



Fiscal Year 2025-26 Proposed City Manager's Trial Budget

This report transmits a balanced proposed Fiscal Year (FY) 2025-26 City Manager's Trial Budget for community review and comment.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

The Trial Budget is an important step in the City's budget development process. It provides the Mayor, City Council and community an opportunity to review a proposed, balanced budget months in advance of final budget adoption in June. This report includes the proposed FY 2025-26 General Fund (GF) Trial Budget and strategies to ensure the budget remains balanced.

The City of Phoenix is committed to engaging residents in the budget process and this year there are many opportunities for residents to provide feedback outside of regularly scheduled City Council meetings. Between April 1 and April 16, the FY 2025-26 proposed Trial Budget will be presented to Phoenix residents for input at 12 community budget hearings. A complete list of hearing dates and times is included in **Attachment D** and is available on our website at <https://www.phoenix.gov/budget>. All resident feedback received will be provided to the City Council so it may be used in budget decision making. As a result of public input, changes could be made to the Trial Budget when a proposed City Manager's Budget is presented to City Council on May 6.

Summary

As presented at the February 25, 2025 Policy meeting, the GF budget outlook reflects structural deficits over the next three fiscal years requiring strategic decisions to balance the budget. The preliminary GF Status for FY 2025-26 reflected a baseline deficit of \$(36) million and the forecast reflected projected shortfalls in FY 2026-27 of \$(83) million and in FY 2027-28 of \$(6) million primarily due to the State's actions to eliminate residential rental sales tax via Senate Bill (SB) 1131 and to lower the individual income tax rate to the flat tax of 2.5 percent (SB 1828). These actions by the State limit local control and will reduce ongoing City revenues going forward. Staff completed the annual 7+5 technical expenditure and revenue review process and

adjustments have been made to the FY 2025-26 GF Status of approximately \$(3) million primarily to reflect adjustments to property tax and emergency transportation revenue estimates. The revised FY 2025-26 GF Status reflects a projected deficit of \$(39) million.

This report includes a proposed balanced GF Trial Budget with the strategies presented to the City Council on February 25, 2025, to resolve the projected FY 2025-26 deficit, and includes necessary resources going forward to offset the State's action to reduce City revenues, and provide future capacity for necessary additions to the budget. The proposed GF Trial Budget assumes City Council approval of the proposed strategies included in this report.

Additionally, the proposed FY 2025-26 Trial Budget includes proposed GF and Non-GF supplementals (**Attachment A**) for the Fire Department to reduce emergency response times, for the Office of Homeless Solutions to continue efforts helping the unsheltered population and to address impacts of homelessness on neighborhoods, and to add resources to the Water Services Department to reopen the Cave Creek Water Reclamation Plant.

The proposed FY 2025-26 Trial Budget also includes administrative position additions and conversions of temporary full-time equivalent (FTE) positions to ongoing positions. Funding for these positions has been identified and accounted for in department operating budgets. Details on each position can be found in **Attachment A**. Also included are proposed GF reductions totaling \$24 million with limited impacts to service delivery (**Attachment B**), a status update of the budget supplementals added in FY 2023-24 (**Attachment C**), the schedule of upcoming community budget hearings to engage residents and gather feedback (**Attachment D**), the annual GF Revenue Estimates Report (**Attachment E**), and a list of State legislation introduced and active in the current legislative session that if passed would further limit local control and would have negative impacts to the City's budget (**Attachment F**).

FY 2025-26 GF Budget Status

As mentioned above, the revised GF Budget Status for FY 2025-26 is a deficit of \$(39) million, reflecting projected total resources of \$2.040 billion less projected total expenditures of \$2.079 billion, further detailed below.

GF Resources

The revised FY 2025-26 GF Status reflects a projected deficit of \$(39) million and includes the beginning fund balance, net transfers and revenues projected at \$2.040 billion or (4.8) percent lower than FY 2024-25 estimated resources. GF revenues for FY 2025-26 make up the majority of resources and are projected to be flat at \$1.819

billion or (0.0) percent growth after 7+5 technical revenue adjustments compared to the FY 2024-25 revised revenue estimate. As detailed in the GF Status and Multi-Year Forecast report presented to City Council on February 25, GF revenue is estimated to decline in the current fiscal year by (4.5) percent, or \$(86) million, compared to FY 2023-24. The significant decline in revenue is primarily due to the State's actions to diminish the tax base by lowering individual income tax rates discussed below; and elimination of residential rental sales taxes effective January 2025 (SB 1131). The revised estimated five month impact from the loss of residential rental sales tax to the GF for FY 2024-25 is approximately \$(19.3) million and the ongoing annual impact in FY 2025-26 is \$(47.4) million. SB 1131 also impacts non-GFs including Public Safety, Parks and Preserves and Transportation 2050. The revised estimated five-month loss to all funds in FY 2024-25 is \$(37.0) million and the ongoing annual impact in FY 2025-26 is \$(90.7) million. The impact through the multi-year forecast period to FY 2027-28 for all City funds is an estimated revenue loss of \$(321) million.

Additionally, SB 1828 reduced individual income tax rates from a progressive four tax bracket system to the current "flat tax" of 2.5 percent in 2022. Cities and towns in Arizona receive state shared income tax revenues based on collections from two years prior and is based on relative population share. On June 9, 2023, the State's Joint Legislative Budget Committee (JLBC) notified the legislative membership of a significant decline in state GF revenue collections, which is primarily due to the individual income tax rate reduction. Budget and Research staff rely on projections from the JLBC to estimate this revenue stream for budget development. This action by the State is expected to result in less ongoing state shared income tax revenue to the GF compared to prior projections had the tax rate not been decreased. This negative impact is demonstrated in the significant decline in FY 2024-25 and FY 2025-26 for state-shared income tax revenue of \$(84.7) million and \$(22.7) million, respectively. Revenue projections account for the reductions mentioned above to city sales tax and state shared revenue.

The FY 2025-26 GF estimates for each major revenue category totaling \$1.819 billion are highlighted below:

- Local Sales Tax - \$723 million;
- State Shared Revenue - \$682 million;
- Primary Property Tax - \$223 million;
- User Fees - \$191 million.

GF Expenditures

FY 2025-26 GF expenditures to continue existing levels of service are projected to be

\$2.079 billion, or \$1.987 billion excluding contingency funds. This compares to the FY 2024-25 GF expenditure estimate of \$1.946 billion, representing an increase of \$41 million or 2.1 percent excluding contingency funds. The increase accounts primarily for higher costs associated with inflation and increases in employee salaries and fringe benefits, including higher pension costs discussed below, and accounts for the City Council approved Classification and Compensation Study and negotiated labor increases. These cost increases are partially offset by lower GF capital costs for pay-as-you-go projects. The FY 2025-26 budget includes increasing the contingency fund from \$89 million to \$92 million, to reflect 4.75 percent of operating expenditures. Expenditure amounts may change over the coming weeks as staff continues to refine final estimates prior to the presentation of the City Manager's Proposed Budget on May 6.

Employee pension costs have consumed a growing share of the City's GF resources over the past 10 years. GF pension costs in FY 2025-26 are estimated to be \$464 million, and represent 23 percent of total GF operating costs. The GF Multi-Year Forecast included estimated increases of \$63 million, between FY 2024-25 and FY 2027-28. This increase is primarily caused by rising costs in public safety pension costs. The City is committed and legally required to pay 100 percent of our actuarially required contribution every year. Also, under the leadership of the City Council, a pension funding policy has been adopted each year as required by state statute. Additionally, pension reform for the City of Phoenix Employees' Retirement System (COPERS) is helping to stabilize civilian pension costs. While reform efforts have been successful for the Public Safety Personnel Retirement System (PSPRS), there remains a significant unfunded sworn pension liability of approximately \$3.8 billion, per the PSPRS June 30, 2024, actuarial valuation.

Other Budget Considerations

The FY 2025-26 Preliminary GF Status and Multi-Year Forecast report available at https://www.phoenix.gov/budgetsite/budget-books/2025-30_General_Fund_Multi_Year_Forecast.pdf included several assumptions and risks to projections, including economic risks and proposed State legislation that could further significantly reduce City revenues. Significant economic uncertainty exists including impacts from the new Trump administration policies on tariffs, tax law changes, reductions to Federal agencies, potential elimination or reduction of Federal Grant programs; and market volatility, Federal Reserve actions to reduce inflation, geopolitical concerns and conflicts, housing affordability, and overall consumer confidence.

