	\$2.1130	\$0.8141	FY 2024
	\$2.1130	\$0.8204	FY 2025
	\$2.1130	\$0.8264	FY 2026
\$2.1130	\$0.8351	FY 2027	

Max Annual Debt Service	\$157 million	FY 2027
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Note: Tax rates are subject to change (plus or minus) based on actual Net Assessed Values (NAV). There is no guarantee that NAV forecast will be achieved.

22

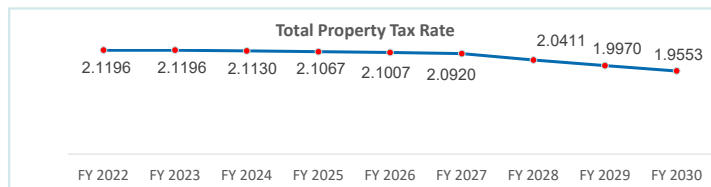


Four GO Bond Programs – No Increase to Total or Secondary Rate

GO Bond Reserve Fund balance is depleted to \$4.4 Million

No Increases in Total or Secondary Rates	Total Rate	Secondary Rate	Fiscal Year
	\$2.1196	\$0.8141	FY 2023
	\$2.1130	\$0.8141	FY 2024
	\$2.1067	\$0.8141	FY 2025
	\$2.1007	\$0.8141	FY 2026
\$2.0920	\$0.8141	FY 2027	

Max Annual Debt Service	\$157 million	FY 2027
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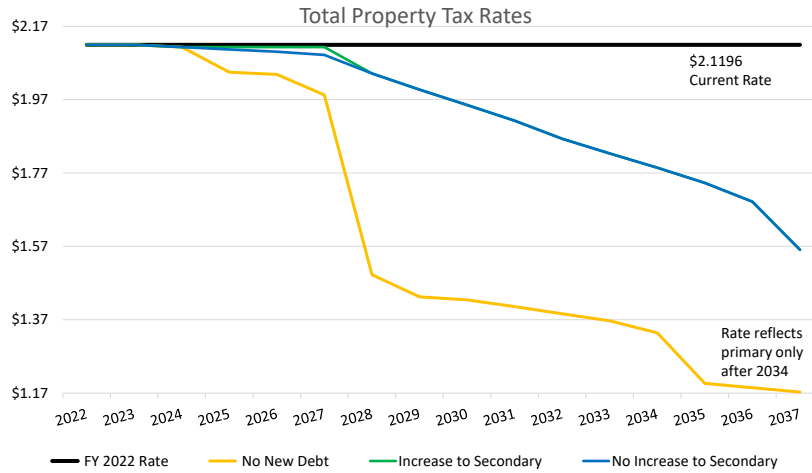


Note: Tax rates are subject to change (plus or minus) based on actual Net Assessed Values (NAV). There is no guarantee that NAV forecast will be achieved.

23



Total Property Tax Rates



24

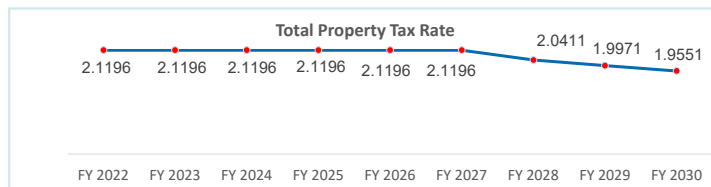


Four GO Bond Programs – 6% Coupon or \$600 Million Program Amount

- GO Bond Reserve Fund is depleted to \$5.9 Million
- Maintaining secondary rate of \$0.8141 would require approximately \$5.6 million in other sources

No Increases in Total Rate	Total Rate	Secondary Rate	Fiscal Year
	\$2.1196	\$0.8141	FY 2023
	\$2.1196	\$0.8207	FY 2024
	\$2.1196	\$0.8270	FY 2025
	\$2.1196	\$0.8330	FY 2026
	\$2.1196	\$0.8417	FY 2027

Max Annual Debt Service \$162 million FY 2027



Note: Tax rates are subject to change (plus or minus) based on actual Net Assessed Values (NAV). There is no guarantee that NAV forecast will be achieved.

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Legislative Scenario Modeling Assumptions

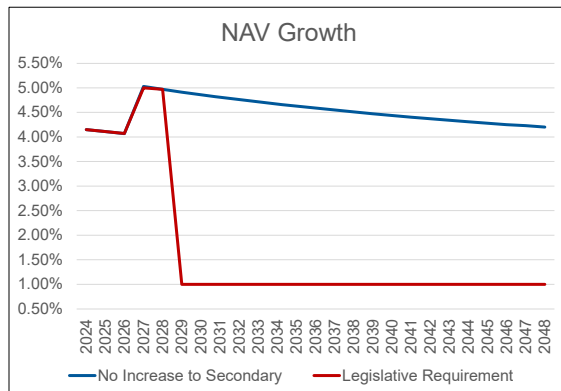
- Growth in NAV in the first five-years cannot exceed the actual 10-year average growth rate in NAV, assumed 5%
- Growth in NAV in year six and on cannot exceed 20% of the 10-year average growth rate in NAV, assumed 1%
- This assumption is not within the realm of any economic situation either realized or envisioned
- The primary levy amount is impacted

Note: Tax rates are subject to change (plus or minus) based on actual Net Assessed Values (NAV). There is no guarantee that NAV forecast will be achieved.

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NAV Growth – Legislative Requirement



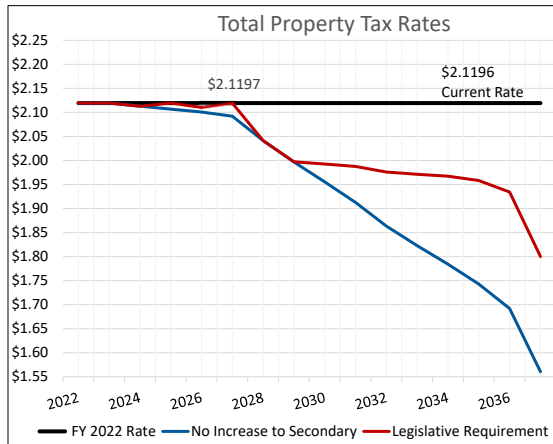
Fiscal Year	Estimated NAV (in millions)	
	Forecast	Legislative Requirement
2024	\$16,063	\$16,063
2025	16,723	16,723
2026	17,403	17,403
2027	18,278	18,273
2028	19,186	19,180
2029	20,128	20,122
2030	21,106	20,323
2031	22,120	20,527
2032	23,173	20,732
2048	46,392	24,310

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Total Property Tax Rates in Pamphlet – Legislative Requirement

Secondary Property Tax Rate			
Fiscal Year	No Increase Secondary	Legislative Requirement	Difference
2024	\$0.8141	\$0.8139	-0.0002
2025	0.8141	0.8269	0.0128
2026	0.8141	0.8239	0.0098
2027	0.8141	0.8417	0.0276
2028	0.7714	0.7716	0.0002
2029	0.7352	0.7354	0.0002
2030	0.7010	0.7280	0.0270
2031	0.6688	0.7207	0.0519
2032	0.6317	0.7061	0.0744
2048	0.1511	0.2883	0.1372



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Stress Scenario Modeling Assumptions

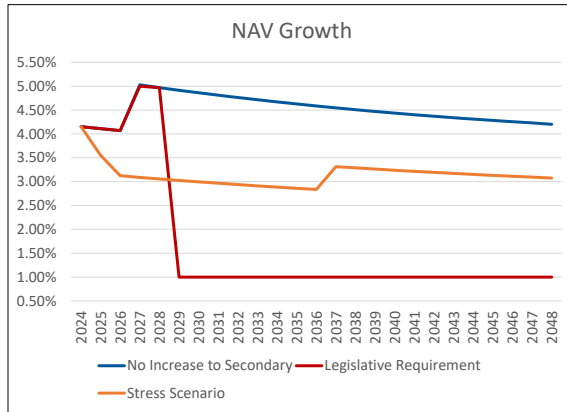
- Legislature continues incremental cuts to commercial assessment ratio, until it reaches 10% (to match residential)
- After that, appreciation is 2.5%
- First year after the election, new construction slows two years in a row, down to levels similar to construction during the financial crisis
- Primary rate is held constant, unless a reduction is required by the constitutional levy limit

Note: Tax rates are subject to change (plus or minus) based on actual Net Assessed Values (NAV). There is no guarantee that NAV forecast will be achieved.