Additionally, several introduced and active State legislative bills could further limit local control and reduce City revenues if signed into law. For those bills that are still active

and with a fiscal note prepared by the JLBC, the estimated annual impact to City revenue is \$(69) million. Additionally, some bills could increase City expenditures requiring additional resources and further straining the City's budget. **Attachment F** provides information from Government Relations on bills in the current legislation session that if passed could have negative impacts to the City.

Proposed Strategies to Balance the GF Budget

Several options are recommended for City Council consideration to resolve the projected FY 2025-26 budget shortfall and provide necessary resources going forward to balance the budget, protect existing programs and services, and provide future capacity for necessary additions to the budget.

The proposed FY 2025-26 Trial Budget included in this report contains the below strategies to balance, provides additions to the budget for the Fire Department and Office of Homeless Solutions and recommends carryforward of resources (set-aside) to help balance the FY 2026-27 budget and/or provide for future labor increases, or other City Council and community priorities.

Proposed strategies include:

- Increase the Transaction Privilege Tax (TPT) and Use Tax rate 0.5 percent effective July 1, 2025, from 2.3 percent to 2.8 percent, as posted on the City's website. www.phoenix.gov/Documents/2025-PHX-Tax-Notice-Info.pdf.
- Reprioritize spending and reduce ongoing GF costs by \$24 million (**Attachment B**).
- Use of excise tax bond proceeds to pay for public safety and other GF capital needs totaling \$150 million to reduce the up front cost burden to the GF (City Council approval of an excise tax bond sale is scheduled for April 9).
- Set-aside \$92 million in FY 2025-26 to be available to balance FY 2026-27.
- Use of Non-GFs to reduce GF costs for major maintenance and citywide street transportation and construction services.

The City of Phoenix TPT and Use Tax rate to support GF programs and services is currently 1.2 percent (of the total 2.3 percent) and has not been increased since 1986 despite the significant growth in population, square miles, and city program and services over this time period. Phoenix's TPT and Use Tax rate is also lower than six other surrounding cities. The rate has been increased since 1986 with the most recent increase in January 2016 to the current 2.3 percent, however past rate increases have been for specific voter approved purposes including Public Safety, Parks and Preserves and Transportation with none of the increase applied to the GF. The revised estimated annual revenue to be generated by increasing the TPT and Use Tax rate

from 2.3 percent to 2.8 percent is approximately \$117 million to the GF and \$132 million to Non-GFs.

The City posted the required 60-Day Notice of Intent on January 15, 2025, for a potential TPT and Use Tax rate increase in compliance with Arizona Revised Statute §9-499.15. To allow the public an opportunity to provide feedback on the proposed rate increase five community information sessions were held across the City between January 27 and February 6. Staff also provided information on the City's Newsroom, Budget and Research Department website, and on social media platforms. Additionally, staff presented information to the City Council on February 25, 2025, on the estimated impact of the proposed tax rate increase and the City Council report is available on the phoenix.gov/budget website. On February 27, 2025, the City posted the required 15-Day Statutory Notice of Intent to Increase the TPT and Use Tax rates with City Council consideration scheduled for a vote immediately following presentation of the proposed FY 2025-26 Trial Budget on March 18, 2025, at 2:30 p.m. in the Phoenix City Council Chambers, 200 West Jefferson Street, Phoenix, AZ.

Information about the proposed TPT and Use Tax rate increase, and budgetary considerations for the increase along with the applicable business classifications that would be increased from 2.3 percent to 2.8 percent if approved by City Council, is available at: <https://www.phoenix.gov/budget>.

Additionally, City Council approval of a \$150 million excise tax bond sale will be included on the April 9, 2025, Formal Council agenda for action. Use of excise tax bond proceeds is commonly used to pay for large capital purchases that will last multiple years; and will reduce the up front cost burden on the GF. Proceeds will be used for Fire replacement apparatus (\$40 million), replacement of a public safety rescue helicopter (\$8.5 million), replace public safety radios (\$30 million), build two new Fire Stations and purchase additional Fire apparatus to reduce response times citywide (\$50 million), provide resources for the Fire Department's cost share of the new ShapePHX system (\$9 million), and remaining resources will be used for other major facility or information technology needs (12.5 million).

FY 2025-26 Proposed Trial Budget

The above proposed strategies are estimated to offset the revenue losses caused by State actions, protect existing programs and services, and provide additional resources for critical additions to the budget detailed below. The FY 2025-26 proposed GF Trial Budget as presented, including the proposed strategies referenced in this report, result in a potential one-time surplus of \$17 million; reflecting projected total resources of \$2.172 billion less projected total expenditures of \$2.155 billion.

To ensure the budget remains balanced in the future, and considering economic uncertainty and legislative risks discussed in this report and previously with the City Council, the City Manager recommends the \$17 million one-time surplus be set aside and carried forward to be available next fiscal year to help balance the FY 2026-27 budget if needed ([Attachment A](#)).

Details on the proposed FY 2025-26 supplementals is provided below and also included in [Attachment A](#).

Phoenix Fire Department (PFD)

The PFD provides lifesaving services to all Phoenix residents and visitors and includes emergency medical and transportation services, all-hazards incident management, property protection through fire suppression, and community risk reduction efforts. The recent fire catastrophe in Los Angeles, CA serves as a reminder the importance of adequately resourcing the PFD to ensure sufficient levels of staffing, equipment and facilities are ready to respond to emergencies. A critical measurement of the PFD effectiveness in operations is emergency response time and is measured from the time of dispatch of an emergency apparatus to when the unit arrives on scene. The National Fire Protection Association (NFPA) establishes the standard fire departments utilize to measure performance. Currently, the PFD's response times exceed the NFPA established standards. While the department continuously evaluates innovative ways to improve response times, additional resources are needed to increase the number of fire stations and facilities, personnel, and equipment to keep pace with the significant growth in geographic area and population the department must serve. Supplemental needs for the Fire Department ([Attachment A](#)) include conversion of 32 grant funded sworn positions to the GF estimated at \$3 million in FY 2025-26 and \$5 million ongoing, add 24 sworn personnel to staff the new General Obligation Bond funded Fire Station 15 at 45th Avenue and Camelback Road estimated at \$2 million in FY 2025-26 and \$4 million ongoing, and provide a dedicated \$25 million in GF resources going forward to add 134 sworn and 19 civilian personnel to reduce emergency response times.

Once fully implemented, the estimated impact of additional sworn personnel will be an improvement in localized and citywide fire response times based on 2024 incident data at the 90th percentile. Fire critical emergency medical services (CEMS) response times are projected to improve from 8 minutes and 30 seconds to 4 minutes and 25 seconds in the localized communities where the units will primarily serve. Fire ambulance response times are projected to improve from 10 minutes and 42 seconds to 4 minutes and 44 seconds in the localized communities. Based on the estimated citywide impacts of the budget additions, Fire CEMS response times are projected to improve from 7 minutes and 23 seconds to 7 minutes and 14 seconds. Based on the

estimated citywide impacts of the budget additions, Fire ambulance response times are projected to improve from 9 minutes and 38 seconds to 9 minutes and 29 seconds. These response times could vary based on any future adjustments to unit placement and the hours of service to meet the community's needs. The additional sworn personnel will staff new apparatus to be placed in service around the City, and new Fire stations including Station 71 located at 60th Street and Mayo Boulevard, and Station 93 at Metrocenter (location site to be determined). The additional apparatus and fire stations will be funded by excise tax bond proceeds (City Council approval scheduled for April 9).

Office of Homeless Solutions (OHS)

The OHS has made tremendous progress in addressing homelessness over the last two years. Investments in the infrastructure of the region's homeless services system have been monumental. As we move out of pandemic-era funding, OHS has unfunded needs necessary to continue its momentum and ensure the transformational projects and services implemented in the last two years can continue. Also important to note on November 5, 2024, voters passed Proposition 312 Property Tax; Refund; Nuisance Enforcement that allows property owners beginning in Tax Year 2025 to apply to the Arizona Department of Revenue for a property tax refund if the owner documents expenses caused by a city, town, or county that either (1) declines to enforce existing laws prohibiting illegal camping, obstructing public thoroughfares, loitering, panhandling, public urination or defecation, public consumption of alcoholic beverages or use of illegal substances, or (2) maintains a public nuisance. The City is unable to project the potential costs associated with Proposition 312 but will have to identify a funding source. The passage of this proposition furthers the need for the City of Phoenix to address and provide ongoing resources for homelessness.

GF resources will be needed in 2025-26 for homelessness with revised estimates at \$4.5 million due to the expiration of American Rescue Plan Act (ARPA) funding. Funding is necessary for a portion of OHS operational costs, operational costs at an affordable housing site for very low-income older adults, operational costs at three emergency shelters (Rio Fresco, North Mountain Healing Center, and the temporary Washington Shelter) and heat relief efforts. The need in 2026-27 and going forward is estimated at \$26.0 million and will fund a portion of OHS operational costs, the temporary Safe Outdoor Space, operational support for five emergency shelters (Rio Fresco, North Mountain Healing Center, the temporary Washington Shelter, Central Arizona Shelter Services, and the Phoenix Navigation Center), some operational costs at the Key Campus and heat relief efforts. Staff will continue to seek additional external funding for these programs, and evaluate other City funding sources, which if received would offset the need for a portion of the ongoing General Fund request.

More information on GF proposed reductions totaling \$24 million is included in **Attachment B**. The proposed reductions do not include any filled City positions, but elimination of 18.2 vacant positions; and represent lowering costs for non-personal related line items included various contractuals, commodities and minor capital outlay. These reductions will not have a significant impact on service delivery. Finally, more detail on GF revenue estimates is provided in **Attachment E** and assumes the proposed TPT and Use Tax rate increase.

The proposed FY 2025-26 Trial Budget also includes a Non-GF supplemental budget addition for the Water Services Department to add \$5.6 million for 28.0 FTE and 20 vehicles to reopen the Cave Creek Water Reclamation Plant. This addition would allow the City to expand capacity for wastewater treatment and water purification, maintain environmental and safety standards, and uphold technological process control and security standards (**Attachment A**).

Next Steps

In order to engage the community in the budget development process, staff will be holding 12 community budget hearings between April 1 and April 16. **Attachment D** includes the schedule of budget hearings. Residents are also welcome to contact the Budget and Research Department directly to provide input or ask questions about the budget. More information on the budget and how to submit feedback directly to the City, is available at <https://www.phoenix.gov/budget>.

The remaining key dates in this year's budget process are as follows:

<u>Date</u>	<u>Event</u>
May 6, 2025	City Manager's 2025-26 Proposed Budget
May 20, 2025	City Council Budget Decision
June 4, 2025	2025-26 Tentative Budget Ordinance Adoption
June 18, 2025	2025-26 Funding Plan and Final Budget Ordinance Adoption
July 2, 2025	2025-26 Property Tax Levy Ordinance Adoption

Responsible Department

This item is submitted by City Manager Jeffrey Barton and the Budget and Research Department.

ATTACHMENT A

2025-26

**PROPOSED ADDITIONS
GENERAL AND NON-GENERAL FUNDS**

View the [Inventory of Programs published online](#) for program details.

<u>Department/Program</u>	<u>2025-26 Total</u>
GENERAL FUND	
<u>Set-Aside</u>	
1. General Fund set-aside of projected one-time surplus to be carried over and available for potential labor increases, other community and Council priorities or to balance the 2026-27 budget if needed due to economic declines or further reductions to City revenues.	\$17,000,000
Total Set-Aside	\$17,000,000
<u>Communications Office</u>	
1. <i>Communication Outreach to Diverse Communities and Niche Media</i>	\$0
Convert a temporary Management Assistant I position to ongoing status. This position provides Spanish-language interpretation services at high-profile City meetings and events and provides Spanish-language media outreach support. Converting this position to ongoing status will provide the City's Spanish-speaking community with high-quality, seamless interpretation services and support.	1.0
Total Communications Office	\$0 1.0
<u>Environmental Programs</u>	
1. <i>Food Systems</i>	\$0
Convert a temporary Project Management Assistant and a temporary Administrative Assistant I to ongoing status. These positions are needed to administer ongoing food systems programs previously funded by American Rescue Plan Act grants.	2.0
Total Environmental Programs	\$0 2.0
<u>Finance</u>	
1. <i>Banking and Cashiering</i>	\$0
Convert a temporary Accountant III position to ongoing status in the Treasury Banking & Cashiering Division paid for by the Water Services Department (WSD). The position responsibilities include security administration of payment platforms, ensuring proper integration with financial and customer billing systems used by WSD.	1.0
Total Finance	\$0 1.0

Department/Program	Total
Fire	
1. <i>Fire Emergency Medical Services and Hazardous Incident Response</i> Add funding for 32 sworn firefighter positions previously funded by the SAFER 2021 grant. This funding will allow the department to maintain service delivery and reduce the impact to daily constant staffing. Funding for the SAFER 2021 grant is estimated to be fully expended in December 2025 and the full-year ongoing cost is \$4,984,000.	\$2,579,000 0.0
2. <i>Fire Emergency Medical Services and Hazardous Incident Response</i> Add funding for 24 sworn positions (4 Fire Captains, 4 Fire Engineers, and 16 Firefighters) to provide dedicated staffing for new Fire Station 15, located at 45th Avenue and Camelback Road. Funding for the station is from the 2023 GO Bond Program. Staff costs are anticipated to begin January 2026. The full year ongoing cost is \$4,187,000.	\$2,039,000 24.0
3. <i>Various - Note: Items 3 & 4 include ongoing resources totaling \$25 million dedicated to the Fire Department to improve emergency response times.</i> Add funding for 134 new sworn positions (29 Fire Captains, 4 Fire Battalion Chiefs, 77 Firefighters, and 24 Fire Engineers) with the goal of reducing emergency response times. Once fully implemented, the estimated impact will be an improvement in localized and citywide fire response times based on 2024 incident data at the 90th percentile. Fire critical emergency medical services (CEMS) response times are projected to improve from 8 minutes and 30 seconds to 4 minutes and 25 seconds in the localized communities where the units will primarily serve. Fire ambulance response times are projected to improve from 10 minutes and 42 seconds to 4 minutes and 44 seconds in the localized communities. Based on the estimated citywide impacts of this budget addition, Fire CEMS response times are projected to improve from 7 minutes and 23 seconds to 7 minutes and 14 seconds. Based on the estimated citywide impacts of this budget addition, Fire ambulance response times are projected to improve from 9 minutes and 38 seconds to 9 minutes and 29 seconds. These response times could vary based on any future adjustments to unit placement and the hours of service to meet the community's needs. The additional sworn personnel will staff new apparatus to be placed in service, and new Fire stations including Station 71 located at 60th St. and Mayo Blvd., and Station 93 at Metrocenter. The additional apparatus and fire stations will be funded by excise tax bond proceeds.	\$22,836,000 134.0
4. <i>Various</i> Add funding for 19 new civilian positions to support increased sworn Firefighter staffing, facilities and calls for service. Included are one Fire Administrator, one Supplies Clerk II*U2, one Building Maintenance Worker*U2, one Fire Equipment Service Worker, three Human Resources Aides, three Administrative Aides, one Administrative Assistant I, one Accountant I, two User Technology Specialists, one Info Tech Analyst/Programmer II, one Special Projects Administrator, one Fire Communications Shift Supervisor, one Fire Emergency Dispatcher, and one Paramedic Training Coordinator. These positions will ensure the availability of resources for logistical, information technology, and human resources assistance.	\$2,164,000 19.0
Total Fire	\$29,618,000 177.0