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NAV Growth – Stress Scenario

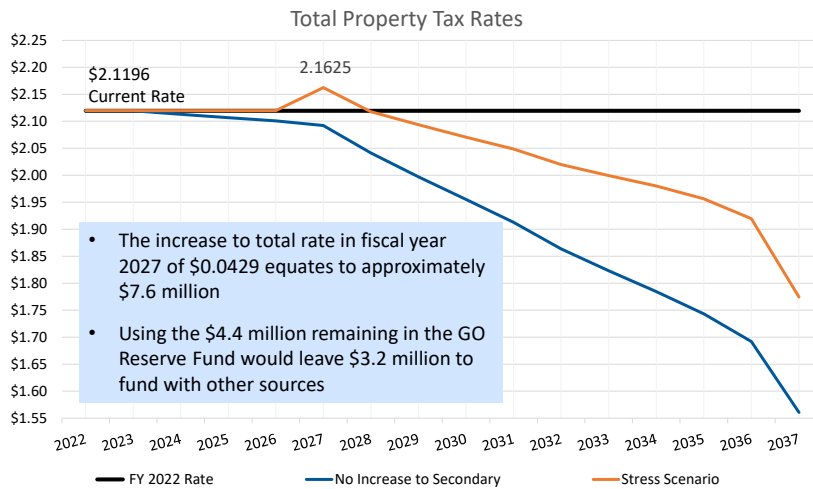


Estimated NAV (in millions)		
Fiscal Year	Forecast	Stress Scenario
2024	\$16,063	\$16,063
2025	16,723	16,633
2026	17,403	17,153
2027	18,278	17,683
2028	19,186	18,223
2029	20,128	18,775
2030	21,106	19,337
2031	22,120	19,910
2032	23,173	20,496
2048	46,392	33,449

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Total Property Tax Rates Stress Assumptions



- The increase to total rate in fiscal year 2027 of \$0.0429 equates to approximately \$7.6 million
- Using the \$4.4 million remaining in the GO Reserve Fund would leave \$3.2 million to fund with other sources

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Questions and Additional Discussion



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**City of Phoenix
Fiscal Capacity Committee
Summary Minutes
Monday, Feb. 7, 2022**

Virtual Meeting – Via WebEx

Committee Members Present

Dave Krietor, Chair
Ron Butler
Deb Fisher
Hope Levin

Committee Members Absent

MaryAnn Guerra

1. CALL TO ORDER

Chair Krietor called the Fiscal Capacity Committee to order at 11:01 a.m. with committee members Ron Butler, Deb Fisher, and Hope Levin present.

2. REVIEW AND APPROVAL OF THE JANUARY 31, 2022 MEETING MINUTES

Committee member Ron Butler made a motion to approve the minutes of the Jan. 31, 2022 meeting. Committee member Hope Levin seconded the motion, which passed unanimously, 4-0.

3. FINANCIAL CAPACITY RECOMMENDATIONS

Chair Krietor recommended the committee discuss comments, suggestions, or changes they had on the drafted recommendation.

Chair Krietor stated the report was reflective of what the committee learned and what had been discussed in previous meetings. He listed three suggestions based on his review of the drafted recommendation:

1. List the names of the committee members, dates the committee met, and attaching staff reports that were reviewed during the reconvened meetings
2. Update the language in the last paragraph of the Program Sizing and Bond Sale Timing section to state the committee is “strategically positioning” the city to allow for subsequent bond elections
3. Update the tone of the second paragraph in the Tax Rate Informational Requirement section to avoid an appearance of negatively characterizing statutory requirements

Chair Krietor stated the report looked consistent with the analysis and modeling that had been discussed, and he opened the floor to the rest of the committee for suggestions or changes.

Committee member Hope Levin referred to the last paragraph in the report and requested clarification that the report needed to state the tax rates are meeting the statutory requirements so that could be disclosed to the voters. She stated that the

last sentence in the report appeared to be missing information and asked where the different scenarios would be included.

Chair Krietor asked for suggestions from staff on how the Tax Rate Informational Requirements section could be revised, based on Committee member Levin's feedback.

Mr. Fazio stated the committee could consider moving the Program Sizing and Bond Sale Timing section to the end of the report, which would have the report end with the overall recommendations.

Committee member Levin expressed her support for the change, explaining it provided her with clear direction that the committee was supporting the \$500 million bond program and intended not to increase rates.

Chair Krietor expressed support for moving the section up in the report and requested the language be tempered so that the City Council would not have the impression that the committee was demeaning the State's legislative actions.

Committee member Levin said she was fine with the final sentence in the Tax Rate Information Requirements section, as it was factual and expressed the impact to the voters. She suggested updating the sentence before it to state, "The committee believes the statutory requirements have been analyzed and are used in our recommendation."

Chair Krietor stated he was fine with that change. He stated he wanted to remove "misleading" but would be amenable to leaving in "pessimistic".

Committee member Levin asked if "pessimistic" was understated and requested clarification that higher growth rates could not be used.

Chair Krietor explained his understanding of the sentence was that the state statute was forcing the use of a more pessimistic model, where the tax rate could be impacted.

Mr. Fazio explained the biggest difference was that the modeled tax rates would be higher than they otherwise would be, and that the statutorily required model shows rates higher than what staff believes they would be.

Chief Financial Officer Kathleen Gitkin stated what was being conveyed was that the modeling for the first five years almost exactly mimics the state requirement, which was more restrictive than staff's modeling which had built in a generous cushion. She explained the thought process was that the committee evaluated the first five

years, and the growth assumption was similar and could be endorsed but going out further would be risky because the difference would be drastic.

Chair Krietor asked if the section could state that the statute would be reflected in the modeling, and the modeling for the first five years would be consistent with state requirements, since the committee would only be officially recommending the first bond program.

Mr. Fazio clarified how the state statute might impact the information that would appear in the pamphlet, explaining that the rates would reflect higher than what staff would otherwise show them to be, and modeling would reflect more than five years of debt service in the pamphlet.

Chair Krietor summarized the feedback received from the committee, including the recommendation to move the Tax Rate Information Requirements earlier in the report, and updating language to communicate to the City Council how the state statute might have an impact.

Committee member Butler agreed with Chair Krietor's comments and asked if the Ballot Timing section could be written similarly to the Program Timing and Sizing section, which stated the committee would be recommending to City Council to develop a 2023 bond program.

Chair Krietor confirmed that was correct. He asked Committee member Butler if he was recommending changes to the language which stated, "the Fiscal Capacity Committee unanimously recommended the City Council develop a \$500 million bond program for a November 2023 election".

Committee member Butler confirmed that his recommendation would be to make the language similar to what was written in the first paragraph of the Program Sizing and Bond Sale Timing section, where it describes the program as one portion of a larger long-term strategy.

Chair Krietor asked if there were any issues with updating the language.

Mr. Fazio confirmed the change could be made.

Chair Krietor reconfirmed the changes requested in the recommendation would be to adjust the wording, move the Tax Rate Information Requirements earlier in the report, and conclude with the recommendation. He asked if one of his fellow committee members would offer a motion to approve the report.

Committee member Levin made a motion to approve the report as finalized and that the recommendation supports the committee's desire to see the city of Phoenix offer a \$500 million bond program that would be brought before the voters on the ballot in November of 2023. Committee member Deb Fisher seconded the motion.

Chair Krietor asked staff if the motion was sufficient.

Budget and Research Director Amber Williamson confirmed the motion was sufficient and explained that staff would make edits to the document and send the finalized report to the committee within 48 hours.

Chair Krietor agreed that it would be important to review the revised language and provide an opportunity for all committee members to see the final recommendation.

The motion passed unanimously, 4-0.

4. FUTURE AGENDA ITEMS

Chair Krietor thanked the committee for returning for this effort. He detailed the next steps would be to receive a final draft of the recommendation from staff with language that was consistent with the discussion and motion. He requested clarification on when the item would go to the City Council for approval.

Budget and Research Director Amber Williamson explained she was awaiting confirmation from the Mayor's Office on timing of City Council briefings and agendas. She stated she would let the Chair know once direction has been received.

Chair Krietor reiterated his appreciation for the work of staff and the committee members. He canceled the Feb. 15 meeting and requested a motion to adjourn the meeting.

Committee member Ron Butler made a motion to adjourn. Committee member Deb Fisher seconded the motion, which was approved unanimously, 4-0.

5. ADJOURNMENT

Chair Krietor adjourned the meeting at 11:25 a.m.



American Rescue Plan Act Second Tranche Strategic Plan

This report serves as a follow-up to the City Council discussion during the April 12, 2022 Policy Session that focused on a draft strategic plan for the second tranche of American Rescue Plan Act (ARPA) funds. This report provides City Council with a revised strategic plan (**Attachment C**) based on direction and feedback from the previous meeting and requests City Council approval. Also included in this report is a summary detailing how COVID-19 relief dollars have been spent to date.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Summary

The federal government allocated \$396 million to the City of Phoenix in the American Rescue Plan Act. On June 8, 2021, City Council approved the ARPA Strategic Plan that allocated \$198 million, the first tranche of funds, to various City programs with nearly 75 percent of allocations targeted in community investment. The City anticipates receiving the remaining \$198 million from the U.S. Treasury within the next few days. It is important to again allocate ARPA funds to transformational one-time investments that improve the prospects of impacted residents and address economic and social disparities that have continued and worsened during the COVID-19 pandemic.

According to federal guidance issued to date, ARPA funds may only be used to cover costs that are necessary expenditures caused by COVID-19 incurred between March 3, 2021 and Dec. 31, 2024. Per the Final Rule, funds can only be used:

- to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the state, territory, or tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;
- for the provision of government services to the extent of the reduction in revenue of

such state, territory, or tribal government due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the state, territory, or tribal government prior to the emergency; or

- to make necessary investments in water, sewer, or broadband infrastructure.

As of May 31, 2021, nearly \$85 million of ARPA funds have been spent on various programs such as COVID-19 testing and vaccinations, resident meal deliveries, nonprofit and artists grants, bus cards, rental assistance, landlord incentives, business assistance, and premium pay. **Attachment A** details each current ARPA program with its allocation and expenditures as of May 31, 2022. More information can be found on the City's ARPA website which can be accessed at www.phoenix.gov.

The summary below outlines the City's community investment to date with relief dollars since the beginning of the pandemic. The file then includes information regarding the draft second tranche strategic plan for City Council approval.

CRF Review

Established through the 2020 CARES Act, the \$150 billion Coronavirus Relief Fund (CRF) provided payments to local, state, and tribal governments navigating the impact of the COVID-19 pandemic. The City of Phoenix received \$293 million CRF dollars. Programs included small business assistance, rent/mortgage and utility assistance, distance learning and Wi-Fi access, food delivery services, personal protective equipment, and COVID-19 testing. In June 2020, City Council strategically approved using \$143 million to offset public safety salaries to preserve City services. The transfer of the one-time resources into the General Fund and public safety funds preserved services that would have been reduced due to the projected negative impact of COVID-19 on City revenues. This fund was closed with the U.S. Treasury on July 9, 2021.

ERA Review

The City received \$51.1 million in Emergency Rental Assistance (ERA) 1.0 funds and launched its ERA Program on March 8, 2021. Under ARPA, the U.S. Treasury allocated \$55.3 million in ERA 2.0 funding to the City. The City began disbursement of ERA 2.0 dollars in October 2021 and in total has distributed \$90.7 million in ERA 1.0 and ERA 2.0 dollars. Approximately 12,530 households, totaling over 32,700 residents, have received ERA services since the inception of the program. At the end of November 2021, the City requested \$35 million in additional ERA 1.0 funding and received all funding on March 22, 2022.

ARPA Second Tranche Strategic Plan

Previously Approved Allocations

City Council has approved various programs utilizing second tranche funding at previous council meetings. The U.S. Treasury guidance states that ARPA funds can be used to provide premium pay to essential workers for work performed during the pandemic. On Dec. 15, 2021, City Council approved up to \$29 million of premium pay for employees from the second tranche. This allocation has since been revised to \$22 million after staff analyzed current data and expenditures to date in this program. Additionally, it was previously discussed that funds are needed to cover the increased cost of workers' compensation claims and health care claims related to COVID-19. As of Sept. 30, 2021, the Health Care Benefits Trust has paid over \$14 million of COVID-19 related expenses. The City has also had nearly 800 workers' compensation claims filed and accepted for COVID-19, resulting in approximately \$6 million of incurred costs. Consistent with U.S. Treasury guidance, staff recommended allocating \$28 million to the City's health care trust and workers' compensation program to cover current and projected COVID-19 related expenses paid by the Health Care Benefits Trust and the Workers' Compensation Program.

On Feb. 2, 2022, City Council approved \$25 million of the second tranche for at-home COVID-19 tests, personal protective equipment, emergency and community outreach services, and other expenses related to COVID-19. Of the \$25 million, \$15 million was dedicated to community testing and vaccine services and \$10 million was dedicated to the creation of Combating COVID Kits, which include at-home tests, high quality masks, sanitizing wipes, and informational materials. Since this approval, staff determined only \$4 million was needed for the Combating COVID Kits and the remaining \$6 million was returned to the unallocated portion of the second tranche.

On March 29, 2022, City Council approved the City of Phoenix 2022 Heat Response Plan, including the allocation of \$2.6 million in ARPA funding to support the shelter at 2739 E. Washington St. After further analysis, staff requested City Council approval of an additional allocation of \$13.4 million for capital improvements and ongoing operational costs that will fund the shelter until Dec. 31, 2024. This approval occurred at the April 12, 2022 Policy Session.