Department/Program	2025-26 Total
<u>Human Resources</u>	
1. <i>Labor Relations</i>	\$0
Convert a temporary full-time Deputy Human Resources Director position to ongoing status. This position coordinates and supports citywide labor negotiations, helping to facilitate effective relationships with labor groups and efficient negotiation processes.	1.0
Total Human Resources	\$0 1.0
<u>Human Services</u>	
1. <i>Homeless Emergency Services</i>	\$500,000
Add funding to create an operating reserve for the City-owned low-income senior housing project being constructed along the Black Canyon Freeway. In 2023, the Office of Homeless Solutions purchased a hotel located at 8130 N. Black Canyon Boulevard with the aim of converting the hotel into permanent housing and supportive services for seniors exiting homelessness. The project will generate ongoing revenue through the collection of rents; however, the project requires reserve funds to support operations during initial lease up and until revenue is able to support the cost of operations and supportive services.	0.0
2. <i>Homeless Emergency Services</i>	\$3,926,000
Add funding for Office of Homeless Solutions (OHS) shelter operations needed due to expiring American Rescue Plan Act (ARPA) funds. OHS recognizes the need for diverse types of shelters throughout Phoenix to meet the individual needs of people experiencing homelessness. This funding will be utilized to support shelter operations throughout the city as needs are identified. For fiscal year 2025-26, several shelters that were previously supported by expiring ARPA funding will receive support, including: Rio Fresco, which provides 117 units of shelter that can accommodate couples, pets, and individuals with substance use disorder; North Mountain Healing Center, which provides congregate shelter for up to 100 individuals and is limited to people experiencing homelessness within 1.5 miles of the site; and the Washington Shelter, which is a converted City-owned office building that provides a 200-bed congregate shelter and wraparound services, operated and provided by nonprofit partners. The anticipated ongoing GF need to support OHS shelter operations and provide heat relief efforts upon full expiration of ARPA funds is estimated at \$26 million in FY 2026-27.	0.0
3. <i>Homeless Emergency Services</i>	\$150,000
Add funding to support Office of Homeless Solutions (OHS) operations due to the expansion of department services and staffing. OHS has grown from nine to 34 full-time employees, resulting in increased operational expenses. These funds will cover employee supplies and equipment, as well as third-party financial audit costs related to the contracts the department oversees. Currently, OHS is managing 26 American Rescue Plan Act contracts, which require audit services to ensure compliance with federal regulations.	0.0
Total Human Services	\$4,576,000 0.0

<u>Department/Program</u>	<u>2025-26 Total</u>
<u>Law</u>	
1. <i>Civil Division</i>	\$0
Convert two temporary Assistant City Attorney IV positions to ongoing status. These positions will be dedicated to matters related to GO Bond projects and the Information Technology Services department.	2.0
Total Law	\$0 2.0
<u>Neighborhood Services</u>	
1. <i>Blight Reduction Program</i>	\$0
Convert a temporary Special Projects Administrator position to ongoing status. This position was created to oversee implementation of the Community Safety Plans approved by Council in 2022 and to facilitate coordination of services between departments. The Community Safety Plans leverage technology and community-based resources to improve the safety and quality of life along the 19th and 27th Avenue and Hatcher and Bell Road corridors.	1.0
Total Neighborhood Services	\$0 1.0
<u>Office of Arts and Culture</u>	
1. <i>Administration</i>	\$0
Convert a temporary part-time Administrative Assistant I position to ongoing status. This position is the first contact point for customer service and supports Arts and Culture programs by scheduling meetings, creating reports and presentations, and responding to constituent inquiries, as well as supporting the public arts, grants, and cultural facilities teams.	0.6
Total Office of Arts and Culture	\$0 0.6
<u>Parks and Recreation</u>	
1. <i>Administration</i>	\$0
Convert a temporary Assistant Parks and Recreation Director position to ongoing status. This position is responsible for management of several large department divisions that provide programming to the community. Additionally, this position is responsible for management of capital projects throughout the park system.	1.0
Total Parks and Recreation	\$0 1.0

Department/Program	2025-26 Total
<u>Police</u>	
1. <i>Administration</i>	\$0
Convert a temporary Senior Public Information Officer to ongoing status. This position is responsible for strategic communications planning related to the Department of Justice (DOJ) report, including collaboration with outside legal counsel. The position also serves as the technical advisor and support for public-facing communication and associated efforts, including support of Police and other City executive staff in public interviews and communications.	1.0
Total Police	\$0 1.0
<u>TOTAL PROPOSED GENERAL FUND ADDITIONS</u>	\$51,194,000 187.6

**PROPOSED SUPPLEMENTALS
NON-GENERAL FUND**

<u>Finance</u>	
1. <i>Water and Wastewater Financial Planning</i>	\$0
Convert a temporary Accountant III position to ongoing status in the Finance Utilities Division paid for by the Water Services Department (WSD). The position responsibilities include reviewing transactions and reports in the customer billing system used by WSD.	1.0
Total Finance	\$0 1.0
<u>Housing</u>	
1. <i>Community Partnerships</i>	\$0
Convert a temporary Project Manager position to ongoing status. This position provides project management and coordination for the implementation of various affordable housing development projects. It also ensures the City meets stringent federal compliance requirements for grants awarded through the U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnerships Program American Rescue Plan (HOME-ARP).	1.0
2. <i>Housing Supportive Services</i>	\$0
Convert two temporary Caseworker II positions to ongoing status. These positions support the Family Self Sufficiency Program, which coordinates public and private resources to help Housing Choice Voucher program participants, public housing tenants, and tenants in the Section 8 Project-Based Rental Assistance program achieve financial independence.	2.0
Total Housing	\$0 3.0

Department/Program

Human Services

1.	<i>Head Start Birth to Five</i>		\$0
		Convert multiple temporary Family Resource Centers positions to ongoing status, including one Caseworker III, three Caseworker Aide, and four Caseworker I positions. These positions are funded by the First Things First grant, which the department has received since 2017. The positions work in the department's Education Division, providing early childhood support.	8.0
Total Human Services			\$0 8.0

Law

1.	<i>Civil Division</i>		\$0
		Convert a temporary Assistant City Attorney IV position to ongoing status. This position will be dedicated to matters related to the employee pension fund.	1.0
Total Law			\$0 1.0

Police

1.	<i>Various</i>		\$0
		Convert three temporary grant positions to ongoing status, including a Police Research Analyst supported by the Urban Area Security Initiative grant program, and a Criminal Intelligence Analyst and Contracts Specialist I supported by the Internet Crimes Against Children grant program. These positions oversee grant management and administrative responsibilities, including coordinating task force activities, scheduling task processing, collecting data, and submitting reports for grant performance measures.	3.0
Total Police			\$0 3.0

Public Transit

1.	<i>Customer Service Centers</i>		\$0
		Convert two Supplies Clerk II positions from temporary to ongoing status. These positions support expanded cash handling operations for public transit regional partners.	2.0
2.	<i>Light Rail</i>		\$0
		Convert one Administrative Assistant II from temporary to ongoing status. This position in the Light Rail Transit Division is responsible for assuring operational policies and Light Rail facilities are meeting contractual terms.	1.0
Total Public Transit			\$0 3.0

Department/Program

Retirement

1.	<i>Retirement Member Services</i>		\$0
		Add funding for a Retirement Assistant position to handle increasing workload and continuing complexity of retirement program law. With 34% of active employees reaching retirement eligibility in the next five years, this position will support general City retirement by handling counseling appointments and retirement estimates and processing retirement documents. The cost of this position will be paid by the City of Phoenix Employees' Retirement System trust.	1.0
2.	<i>City of Phoenix Employees' Retirement System (COPERS) Investment Management</i>		\$0
		Add funding for an Investment Manager position to provide guidance and oversight of pension investments. This position will strengthen the COPERS investment program, continuing to build a strong investment portfolio that will meet funding requirements for long-term retirement plan protection. The cost of this position will be paid by the COPERS trust.	1.0
3.	<i>Retirement Member Services</i>		\$0
		Add funding for a Curriculum and Training Coordinator position to review, assess, and develop training and communication strategies to improve retirement readiness information. This position will enhance efforts to communicate to all members the importance and value of retirement benefits in a more transparent, easy to understand, and accessible way. The cost of this position will be paid by the COPERS trust.	1.0
Total Retirement			\$0 3.0

Street Transportation

1.	<i>Administration</i>		\$0
		Convert a temporary Special Projects Administrator position to ongoing status. This position supports the Street Transportation Director's Office, providing strategic oversight, project management, and coordination of departmental initiatives, and serves as a critical liaison with internal stakeholders, government agencies, and community partners.	1.0
2.	<i>Administration</i>		\$0
		Convert a temporary Accountant II position to ongoing status. This position supports, invoices, and reconciles various revenue sources in the Street Transportation Department, assisting with the oversight and generation of invoices related to revenues collected from a variety of sources, including damage claims, revocable permits, and fees for new programs.	1.0

Department/Program	2025-26 Total
3. <i>Administration</i>	\$0
Convert a temporary Accountant II position to ongoing status. This position supports and manages various grants and federal aid-funded projects, many of which require quarterly reporting and other mandatory documentation of activities. Duties handled by this position are expected to increase with the recent passage of the Proposition 479 transportation initiative, which provides regional transportation funds over the next 20 years.	1.0
4. <i>Transportation Planning</i>	\$0
Convert a temporary Management Assistant II position to ongoing status. This position plays a crucial role in supporting the department's local, state, and federal competitive grant applications and submissions. Grant opportunities have increased in recent years, resulting in increases in grant planning efforts, Council action requests, interdepartmental collaboration, and grant agreement coordination.	1.0
Total Street Transportation	\$0 4.0
<u>Water Services</u>	
1. <i>Wastewater Treatment</i>	\$5,578,000
Add funding for twenty-eight new positions, plus related vehicles, equipment, contractual services, and commodities needed to re-open and expand the City's Cave Creek Water Reclamation Plant. This addition would allow the City to expand capacity for wastewater treatment and water purification, maintain environmental and safety standards, and uphold technological process control and security standards.	28.0
2. <i>Administration</i>	\$0
Convert two temporary full-time positions to ongoing status, including an Administrative Assistant I and an Accountant I. The Administrative Assistant I provides critical services to ensure compliance with Occupational Safety and Health Administration (OSHA) requirements and Department of Transportation Commercial Drivers License federal regulations. The position also helps coordinate department-wide Safety Standard Operating Procedures and Environmental Compliance Procedures (ECP). The Accountant I assists with City incentive programs for residents to install low-flow toilets, smart irrigation controllers, and to replace turf with xeriscape landscaping. The position also provides budget development support and produces regular position and financial reporting for management.	1.0
Total Water Services	\$5,578,000 29.0
<u>TOTAL PROPOSED NON-GENERAL FUND ADDITIONS</u>	\$5,578,000 55.0

ATTACHMENT B

2025-26

PROPOSED REDUCTIONS
GENERAL FUND

View the [Inventory of Programs published online](#) for program details.

<u>Department/Program</u>	<u>2025-26 Total</u>
<u>Budget and Research</u>	
1. <i>Centralized Budget and Position Control</i> Eliminate one vacant Budget and Research Analyst position which conducts detailed forecasting, position control, and revenue estimates. Responsibilities of this position have been assigned to other department analysts.	\$(158,000) (1.0)
Total Budget and Research	\$(158,000) (1.0)
<u>City Auditor</u>	
1. <i>Audits</i> Reduce funding for the use of outside consultants to conduct specialized audits resulting in one to two fewer specialized audits annually.	\$(73,000) 0.0
Total City Auditor	\$(73,000) 0.0
<u>City Clerk</u>	
1. <i>Official Records / Records Management / Various</i> Eliminate funding not used by the department for the acquisition and implementation of a new Records Management System and reduce funding for computer hardware maintenance, office equipment replacement and official records and elections shredding services.	\$(201,000) 0.0
Total City Clerk	\$(201,000) 0.0
<u>City Manager's Office</u>	
1. <i>Administration of Policies and Objectives Set by Mayor and Council; Oversight of Departments</i> Eliminate one vacant Management Fellow position. The City Manager's Office would have three management fellow positions remaining to rotate through various departments and assist with Council meetings and special projects.	\$(99,000) (1.0)

Department/Program	2025-26 Total
2. <i>Administration of Policies and Objectives Set by Mayor and Council; Oversight of Departments</i> Allocate partial costs for one Support Services Aide position to the Public Works Solid Waste Division, allowing the PHX311 Information Center to continue to timely respond to a high volume of resident inquiries and requests.	\$(35,000) 0.0
3. <i>Administration of Policies and Objectives Set by Mayor and Council; Oversight of Departments</i> Reduce the Office of Innovation discretionary budget designated for expanding the office and various programs.	\$(31,000) 0.0
4. <i>Administration of Policies and Objectives Set by Mayor and Council; Oversight of Departments</i> Reduce Office of Accountability and Transparency (OAT) special contractual services funding for future OAT expansion.	\$(175,000) 0.0
Total City Manager's Office	\$(340,000) (1.0)
<u>Communications Office</u>	
1. <i>Communication Outreach</i> Reduce contractual funding for marketing and citizen outreach. This reduction would result in less available resources to conduct marketing efforts such as promoting City employment opportunities.	\$(122,000) 0.0
Total Communications Office	\$(122,000) 0.0
<u>Community and Economic Development</u>	
1. <i>Business Development</i> Eliminate one vacant Protocol Program Administrator position. Eliminating this position will require the department to forego adjustments to staff responsibilities in the Business Development Program aimed at improving project staff and department efficiency and effectiveness.	\$(182,000) (1.0)
2. <i>Business Retention and Expansion</i> Eliminate one vacant Deputy Economic Development Director position. The reduction requires the department to shift retention and expansion efforts to another middle manager position.	\$(228,000) (1.0)
3. <i>Business Development</i> Reallocate an Aviation Marketing Supervisor position to an Economic Development Specialist resulting in savings for the cost of the position. Due to challenges filling this position, the department moved position responsibilities to an Economic Development Program Manager.	\$(22,000) 0.0

Department/Program		2025-26 Total
4.	<i>Various</i> Reduce funding for professional services, including Council-requested market-area studies, due-diligence research for site acquisitions/dispositions, unplanned special-event services and economic policy research. This reduction slightly impacts the department's ability to respond to unforeseen needs.	\$(72,000) 0.0
Total Community and Economic Development		\$(504,000) (2.0)
<u>Equal Opportunity Department</u>		
1.	<i>Small and Disadvantaged Business Enterprise (S/DBE) Programs</i> Increase Small and Disadvantaged Business Enterprise Program allocations to the Aviation and Street Transportation Departments, generating savings to the General Fund. These allocations are based on additional work Equal Opportunity Department staff will provide to support the economic growth of local businesses through administration of the Small Business Enterprise (SBE), Disadvantaged Business Enterprise (DBE), and Airport Concessions Disadvantaged (ACDBE) Business Enterprise programs.	\$(46,000) 0.0
Total Equal Opportunity Department		\$(46,000) 0.0
<u>Finance</u>		
1.	<i>Financial Accounting and Reporting</i> Increase a flat rate assessment from the General Fund to the Sports Facility Fund for financial reporting and oversight. Due to the Class and Comp Study, the assessment increased by 20%. Additionally, due to organizational structure changes, the assessment adds 20% of an Assistant Director and Fiscal Manager position costs to the assessment.	\$(164,000) 0.0
2.	<i>Banking and Cashiering</i> Reduce banking services not needed due to higher than anticipated credits from favorable Federal Reserve interest rates.	\$(22,000) 0.0
3.	<i>Debt and Investment Management</i> Eliminate one vacant Deputy Finance Director, in the Treasury and Debt Management Division, that has management and financial oversight over all City banking activities; all City investment activities; and all City debt issuances, monitoring, accounting, and reporting. Eliminating the position will require other Deputy Finance Directors to oversee the area of Treasury and Debt Management.	\$(226,000) (1.0)
4.	<i>Sales Tax Licensing and Accounting</i> Eliminate one vacant Senior Tax Auditor in the Tax Compliance and Education Audit Team. The position requires specialized knowledge of complex tax regulations. Responsibilities would be assigned to other staff on the team increasing respective workloads.	\$(154,000) (1.0)