Lastly, as part of the June 8, 2021, approval of the first tranche, City Council approved \$15 million for the Workforce Training Facility and Training Program. Additionally, on April 12, 2022, City Council approved an allocation of \$3.5 million in the second tranche of funding for building rehabilitation costs. City Council approved the purchase of the former Kmart building located at 2526 W. Northern Ave. during the April 20, 2022 City Council Formal Meeting.

Strategic Plan Programs

During the April 12, 2022 Policy Session, staff indicated the second tranche allocation was oversubscribed by approximately \$14 million and required feedback to balance the allocation. **Attachment B** documents revisions that occurred since the April meeting. Staff was able to shift four previously proposed ARPA programs to be funded by Community Development Block Grant funds after a thorough analysis performed by Neighborhood Services staff. As stated previously, the Premium Pay and Combating COVID-19 Kits programs' allocations were decreased and are closer to current expenditures with little to no expectations of exceeding revised allocations. A remaining \$1.8 million was added to the Financial Assistance for Phoenix Refugee and Asylee Community after community feedback and Council discussion. **Attachment C** is the draft strategic plan for the second tranche and includes several focus areas such as affordable housing and homelessness; workforce and education; neighborhood sustainability; resilient food system; better health and community outcomes; and city operations.

Staff is seeking City Council feedback, direction, and possible action on the proposed strategic plan. Approval of the draft strategic plan will provide staff with an opportunity to begin contract and agreement development early with hopes of having agreements ready for approval shortly after Council returns from summer break.

Responsible Department

This item is submitted by City Manager Jeffrey Barton and the City Manager's Office.

Attachment A
City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<i>Phoenix Arts, Business, and Employee Assistance</i>		
<u>Workforce Training Facility and Training Program</u>	\$18,500,000	\$22,585

Funds will procure a facility to be used to create workforce training programs to assist the huge service sector job loss that occurred in this area of the City.

The corridor where this facility is located is consistently a source of violent crime, prostitution, drug use, trespassing, blight and other quality of life concerns. The ease of access to this area, along with challenging hotels, motels and apartment complexes, have created an area where crime can flourish with few impediments. These challenges were exacerbated by the pandemic as this segment of the community was hit much harder than others due to density, distrust of government, and loss of service sector jobs that are the primary source of employment in the area. This area is also in Qualified Census Tracts. Utilizing the building for workforce programs will improve the safety and quality of this neighborhood and bring pandemic- and downturn-resistant employment training to the community.

<u>Workforce Wraparound Tuition/Apprentice Program</u>	\$10,000,000	-
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For this program, \$8.5 million will be used to offer free training and education to residents who have been impacted by the pandemic in the hardest hit industries of hospitality, food service, retail, and families with young children. The program will offer short-term and long-term training in fields, such as bioscience, healthcare, construction, IT, and more (industries negatively impacted by the pandemic). Participants enrolled in training will receive monthly financial assistance to help with emergency expenses such as transportation and childcare. Additionally, \$1.5 million will be used to partner with a community-based organization to expand workforce services with a focus on families with young children. The organization will target families not enrolled at a Maricopa Community College.

There is strong evidence that vocational training can help dislocated workers regain employment. As such, participants will self-attest as part of their application their negative economic COVID-19 impact, such as job and income loss. Supportive services are also recommended in programs like this and participants will receive support to limit barriers to accessing training and employment.

<u>Micro and Small Business Assistance Program</u>	\$8,000,000	\$7,844,366
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Based on lessons learned from the CRF program, the micro and small business programs were combined. Award amounts range from \$3K to 15k and are based on the applicant's number of employees. Funds assist businesses that have been impacted by COVID-19 and/or are located in Qualified Census Tracts. Many businesses struggled to stay open due to the pandemic and these resources allowed businesses to stay open, pay employees, and cover operational costs due to the downturn in business. All eligible businesses completed an online application process to demonstrate need.

of applications awarded - 1,146

Attachment A
City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<p><u>Nonprofit Arts & Culture Stabilization Grants</u></p> <p>This program provided two-years of funds to help nonprofit arts and culture organizations manage their operations, personnel, and programming as they welcome back audiences, guests, and patrons to their services. The program awarded recovery grants to eligible organizations of all sizes who demonstrate intent, commitment, and strategies to sustain well beyond the COVID-19 pandemic. Organizations must have been in operation prior to March 1, 2020 and had to complete an online application process to demonstrate need.</p> <p><i># of grants awarded - 87</i></p>	\$2,750,000	\$2,650,000
<p><u>Small Business Workforce Program</u></p> <p>This program provides assistance to small businesses (less than 100 employees) in Phoenix through PHXB!ZConnect, an exclusive-for-Phoenix businesses social media platform, gives small business owners connections to each other, business webinars, and city resources. This program also provides grant funding for small business training programs and/or demonstration projects that benefit the Phoenix entrepreneurial/small business community</p> <p><i># of small businesses registered on PHXB!ZConnect website - 629</i></p>	\$2,000,000	\$200,000
<p><u>Arts Career Advancement Grants</u></p> <p>Grants support working artists or arts workers who have experienced job loss, indefinitely postponed or canceled events and residencies, or terminated contracts due to the pandemic. Program funds provides financial assistance, support services to grow artistic skills, equipment or business operations recovery costs, and participation in an exhibit, festival, vendor showcase, or artist residency.</p> <p><i># of grants awarded - 208</i></p>	\$500,000	\$497,184
<p><u>Artists to Work</u></p> <p>This program enables the City to contract artists to develop temporary projects, installations, and performances. These commissions would reactivate a wide range of public spaces, including parks, trails, community centers, and neighborhood areas not usually defined or programmed as cultural spaces. Four mural projects have been created in various parts of the city to date. The Office of Arts and Culture has devised a program plan for the remainder of funds, including artist project grants, an artist roster, and artist residencies.</p>	\$1,000,000	\$49,550
<p><u>Arts and Culture Internship Program</u></p> <p>profit creative industries to hire full-time interns for 400 hours. The internships provide undergraduate students with meaningful on-the-job training and experience working in the cultural sector. The program ultimately strengthens Phoenix's workforce by providing access to high-quality opportunities for college students of all backgrounds to gain experience, understanding, and transferable skills relevant to careers in and out of the arts, the creative economy, and engagement in public life. The program launched the first round in April 2022, and 23 organizations were awarded funds to hire student workers after July 1. The second round will launch in spring 2023.</p>	\$500,000	-