Department/Program	2025-26 Total
<p>5. <i>Goods & General Services Procurement and Contract Management</i> Eliminate one vacant Buyer position in the Central Procurement Division. The position is tasked with researching procurement matters, assisting with the administration of contracts, and handling small dollar purchases and informal procurements. Responsibilities would be assigned to other staff in the division increasing respective workloads.</p>	<p>\$(107,000) (1.0)</p>
<p>6. <i>Banking and Cashiering</i> Eliminate one vacant Account Clerk III in the Treasury and Debt Management division. The position serves as a Cashier in the 305 Finance Payment Center. The position provides payment acceptance services to City residents and businesses by accepting payments for City departments in-person, over-the-phone, and by mail, in addition to providing Spanish language translation services for customers. Responsibilities would be assigned to other staff in the division increasing respective workloads.</p>	<p>\$(77,000) (1.0)</p>
<p>7. <i>Acquisition, Relocation and Title</i> Eliminate one vacant Property Specialist, in the Real Estate Division, tasked with leasing City properties for all departments. The position negotiates lease terms, monitors compliance, and facilitates amendments and renewals. Responsibilities would be assigned to other staff in the division increasing respective workloads.</p>	<p>\$(112,000) (1.0)</p>
<p>8. <i>Financial Accounting and Reporting</i> Eliminate one vacant Accountant II, in the Financial Accounting and Reporting Division, tasked with processing fixed assets and encumbrances citywide. Responsibilities would be assigned to other staff in the division increasing respective workloads.</p>	<p>\$(109,000) (1.0)</p>
<p>9. <i>Risk Management</i> Eliminate one vacant Accountant II in the Revenue & Risk Management division. The division processes property/liability claims filed against the City, purchases commercial insurance, and provides risk related consulting services to departments. Responsibilities would be assigned to other staff in the division increasing respective workloads.</p>	<p>\$(119,000) (1.0)</p>
Total Finance	\$(1,090,000) (7.0)

Department/Program	2025-26 Total
<u>Fire</u>	
1. <i>Various</i>	\$(5,000,000)
Reduce funding for various non-personal services items including contractual services, commodities, and capital outlay items. This reduction includes less resources for emergency repairs, minor capital projects, technology equipment replacements, and employee training and travel. While these reductions impact the department by reducing budgeted resources, the impact is minimal and will not impact fire service delivery.	0.0
Total Fire	\$(5,000,000) 0.0
<u>Government Relations</u>	
1. <i>Federal, State, Regional and Tribal Programs</i>	\$(88,000)
Reduce funding for business travel and a lobbying firm contract that provides supplemental support for federal legislative matters.	0.0
Total Government Relations	\$(88,000) 0.0
<u>Human Resources</u>	
1. <i>Safety & Workers Compensation</i>	\$(147,000)
Generate savings to the General Fund by allocating the cost of a Program Manager position in the Human Resources Safety Division to the Workers' Compensation Trust fund. By charging this position to the trust, a portion of its costs will be assessed to non-General Fund funding sources.	0.0
2. <i>Benefits & Wellness</i>	\$(200,000)
Reduce planned funding for an emergency back-up care program. This program was planned to be added beginning in July 2025 to provide full-time employees with up to five days of childcare assistance if their normal childcare was unavailable.	0.0
3. <i>Organizational & Learning Development</i>	\$(30,000)
Reduce funding for the implementation of components of the City's Learning Management System, PHXYou. This reduction would delay the migration of Police, Fire, and other departments away from their internal learning systems to PHXYou.	0.0
4. <i>Labor Relations</i>	\$(30,000)
Reduce funding for labor negotiation training. City code requires staff to participate in labor negotiations with labor groups on a routine basis. This reduction would decrease the amount of training able to be provided to City staff on labor law and negotiations processes.	0.0

Department/Program	2025-26 Total
5. <i>Talent Acquisition & Management</i> Eliminate a vacant part-time Senior Human Resources Clerk position. Responsibilities would be assigned to other staff increasing respective workloads.	\$(32,000) (0.7)
6. <i>Talent Acquisition & Management</i> Reduce funding for advertising services for applicant recruitment. This would reduce resources used for paid search engine optimization, banner ads, paid social media ads, outdoor billboards, and other advertising functionality to attract job applicants.	\$(50,000) 0.0
7. <i>Classification and Compensation</i> Eliminate one vacant Human Resources Supervisor position. This position oversees a team of employees responsible for reviewing position classifications, pay step placements, special merit recommendations, and classification and compensation studies. Responsibilities would be assigned to other staff increasing respective workloads.	\$(188,000) (1.0)
Total Human Resources	\$(677,000) (1.7)
<u>Human Services</u>	
1. <i>Strategic Initiatives</i> Eliminate a vacant Secretary III position from the Strategic Initiatives Division. This position provides administrative support within the division. Responsibilities would be assigned to other staff increasing respective workloads.	\$(76,000) (1.0)
Total Human Services	\$(76,000) (1.0)
<u>Information Technology Services</u>	
1. <i>Various</i> Reduce funding for various non-personal service items including primarily staff augmentation working to support technology modernization efforts, server and storage environment, SharePoint migration, technical writing, service delivery, projects for small departments, and other initiatives, telecommunications network power supply and fiber management, and technology software and licensing for management of mobile performance and implementing enhancements and/or automation of software integration.	\$(5,000,000) 0.0
Total Information Technology Services	\$(5,000,000) 0.0

Department/Program		2025-26 Total
<u>Law</u>		
1	<i>Various</i> Eliminate one vacant Legal Secretary*Lead and two Court/Legal Clerk II positions. The Legal Secretary*Lead position provides secretarial support for three attorneys within the Community Prosecution and Appeals bureaus. The Court/Legal Clerk II positions ensure files are complete, motions are filed, and work requested by a Prosecutor or Legal Assistant is completed timely. Responsibilities would be assigned to other staff increasing respective workloads.	\$(242,000) (3.0)
Total Law		\$(242,000) (3.0)
<u>Library</u>		
1	<i>Various</i> Reduce non-personal services funding for library materials and information technology needs. This reduction would result in fewer new materials being purchased, more wear and tear on current physical collections, and gradual degradation of the audio visual capabilities of library public meeting room spaces.	\$(249,000) 0.0
Total Library		\$(249,000) 0.0
<u>Municipal Court</u>		
1	<i>Criminal and Civil Case Adjudication</i> Eliminate one vacant part-time pro tem City Judge position. This position makes judicial decisions in a criminal courtroom. This elimination would result in more cases being moved to existing courtrooms and be scheduled further into the future.	\$(106,000) (0.5)
2.	<i>Interpreter Services - Management Services Division</i> Reduce funding for interpreter and translation services, which is used for services for non-English speaking court participants.	\$(7,000) 0.0
3.	<i>Administration</i> Reduce funds for information technology training for staff and communications equipment in courtrooms. This reduction will impact the team's ability to assist its technical staff in keeping their skills current with the evolving technical toolsets they must employ as part of their daily activities.	\$(86,000) 0.0
Total Municipal Court		\$(199,000) (0.5)

Department/Program

Neighborhood Services

- | | | |
|----|---|-------------|
| 1. | <i>Targeted Neighborhood Revitalization Programs</i> | \$(741,000) |
| | Replace funding in the General Fund for the Gated Alley Program with Neighborhood Block Watch Program (NBWP) funds. In December 2024, the City Council approved the use of \$3 million in available NBWP funds for the program. It is anticipated NBWP funds will be available going forward to continue the Gated Alley Program as planned. Future use of additional funds will be brought to the City Council for approval as needed. | 0.0 |
| 2. | <i>Targeted Neighborhood Revitalization Programs</i> | \$(74,000) |
| | Reduce funding for landscape maintenance. This service is scheduled monthly for multiple city-owned properties located throughout Phoenix and ensures they remain blight free and in compliance with City Code. With this reduction, landscape maintenance will be completed 7 times per year, rather than 12 times per year and is not expected to have a material impact. | 0.0 |
| 3. | <i>Blight Reduction Program</i> | \$(150,000) |
| | Reduce funding for the Private Property Cleanup Program. The costs of the program are less than originally estimated and the reduction is not expected to result in adverse impacts to residents or service levels. | 0.0 |

Total Neighborhood Services	\$(965,000)
	0.0

Office of Arts and Culture

- | | | |
|----|---|-------------|
| 1. | <i>Public Art Program and Cultural Facilities Development and Property Management Services</i> | \$(175,000) |
| | Reduce funding for maintenance of the City's Municipal Arts Collection and for facility maintenance for the Children's Museum of Phoenix, Phoenix Art Museum and Phoenix Theatre. | 0.0 |

Total Office of Arts and Culture	\$(175,000)
	0.0

Parks and Recreation

- | | | |
|----|---|---------------|
| 1. | <i>Various</i> | \$(2,000,000) |
| | Reduce various non-personal services items primarily including park maintenance and capital equipment replacement funding. This funding supports general park and facility maintenance needs and also funds the replacement of aging or broken equipment. While these reductions impact the department by reducing budgeted resources it is not expected to impact park service delivery. | 0.0 |

Total Parks and Recreation	\$(2,000,000)
	0.0

<u>Department/Program</u>	<u>2025-26 Total</u>
<u>Phoenix Convention Center</u>	
1. <i>General Fund Garages</i>	\$(208,000)
Reduce funding for re-stripping of parking stalls at the 305, Adams Street, and 2nd Avenue Garages.	0.0
Total Phoenix Convention Center	\$(208,000) 0.0
<u>Police</u>	
1. <i>Various</i>	\$(6,000,000)
Reduce various non-personal services items primarily including approximately \$1.5 million in funding no longer needed due to the planned rollout of the new Records Management System (RMS) beginning in June 2025. It also includes reductions to training, technology, various police equipment, maintenance, and supplies. While these reductions impact the department by reducing budgeted resources, the impact is minimal and will not impact police service delivery.	0.0
Total Police	\$(6,000,000) 0.0
<u>Public Works</u>	
1. <i>Facilities Management and Maintenance</i>	\$(500,000)
Eliminate non-critical minor maintenance projects for city facilities including asphalt reconstruction, carpet replacement and flooring repair, illuminated strip replacement, landscaping regrading and gravel replacement.	0.0
Total Public Works	\$(500,000) 0.0
<u>Street Transportation</u>	
1. <i>On-Street Parking Program</i>	\$(87,000)
Eliminate one vacant Parking Meter Repair Supervisor position. This position has been vacant for an extended period of time due to hiring challenges, and its elimination would have limited impact on current daily operations.	(1.0)
Total Street Transportation	\$(87,000) (1.0)
<u>TOTAL PROPOSED GENERAL FUND REDUCTIONS</u>	\$(24,000,000) (18.2)

ATTACHMENT C

2023-24

**SUPPLEMENTALS UPDATE
GENERAL FUND**

<u>Department/Program</u>	<u>2023-24 Total</u>
<u>Fire</u>	
1. <i>Fire Emergency Medical Services and Hazardous Incident Response</i> Add funding for twenty-four sworn positions (four Fire Captains, four Fire Engineers, and sixteen Firefighters) to provide dedicated staffing for the new Fire Station 74, located at 19th Avenue and Chandler Boulevard. The Fire Department intends to hire personnel to staff this fire station beginning January 2024. The full-year ongoing cost will be \$3,796,000. Status Update: All 24 firefighter positions are filled and trained, allowing the placement of Engine 74 and Rescue 74 into service at temporary locations until the opening of Fire Station 74. This has improved overall service delivery to the growing community in west Ahwatukee.	\$2,021,000 24.0
2. <i>Fire Emergency Medical Services and Hazardous Incident Response</i> Add funding for seven new sworn positions (Firefighters) and one new vehicle (ambulance) to provide dedicated staffing and apparatus for one new Rescue unit. These positions and equipment will significantly improve service delivery citywide. The full-year ongoing cost, excluding initial vehicle purchases, will be \$1,049,000. Status Update: All seven firefighter positions are filled and trained, allowing for a new rescue company to go into service, which will have an impact on reducing response times and will help improve overall service delivery to the community.	\$1,355,000 7.0
3. <i>Administration</i> Add funding for a new Human Resources Aide position to support the processing of payroll and leave transactions for the Fire Department. This addition will reduce the number of transactions per employee to reduce human errors in the payroll process and ensure that employees are paid correctly. The full year ongoing cost, excluding initial equipment purchases, will be \$69,000. Status Update: The position is filled and supports the Fire Department's payroll section in processing payroll and leave transactions.	\$71,000 1.0
Total Fire	\$3,447,000 32.0

Department/Program

Human Services

1.	<p><i>Client Services</i></p> <p>Add funding to compensate for the loss of Low Income Home Energy Assistance Program (LIHEAP) funding from the Arizona Department of Economic Security (DES). Administrative changes in the DES funding process have resulted in a loss of revenue to the City's program. The anticipated reduction will negatively impact the City's ability to adequately staff the LIHEAP program, resulting in reduced levels of service to residents qualifying for home energy assistance. This addition helps ensure continued service.</p> <p>Status Update: This funding was designed to replace anticipated lost funding from DES. Unexpectedly, DES provided temporary funds for navigation support, in place of LIHEAP administrative support. The additional DES funds supported the program for the first part of FY 2023-24. In March 2024, the department began to spend the supplemental funding, which continues to support LIHEAP activities.</p>	<p>\$500,000</p> <p>0.0</p>
2.	<p><i>Victim Advocacy Services</i></p> <p>Add funding to offset expiring Victims of Crime Act (VOCA) grant funding. These funds will enhance the department's ability to provide domestic violence and sexual assault referrals, reducing caseloads, preventing case backlogs, and maintaining adequate response times.</p> <p>Status Update: This funding was designed to replace anticipated lost funding from the Office for Victims of Crime (OVC), based on its communication of a 50% reduction of funding levels for FY 2023-24. However, the State of Arizona used American Rescue Plan Act (ARPA) funds to make up for the shortfall. As a result, no supplemental funds have been spent to date. For FY 2024-25, OVC is again communicating a potential 50% reduction in funding, which would result in the need to utilize the funding approved in this supplemental.</p>	<p>\$450,000</p> <p>0.0</p>
3.	<p><i>Homeless Outreach Services</i></p> <p>Add funding to expand the department's Behavioral Health Engagement Teams (BET) contract. BET teams provide outreach to specific and targeted areas of the city that are experiencing high instances of substance abuse and behavioral health issues, which may contribute to people experiencing homelessness.</p> <p>Status Update: The BET contract is in place and has more than 100 engagements with people experiencing homelessness. While positive exits are challenging with these encounters, the team has been able to achieve 42 positive exits, including shelter, detox, and permanent housing. To date, more than 2,000 services have been delivered. Services include case management, obtaining identification or securing forms, transportation, and benefits assistance. The additional resources for this contract support positive outcomes and increased community engagement for people with mental health needs and substance use disorder.</p>	<p>\$600,000</p> <p>0.0</p>

 Department/Program

- | | | |
|----|---|--------------------|
| 4. | <p><i>Homeless Community Engagement</i></p> <p>Add funding to expand the department's PHX CARES Outreach Teams contract. The expansion will dedicate teams to hot spots throughout the city where there are high concentrations of encampments. The teams will provide outreach from 5 a.m. to 11 p.m., seven days per week, with the goal of reducing people experiencing homelessness.</p> <p>Status Update: This contract has served more than 500 individuals with mental health needs, substance use disorders, and chronic health conditions. A total of 202 individuals were exited to shelter, two were exited to transitional housing programs, 10 were exited to live with family or friends, and 68 exited to substance use treatment or detox. 255 individuals engaged through this contract are identified as chronically homeless. The additional funding for this contract supports positive outcomes and increased engagement with high need populations.</p> | \$600,000
0.0 |
| 5. | <p><i>Homeless Emergency Services</i></p> <p>Add funding needed to continue emergency services for shelter operations throughout the city serving individuals experiencing unsheltered homelessness. The City is developing a new shelter that will house up to 280 individuals per night at 3000 S. 22nd Ave, which will be operated by a nonprofit shelter and wrap around service provider. Additionally, the City and Maricopa County are co-funding Community Bridges Inc.'s (CBI) acquisition of a hotel to be converted into an emergency shelter called Rio Fresco Healing Center. Although the acquisition is not finalized, the rooms at the hotel are currently being rented by CBI, serving 140 individuals per night at that location. Together the two shelters supported with this funding will serve up to 420 individuals per night and approximately 1,260 individuals per year. While operational funding for both locations is being sought through additional federal, state, county, and private sources, this funding will facilitate operations through June 2024.</p> <p>Status Update: The original project planned for this funding was not viable, so funds were used for a temporary shelter while a new site for a City shelter was identified. A contract with A New Leaf was executed on October 1, 2023 for emergency shelter services via temporary lodging. This temporary lodging site provides 100 non-congregate beds and accepted its first residents on October 18, 2023. The funding will continue to support City shelter efforts in the future.</p> | \$5,200,000
0.0 |
| 6. | <p><i>Head Start Birth to Five</i></p> <p>Add funding to support the Phoenix Day Early Childhood Education Center (PDECEC). This one-time allocation will allow the PDECEC to retain and expand teaching staff and training to increase enrollment to a sustainable level. Impacts from COVID resulted in a \$1 million deficit in funding. A New Leaf has developed a plan to increase enrollment and is on track to reach sustainability by 2024.</p> <p>Status Update: This one-time funding allowed PDECEC to continue to increase student enrollment and hire teachers to meet their 2024 financial sustainability goals. The funding specifically supported three lead teachers, an enrollment coordinator, and a compliance manager.</p> | \$250,000
0.0 |