Attachment A
City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<p><u>Personnel/Technical Assistance</u></p> <p>Funds allow for continued technical assistance and professional development in financial sustainability, business practices, and reopening strategies. The Office of Arts and Culture has conducted several workshops for the field, offered scholarships to the statewide nonprofit alliance conference, and contracted with consultants to conduct a comprehensive asset mapping of neighborhoods in Phoenix that have received limited arts support from the City. An overarching goal of the Office of Arts and Culture is "to identify and eliminate barriers that have prevented marginalized groups' full participation from the agency's programs and to strengthen equity, diversity, and inclusion in the arts and culture sector for all Phoenix residents," the results from asset mapping the community will clarify what strengths to build from and what challenges exist in developing and growing arts programming for community members.</p>	\$250,000	\$39,469
<p><i>Mitigation and Care for Vulnerable Populations</i></p> <p><u>Homelessness and Mental Health</u></p> <p>The City has contracted \$9 million with Mercy Care to provide outreach, behavioral health, substance abuse, physical health, and transportation services to residents. This will include screening for Medicaid (AHCCCS) eligibility and assistance in applying. Additionally, City Council approved \$1.5 million to provide services to those experiencing homelessness along the Salt River Project (SRP) canals and other areas throughout the City. This includes increased services for individuals in these areas as well as pilot project to train and pay individuals experiencing homelessness to conduct beautification projects and landscaping duties (Phoenix Rescue Mission).</p> <p>The pandemic exacerbated the national crises of individuals suffering from mental health disorders and homelessness. Social services were limited in 2020 and the economic consequences of the pandemic have put more Americans at the risk of entering homelessness. Several studies claim anxiety and depression and substance abuse worsened for individuals and were negatively impacted by the gap in care. This program strives to increase access to services for disproportionately impacted groups.</p>	\$10,500,000	-
<p><u>Edison Impact Hub</u></p> <p>Funds will be used to retrofit the historic children's hospital from a vacant, dilapidated building to a community services center that will provide medical offices and other services to the community.</p>	\$5,000,000	-
<p><u>U.S. Vets and Veteran Relief</u></p> <p>Funds will provide relief for Veterans experiencing or at risk of homelessness during the pandemic. Many of our vets are more vulnerable to COVID-19 due to living conditions, age, and chronic health complications. funds could also provide additional operational support needed by the US Vets Organization to transition into the property purchased earlier this year with COVID Relief Funds.</p>	\$4,500,000	\$61,515

Attachment A
City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<u>Summer Heat Respite</u> A sprung structure was constructed to provide a place of respite during the summer for individuals experiencing homelessness. The sprung structure has been completed and provides guests with a place to socially distance due to COVID-19 and include meals, outreach, and other supports. It has evolved from a summer respite to a space where individuals homelessness can properly social distance and receive case management services. Funds were also used to provide temporary shade structures in the summer of 2021. The pandemic exacerbated the national crises of individuals suffering from homelessness. Social services and safe, open spaces were limited in 2020 and the economic consequences of the pandemic have put more Americans at the risk of entering homelessness. This structure will increase access to services for disproportionately impacted groups such as those experiencing homelessness as they will be able to find respite in times of extreme heat and make contact with social service agencies. <i># of individuals who used 2021 temporary shade structures - 13,426</i>	\$3,000,000	\$2,077,350
<u>Financial Assistance for Phoenix Refugee and Asylee Community</u> Funds will be used to support nonprofit agencies serving the refugee and asylee community. Families enter the United States with little to no resources and need assistance navigating their new community. The pandemic exacerbated this need as social services were limited in 2020. The goals of the program are to assist residents who were disproportionately impacted by COVID-19 with services to find employment, temporary housing, and resources for medical care.	\$3,000,000	-
<u>Memory Café Program</u> Funds expand the City's Memory Café program for senior center members and their caregivers. Memory Cafes stimulate participants through music therapy, art and memory exercises, and are a key contributor to the Dementia Friendly City initiative.	\$2,000,000	\$470
<u>Area Agency on Aging's Goods2Home</u> Funds continue to support the Area of Agency on Aging's Goods2HOME program which the City supported with CARES Act funds in 2020. This program delivers critical medication, sanitation, and nutrition supplies to low-income, disabled, and homebound seniors.	\$2,000,000	-
<u>Justa Center</u> The City has contracted with Justa Center to provide COVID-19 supportive services for seniors experiencing homelessness. Funds will expand outreach and engagement services, non-urgent facility-based care and housing supportive services such as move-in kits, classes on independent living, weekly check-in visits from a social worker, assistance with scheduling health care appointments, and transportation to health care appointments if needed. <i># of unduplicated clients served - 622</i> <i># of clients who move to a positive housing situation - 21</i>	\$1,000,000	-

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City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<u>Bus Stop Shelters</u> As part of the T2050 plan, the Public Transit Department has a goal of installing 80 new bus shelters per year. This additional funds will increase this goal to 100 shelters per year over the next two years. Bus shelters play a role in improving neighborhood livability and sustainability. Bus shelters will be placed in locations currently without shade and provide heat relief to transit users who reside in Qualified Census Tracts. This contract begins July 1, 2022.	\$500,000	-
<u>Transit Heat Relief Program</u> The goal of this summer program was to provide a 40-foot bus at the Human Services Campus where individuals experiencing homelessness are located to prevent heat-related illnesses and deaths among vulnerable populations. The program ran from July 2021 to September 2021. Total number of individuals on the bus was tracked by the hour each day. These numbers may have been duplicated throughout the day. <i># of passenger visits - 12,830</i>	\$82,000	\$65,662
<i>Households and Residential Assistance</i> <u>Family Assistance Resource Program</u> This program is providing 1,000 families with children a \$1,000 per month financial assistance grant for 12 months. Eligible households include Emergency Rental Assistance applicants, residents of City-owned public housing properties, and Section 8 voucher holders. Selection occurred via a lottery system. Many households experienced a loss of income or a job loss as a result of the COVID-19 pandemic. This program's objective is to provide monthly assistance to help families stay in their homes, maintain current employment, and provide childcare assistance. All families experienced a negative economic impact as a result of the pandemic as they previously qualified for emergency rental assistance, reside in public housing, or receive a Section 8 voucher.	\$12,000,000	\$12,000,000

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City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<u>Utility and Rental Assistance</u>	\$10,000,000	\$5,254,742

This program has three parts: \$4 million to serve Phoenix households unable to meet the Emergency Rental Assistance program (ERA) federal criteria, \$5 million to initiate the Deferred Payment Arrangement Recovery Program, and \$1 million for the Landlord Incentive Program.

One key finding from the City’s ERA Program is that many Phoenix households above the 80% AMI threshold were also in need of rental and utility assistance as they experienced a COVID-19 impact, such as loss of employment or loss of income. Because of the increased demand from this unserved population, the City determined it would expand the eligibility threshold between 80%-120% AMI and allow for self-attestation to a negative economic COVID-19 impact. Serving Phoenix residents who make less than 50% AMI still remains a priority within the ERA Program.

The Deferred Payment Arrangement Program is serving low-income residents who are unable to pay their City Service bill, which includes both the water and solid waste utility. Residents are self-attesting to a negative economic COVID-19 impact to receive services. Lastly, the Landlord Incentive Program is provide housing incentives to landlords to accept Section 8 Vouchers from residents. The COVID-19 pandemic made it more difficult for households to achieve housing stability as many faced the prospects of homelessness. This program aims to increase housing stability by providing affordable units to residents.

- # of total incentives paid to landlords - 445*
- # of residential accounts assisted with DPA - 6,261*
- # of households served w/ utility and/or rental assistance - 131*

<u>Airport Childcare Facility</u>	\$5,000,000	\$42,223
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The department will utilize \$4 million to allocate funds to provide vouchers to airport employees for use at childcare facilities. There is a current assessment of the Aviation Annex at 3430 E. Sky Harbor Blvd in Terminal 3 to review if it is a potential site for a childcare facility. Based on the assessment, up to \$1 million will be used in facility upgrades.

Airport employees struggling to pay for childcare services will receive a scholarship to use at a local childcare facility. Applicants will need to meet the household income criteria to be considered eligible. Many families struggled to balance both employment and childcare needs during the pandemic and this program aims to increase access to child care, increase stability of care, and increase employment retention for applicants.

<u>Bus Card Subsidy Program</u>	\$1,000,000	\$669,888
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Funds provide subsidies and fare assistance to residents that rely on public transportation. Various nonprofits have been provided a number of passes to provide to low-income families in need at a number of locations throughout the City. Passes are providing access to employment, child care, medical services, grocery stores, and more.

of monthly (31-day) passes distributed - 20,291 (of 31,250)

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City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<i>Youth Sports, Recreation, Education, and After-School</i>		
<u>Citywide Wireless Network Project and Partnership with Phoenix Union</u> Funds will be used to continue building the community wireless network project that was initially approved by City Council using the Coronavirus Relief Fund. The project is a partnership between the City, Phoenix Union High School District, and others. The goal of the program is to increase academic achievement and instruction for families residing in the wireless network neighborhoods, which are neighborhoods in Qualified Census Tracts. Families in this area of the City experienced negative economic and educational COVID-19 impacts. The lack of access to reliable internet widened the learning gap for students and made it more difficult for families to access services, such as school instruction, employment, social services, and more.	\$10,000,000	-
<u>Early Childhood Education Expansion</u> Funds will be used to create a program to increase access to early childhood education for 300 preschool children, ages four to five. The proposed program would mirror performance standards, quality control, and curriculum of the Head Start Program while allowing eligible families to be at 200% of poverty level rather than the Head Start mandated 100% of poverty level.	\$6,000,000	-
<u>After-School Grant for Phoenix Schools</u> Funds will be available for school districts and charter schools who commit to providing free or affordable after-school programs in-line with the Phoenix After-School Center (PAC) program. Schools are located in Qualified Census Tracts and will assist students who have experienced negative economic impacts as a result of the pandemic. The goal of the program is to increase access to school services and child care services for families.	\$2,500,000	-
<u>Wi-Fi Connectivity for Community Centers and Public Housing Properties</u> Funds will provide access to internet connectivity in community centers and public housing properties to bridge the digital divide that impacted communities during pandemic. The goal of the programs are to increase access to care and mental health services, increase financial stability and health outcomes, and improve well-being and increase social connectedness. Several community centers in Qualified Census Tract lack Wi-Fi connections for the public and are unavailable to be used by the public. Additional, public housing tenants lack access to reliable Wi-Fi and this program seeks to increase this access to achieve the stated outcomes.	\$2,300,000	\$23,044
<u>StartupPHX @ Burton Barr</u> Funds will be used to provide a broader range of services to the community by expanding the Hive @ Central. The expansion would include the addition of two meeting rooms, a graphics station, and technical assistance for small business owners. For programming, funds would be used to contract with a vendor to provide the Business Roadmap and MAPA Para Us Negocio series for teens and adults. The contracted vendor would be responsible for curriculum development and facilitating all sessions in English and Spanish.	\$1,400,000	-

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City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<u>College Depot Assistance for Students</u>	\$1,000,000	\$56,552

Funds have allowed the Library Department to have additional staff to expand current College Depot services for high school students. This includes the following: prepare students for postsecondary access and success, identify students without access to the technology necessary to be successful in their educational goals, provide case management to help students overcome barriers, and build relationships with high school counselors and teachers to identify students in need. Staff is also assisting with the circulation of laptops and hotspots to provide students access to reliable internet services.

Abrupt shifts to remote learning over the past two school years have affected students, negatively impacting their social, emotional, and mental well-being and academic achievement. The preexisting achievement and learning gaps widened as a result of the pandemic. This program aims provide students a supportive and learning environment to access services to close these gaps.

of people (unduplicated) served - 904
of Career Online High School students enrolled - 124

<u>Library Bookmobile</u>	\$700,000	\$704
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The Library Department is in the process of procuring a large bookmobile that will be used to provide services to the community at 67th Avenue and Lower Buckeye.

<u>PHX Works at Burton Barr and Ocotillo</u>	\$600,000	-
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Funds will be used to expand the PHXWorks space on the second floor of the Burton Barr Central Library. PHXWorks supports residents in their job searches, career development goals, and on their path to becoming career-ready and part of the workforce. As part of the expansion, a new meeting room will be added for workforce programming, and smaller study room spaces will be added that can be used by community partners to provide one on one services, or by customers to conduct workforce related business, such as online interviewing. In addition, a new study room space will also be added at the Ocotillo Library that can be used by community partners to provide one on one services, or by customers to conduct workforce related business, such as online interviewing.

<u>Parks After-School Programs</u>	\$500,000	-
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Funds will be used to expand PAC programming to 10 additional sites. This affordable after- school recreation and enrichment program provides youth ages six to 13 a fun, supportive, and educational atmosphere during crucial afterschool hours. The expansion of PAC programming is occurring in schools in Qualified Census Tracts. These school serve low-income families and offering after-school program options will help families retain/find employment and provide an option for child care.

Attachment A
City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<p><u>Youth Sports League Grants</u></p> <p>Funds will be used to offer financial assistance or stipends to at-risk, underserved, and low- income youth to participate in youth sports and recreational leagues. At the height of the pandemic, recreational leagues were closed and low-income families continued to struggle to pay for recreation leagues for their children. This program strives to increase access to recreation programs and increase physical activity for youth.</p> <p><i># of new participants engaged - 2,094</i></p>	\$500,000	\$59,481
<p><u>Early Literacy Tutoring Support</u></p> <p>The Library has partnered with Arizona State University (ASU) to provide 1:1 reading tutoring to emerging readers in 1st through 4th grade who lost ground due to the pandemic. The program aims to close the education gap experienced by students who experienced remote learning for a long period of time due to the pandemic and are in need of additional services to maintain grade-level comprehension and understanding, such as in reading and math. Tutoring would be provided by ASU students and the library will provide Wi-Fi provisioned tablet computers to facilitate virtual tutoring as needed.</p>	\$300,000	-
<p><u>Library Technology, Capital, and Staff Support</u></p> <p>Funds will provide technological and capital enhancements identified by Library staff including but not limited to online catalog enhancements, tablets and hotspots for lending and onsite use, outdoor signage upgrades, and automated materials handler replacement at Mesquite Library.</p>	\$3,000,000	-
<p><i>Phoenix Resilient Food System</i></p> <p><u>Resilient Food System - Outreach and Support Staff</u></p> <p>Funds are used to provide advertising and outreach efforts to ensure funds allocated under this program is fully maximized. Additionally, funds are used to hire two full-time positions to manage and monitor all activities for the Phoenix Resilient Food System programs in the Office of Environmental Programs.</p>	\$200,000	\$103,508
<p><u>Resilient Food System - Meals That Work</u></p> <p>This program prepared and delivered 1,000 meals for 26 weeks to social service organizations, such as St. Vincent de Paul, schools, and more. Fourteen food service employees at the Convention Center were utilized to prepare the meals.</p> <p><i># of meals delivered - 26,000</i></p>	\$655,000	\$632,697

Attachment A
City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<u>Resilient Food System - Economic Development and Innovation</u> This portion of the Resilient Food System includes three programs. The first is the Feed Phoenix Program which is a continuation of the CRF program where Local First Arizona Foundation delivers meals to the community. The second is the Worker Cooperative Sustainable Food System Business Incubator program that focuses on developing worker cooperatives for sustainable food business enterprises through a collaboration with the private sector. The third is the Agri-Food Technology Grants that provides funds and incentives to encourage food system entrepreneurs and innovative food businesses to expand or locate in the City. <i># of meals prepared and delivered - 133,119</i> <i># of local food producers supported - 21</i> <i># of individuals trained - 19</i>	\$3,400,000	\$2,670,553
<u>Resilient Food System - Equity and Inclusion</u> This portion of the Resilient Food System includes three programs. The first is the LISC Phoenix Funds to Feed Program which is a continuation of the CRF funds program that provides funds for community/grassroots organizations and school districts. The second is the Urban Agriculture Fellowship which provides funds for a one-year fellowship for youth with local food producers with 60% for Black, Indigenous, and persons of color participants. The third is the Council District Food Action Plans or Initiatives which focuses on districts with food deserts, high food insecurity, and hunger rates to identify food projects. <i># of families served - 11,242</i> <i># of meals delivered - 79,681</i> <i># of schools assisted - 6</i> <i># of farms participating - 9</i>	\$2,369,700	\$1,816,835
<u>Resilient Food System - Food Banks and Pantries Support</u> Funds provide resources for local food banks and food pantries to provide food and other resources for struggling families. There has been broad engagement with small, medium and large foodbanks and pantries ensuring outreach and emphasis with smaller community-based food banks and food pantries. <i># of individuals/households served - 169,493</i>	\$1,300,000	\$800,000
<u>Resilient Food System - Local Food Consumption/Production</u> This portion of the Resilient Food System includes two programs. The first is Farmland Preservation which is a partnership with nonprofits and land trusts to assist in the purchase and preservation of up to 100 acres of land for agriculture. The second is the Backyard Food Production Pilot which provides installation of a garden system with training and education for one year to residents located in food deserts. <i># of acres of farmland preserved - 3.3</i> <i># of backyard gardens installed - 38</i>	\$1,530,300	\$760,382

Attachment A
City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<u>Resilient Food System</u> Funds are providing grants to farms for advancing technologies and methods that address growing food in our changing climate. <i># of projects funded - 6</i>	\$245,000	-
<u>Better Health Outcomes & Community Testing & Vaccines</u> Funds are used to provide resources needed to ensure resident COVID-19 testing and vaccination efforts remain available through the duration of the public health emergency. This includes education, outreach, and incentives, with a focus in communities of color. Funds have also been used to purchase PPE and other public health related materials for the community as needed. This funds allocation includes the purchase of items for the Combating COVID-19 kits that have been distributed to schools and City facilities. <i># of COVID-19 tests administered - 118,640</i> <i># of COVID-19 vaccines administered - 16,483</i> <i># at-home COVID-19 tests distributed at van events - 35,722</i> <i># of Combating COVID-19 Kits/at-home tests distributed to organizations - 125,096</i>	\$28,900,000	\$13,957,456
City Operations <u>Premium Pay</u> Premium pay was provided to eligible City of Phoenix staff performing essential work during the COVID-19 public health emergency, intended for those who have been and continue to be relied on to maintain continuity of operations of essential critical infrastructure sectors, including those who are critical to protecting the health and wellbeing of their communities. As determined under the Final Rule, this does not include work performed by teleworking from a residence that involves regular in-person interactions with the public or co-workers of the individual who is performing the work or regular physical handling of items that were handled by or are to be handled by the public or the individual's co-workers. The City of Phoenix provided up to a \$2,000 one-time premium pay payment to eligible full-time employees and up to a \$1,000 a \$250 one-time premium pay payment to eligible non-seasonal part-time employees. <i># of employees - 12,374</i>	\$22,000,000	\$20,072,750
<u>Infrastructure, Technology, and Capital Needs</u> Funds are intended to be used to provide resources needed to address capital needs. This category consists of two projects: 1) the rehabilitation of the 27th Avenue Recycling Facility and 2) stormwater projects in collaboration with the Flood Control District of Maricopa County.	\$23,000,000	\$5,992,450
<u>Revenue Replacement</u> Funds will be used to replace lost revenue at the Convention Center. COVID-19 has had a severe impact on the Convention Center bookings. It is likely that large conventions and the associated hospitality industry will be among the slowest to recover and revenue will continue to be weak.	\$22,400,000	\$5,840,596

Attachment A
City of Phoenix American Rescue Plan Act Update - May 2022

Program	Allocation	Expenditures
<u>PPE/Cleanings/Sanitizing/Testing and Vaccine Distribution</u>	\$600,000	\$103,330
<p>Funds have been used to procure necessary PPE, cleaning, and sanitizing materials for vulnerable populations in the City. Additionally, staff is using funds to purchase other necessary items to assist with heat relief in 2022. Items will be distributed to the public throughout the summer and includes pop-up shelters, water bottles, and evaporative coolers.</p>		
<u>Administrative Oversight, Compliance, and Outreach Efforts</u>	\$4,000,000	\$522,044
<p>Funds are intended to be used to provide staffing necessary to support federal compliance efforts. Staffing additions will also assist with enhancing community outreach to improve service delivery and to increase transparency on city progress for all approved programs via an enhanced website.</p>		
TOTAL	\$242,482,000	\$84,887,386



City of Phoenix

Attachment B

American Rescue Plan Act Second Tranche Strategic Plan Updates

Program	April ARPA Allocation	CDBG Allocation	Final ARPA Allocation
Affordable Housing Program	\$12,000,000		\$12,000,000
Community Land Trust Program	\$5,000,000		\$5,000,000
Landlord Incentive Program	\$4,000,000		\$4,000,000
Homelessness Projects	\$26,500,000		\$26,500,000
Heat Response/Temporary Shelter	16,000,000		16,000,000
St. Vincent de Paul Transitional Housing Project	\$6,000,000		\$6,000,000
Homeless Youth Reunification Program	\$1,000,000		\$1,000,000
Digital Divide Program	\$12,000,000		\$12,000,000
CED Support Staff	\$400,000		\$400,000
Tuition Assistance Program	\$5,000,000		\$5,000,000
Workforce Training Facility and Training Program	\$3,500,000		\$3,500,000
Mobile Career Unit	\$500,000		\$500,000
Wi-Fi Connectivity for Public Housing Properties	\$3,000,000		\$3,000,000
Public Housing Tablet and Data Program	\$1,500,000	\$1,500,000	\$0*
St. Joseph the Worker's Workforce Village Program	\$2,000,000		\$2,000,000
Starfish Place Wraparound Services Program	\$800,000		\$800,000
Burton Barr Expanded Support for Educational Success	\$1,000,000	\$1,000,000	\$0*
Library Hotspot Lending Program	\$600,000		\$600,000
Library Bookmobile for Underserved Areas	\$500,000	\$500,000	\$0*
Vacant Storefront Improvement Assistance	\$2,000,000		\$2,000,000
Financial Assistance for Phoenix Refugee and Asylee Community	\$3,500,000		\$5,300,000**
Residential Tree Equity Accelerator & Tree and Shade for Schools	\$6,000,000		\$6,000,000
Home Weatherization Assistance Program	\$4,500,000		\$4,500,000
Shade Structures	\$3,000,000		\$3,000,000
Phoenix Parks Improvements	\$2,900,000		\$2,900,000
Green Infrastructure and Mobility Improvements Program	\$5,000,000	\$5,000,000	\$0*
Phoenix Resilient Food System Programs	\$7,000,000		\$7,000,000
Combating COVID Kits	\$5,000,000		\$4,000,000**
Better Health and Community Outcomes	\$15,000,000		\$15,000,000
Premium Pay	\$29,000,000		\$22,000,000**
COVID-19 Health Care Expenses	\$28,000,000		\$28,000,000
TOTAL	\$212,200,000	\$8,000,000	\$198,000,000

*Denotes change in final ARPA allocation compared to allocations discussed at the April 12, 2022, City Council Policy Session. Programs will be CDBG funded.

**Denotes change in final ARPA allocation compared to allocations discussed at the April 12, 2022, Cit Council Policy Session. Programs increased/decreased in value.



City of Phoenix

Attachment C

American Rescue Plan Act Second Tranche Strategic Plan

Revised June 7, 2022

Affordable Housing and Homelessness - \$70,500,000

Housing

\$12,000,000 **Affordable Housing Program**
Pending federal guidance, continue to explore possible ways to create and preserve more affordable housing by providing gap financing to developers.

\$5,000,000 **Community Land Trust Program**
Pending federal guidance, continue to explore funding an all-inclusive (acquisition, housing development, rehabilitation, down payment assistance and administrative costs) Community Land Trust.

\$4,000,000 **Landlord Incentive Program**
Continue Landlord Incentive Program with \$2,000 incentive payment as executed by Housing Assistance Payment contract.

Human Services

\$26,500,000 **Homelessness Projects**
Proposal includes three major components:

- Lease of hotel operated by a nonprofit for bridge housing, includes wraparound services
- Purchase hotel for long-term housing, including wraparound services
- Operate pocket emergency shelter in partnership with a nonprofit, including wraparound services

\$16,000,000 **Heat Response/Temporary Shelter**
Provide temporary shelter and wraparound services for people experiencing homelessness. This program will partner with Maricopa County to enter into a lease agreement for a building and begin by providing critical heat relief and additional wraparound services for up to 200 people this summer and continue the program for at least two additional years.

\$6,000,000 **St. Vincent de Paul Transitional Housing Project**
Provide funding to St. Vincent de Paul to build 100 new transitional housing beds for people experiencing homelessness in the City of Phoenix. The facility will include wraparound services to remove barriers to end homelessness. Maricopa County is matching funding for capital costs.

\$1,000,000 **Homeless Youth Reunification Program**
Connect youth experiencing homelessness with housing and social support needs. The program will allow youth to be reconnected with family/friends, pay for housing deposits and other move-in needs and unexpected barriers that prevent youth from exiting homelessness.

Workforce and Education - \$27,800,000

Community and Economic Development

\$12,000,000 **Digital Divide Program**
Continue the community wireless network project that was initially approved by City Council using the Coronavirus Relief Fund and received \$10 million in ARPA Tranche 1. The project is a partnership between the City, Phoenix Union High School District, and others.

\$400,000 **CED Support Staff**
Funding will allow the Community and Economic Development Department to continue temporary positions to support current ARPA programming, including the Digital Divide Program.

\$5,000,000 **Tuition Assistance Program**
Tuition assistance program targeting two-year and four-year degree programs.

\$3,500,000 **Workforce Training Facility and Training Program**
Provide additional funding for rehabilitation efforts for workforce training building.

\$500,000 **Mobile Career Unit**
Purchase equipment and software for the Mobile Career Unit including translation software, virtual reality, job searching, employer matching, and resume technology.

Housing

\$3,000,000 **Wi-Fi Connectivity for Public Housing Properties**
Provide Wi-Fi infrastructure, hardware, training, and service throughout Public Housing properties.

Human Services

\$2,000,000 **St. Joseph the Worker's Workforce Village Program**
Expansion of St. Joseph the Worker's Workforce Village program to support services that assist individuals experiencing homelessness with finding full-time employment and managing finances.

\$800,000 **Starfish Place Wraparound Services Program**
Funds will provide childcare wraparound services for individuals searching for employment for residents at Starfish Place and includes ability to offset cost of childcare when an individual becomes employed for up to one year, including home childcare support funds. This includes a Workforce Development Specialist to support the program.

Library

\$600,000 **Library Hotspot Lending Program**
Continue hotspot lending program to provide broadband access for individuals who lost access because of pandemic-related challenges.

Neighborhood Sustainability \$23,700,000

Community and Economic Development

\$2,000,000 **Vacant Storefront Improvement Assistance**
Provide financial assistance to retail/commercial building owners in qualified census tracts to maintain and enhance exterior of properties, such as building façade, landscaping, signage, parking lot or sidewalk repairs, etc. Additionally, coordinate facility assessments of vacant City-owned property to support reuse efforts.

Human Services

\$5,300,000 **Financial Assistance for Phoenix Refugee and Asylee Community**
Continue to provide services to refugee and asylee community.

Office of Heat Response and Mitigation

\$6,000,000 **Residential Tree Equity Accelerator & Trees and Shade for Schools**
Fund Residential Tree Equity Accelerator to triple the tree canopy coverage and create paid Community Forester opportunities in 15 neighborhoods with very low tree equity scores. Additionally, fund tree planting and installation of shade structures at 75 schools/preschools in qualifying neighborhoods in partnership with tree-focused community-based organizations.

\$4,500,000 **Home Weatherization Assistance Program**
Expand Home Weatherization Assistance Program to assist up to 200 additional homes in qualifying neighborhoods to receive energy efficiency enhancements and related housing repairs.

\$3,000,000 **Shade Structures**
Fund 25 free-standing shade structures in the public right-of-way to improve walkability in neighborhoods with limited shade coverage. Commission local artists to design structures that reflect local context and culture and meet engineering and safety standards for public infrastructure.

Parks and Recreation

\$2,900,000 **Phoenix Parks Improvements**
Improve Phoenix parks in three main areas:

- Incorporate new and/or adaptive playground elements and features to new and existing playgrounds where feasible to increase accessibility to outdoor play for youth with all abilities.
- Resurface, renovate and/or convert athletic courts in eight parks with underutilized courts and/or parks experiencing negative activity to help further activate the park with meaningful recreational opportunities for youth.
- Install additional WalkPHX paths and fitness stations at eight parks to increase accessibility to free fitness equipment and opportunities.

Phoenix Resilient Food System - \$7,000,000

Office of Environmental Programs

\$7,000,000 **Phoenix Resilient Food System Programs**
Continue ARPA Phoenix Resilient Food Systems current programs, which includes the worker cooperative sustainable food incubator and training, agri-food tech incubator, agrivoltaics pilot project, backyard garden, farmland preservation, funds to feed, food waste and composting education, farm to food banks, feed phoenix, food system transformation grants and outreach and support.

Better Health and Community Outcomes - \$19,000,000

Public Works

\$19,000,000 **Better Health and Community Outcomes**
Continue COVID-19 community testing and vaccination events across the city for an additional year. This includes \$4 million to support Combating COVID kits that include at-home rapid antigen tests, supportive resources for positive tests, information about COVID-19 vaccines, and KN95 masks.

City Operations - \$50,000,000

Human Resources

- \$22,000,000 **Premium Pay**
City Council approved Premium Pay to eligible part-time and full-time employees at the Dec. 15, 2021 Formal meeting.

- \$28,000,000 **COVID-19 Health Care Expenses**
Provide funding to cover current and projected COVID-19 health care expenses paid by the City and the Workers' Compensation Program.