<u>Department/Program</u>	2023-24 Total
Total Human Services	\$7,600,000 0.0
<u>Law</u>	
1. <i>Criminal Division - Victim Services Unit</i>	\$344,000
Fund five Federal Victim of Crime Act Assistance (VOCA) Fund grant positions with General Funds. Grantees were informed funding will be reduced by 50-60% beginning fiscal year 2023-24. These positions provide services to victims and assistance to comply with mandated victims' rights. The full-year ongoing cost will be \$447,000.	5.0
Status Update: Four of the five positions are filled. Services have been able to remain at existing levels.	
2. <i>Civil Division</i>	\$0
Add four Management Assistant II and two Assistant City Attorney IV positions. Convert from temporary to ongoing status a Chief Assistant City Attorney, an Assistant Chief Counsel, a Management Assistant II, and a Special Projects Administrator. These positions are needed to facilitate and coordinate immediate and ongoing needs related to the Department of Justice investigation of the Phoenix Police Department. The cost of these positions will be offset with salary savings within the Police Department budget.	10.0
Status Update: One Assistant City Attorney IV position assigned to the Phoenix Police Academy, recently became vacant and a recruitment is underway. The second Assistant City Attorney positions is assigned to the Police Department Professional Standards Bureau and is filled. The Chief Assistant City Attorney and Assistant Chief Counsel are filled. The Chief Assistant City Attorney is the citywide project manager for the Department of Justice Investigation and receives support from the Assistant Chief Counsel. The five Management Assistant II and one Special Projects Administrator positions were transferred to the Police Department and are no longer in the Law Department.	
Total Law	\$344,000 15.0
<u>Neighborhood Services</u>	
1. <i>Targeted Neighborhood Revitalization Programs</i>	\$352,000
Increase funding for the Gated Alley Program. In 2022-23, 45 gated alley segments are scheduled to be initiated, which will expend all current program funding. By increasing program funding, an additional 32 gated alley segments already approved will be able to be initiated. The ongoing funding will provide for approximately 77 gated alley segments per fiscal year.	0.0

Department/Program

Status Update: This funding helped contribute to GAP gating 156 alley segments in FY2023-24 through a combination of General Funds, Neighborhood Block Watch Program (NBWP) funds, and other funding sources. In November 2024, Council approved the allocation of \$3 million in NBWP funds to help meet current GAP demands. Since the start of FY 2024-25, GAP has received 195 requests. This year’s General Fund budget allocation will allow 80 alley segments to be gated. Of the 115 remaining requests, 58 have been fully vetted, are ready for permitting, and will use NBWP funds to complete the work.

Total Neighborhood Services \$352,000
0.0

Office of Arts and Culture

1. *Public Art Program* \$0
1.0

Add a Project Manager position to help manage and coordinate the City's nationally-recognized public art program. This position will coordinate the implementation and completion of Capital Improvement Program (CIP) percent-for-art public art projects, as well as providing technical and program support for other public art projects. The cost of this position will be offset by charging Capital Improvement Projects.

Status Update: The Public Art Program completed hiring of the Project Manager position to help manage and coordinate the City’s nationally-recognized public art program. The position is now coordinating, implementing, and completing Capital Improvement Program (CIP) percent-for-art public art projects.

2. *Community Investment and Engagement Program* \$250,000
0.0

Increase funding for the Community Arts Grants Program from \$125,000 to \$250,000 to enhance efforts towards greater equity of funds to arts organizations, including providing support to renters at City cultural venues to help offset performance and production costs. The increase will provide ongoing annual funding from Community Arts Grants of \$1.45 million.

Status Update: The additional \$250,000 Community Arts Grant funding has enhanced efforts toward more significant equity of funds to arts organizations. This includes providing support to renters at City cultural venues to help offset performance and production costs. 126 applications were received for the FY 2024-25 Community Arts Grant Program, a nine percent increase from FY 2023-24.

Total Office of Arts and Culture \$250,000
1.0

Department/Program

Parks and Recreation

- | | | |
|----|---|-----------------------------|
| 1. | <p><i>Park Rangers-Community and Neighborhood Parks</i></p> <p>Add funding for one Park Manager, two Park Ranger III, and 12 Park Ranger II positions to create an overnight shift of two Urban Park Ranger Teams. By creating these two teams, Park Ranger coverage will be available 24 hours per day, seven days per week throughout the 186 parks within the City's 500 plus square miles. The full-year ongoing cost, excluding initial vehicle purchase costs, will be \$1,344,000.</p> <p>Status Update: These positions were filled in July 2023. Since that time, the positions have been critical to the ongoing education and enforcement of the Parks and Recreation Department's Code of Conduct. The Park Rangers are currently performing regular patrols of urban parks overnight, where they educate park users on code of conduct rules. Additionally, the Park Rangers assist with large cleanup efforts throughout City parks. These positions have also increased the ability to respond to issues related to people in closed parks overnight.</p> | <p>\$1,537,000
15.0</p> |
| 2. | <p><i>Specialized Maintenance-Skilled Trades</i></p> <p>Add funding for an additional Forestry crew consisting of one Parks Foreman, two Urban Forestry Technician, and two Equipment Operator II positions. The Forestry section provides citywide tree planting, tree maintenance activity, technical support, and 24/7 emergency response. Additional staff are needed for irrigation system installation, maintenance and operation of controllers, tree planting, staking, and pruning. These activities will support the Tree and Shade Master Plan, an important component of the City's Climate Action Plan. The full-year ongoing cost, excluding initial vehicle purchases, will be \$353,999.</p> <p>Status Update: All positions have been filled except for one Urban Forestry Technician position, which is currently in the hiring process. These positions have enhanced tree planting, maintenance, and emergency response efforts across the City.</p> | <p>\$394,000
5.0</p> |
| 3. | <p><i>General Recreation</i></p> <p>Add funding for a Volunteer Coordinator position. This position would serve as a single point of contact to brand and promote a Parks volunteer program supporting urban flatland parks citywide. The department receives a large number of volunteer requests from the public. This position would receive those requests, plan, develop, and implement volunteers, and conduct fundraising and/or community service programs.</p> <p>Status Update: In an effort to better align the job duties with the needs of the department, this position was reallocated to an Administrative Assistant II and was filled in January 2025. The development of the volunteer program is ongoing and is the primary responsibility of the position.</p> | <p>\$101,000
1.0</p> |
| 4. | <p><i>General Recreation</i></p> <p>Add funding for up to three cricket fields and explore development of partnership opportunities to expand more sites in the future.</p> | <p>\$250,000
0.0</p> |

Department/Program

Status Update: Funding enabled the development and installation of two cricket pitch sites: Turtle Rock Basin, located near 12th Street and Bell Road, and Grovers Basin, located near 20th Street and Grovers Avenue. Both sites have been constructed and are open to the public. During the fall 2024 allocation season, the cricket pitches were reserved for a total of 526 hours. For the 2025 spring season, 119 adult teams and 13 youth teams have been allocated 2,240 and 220 hours, respectively.

5.	<i>Parks Maintenance</i>	\$125,000
	Add funding for additional maintenance and repair items at Sueño Park and other Parks sites.	0.0
	Status Update: Parks and Recreation staff worked with the community to identify improvements to the park, including new benches, picnic tables, and grills throughout the park, a new bleacher by the basketball court, backstop replacement, and chilled drinking fountains. All improvements have been made and are being enjoyed by the community.	
	Total Parks and Recreation	\$2,407,000 21.0

Police

1.	<i>Various</i>	\$0
	Add funding for 20 Civilian Investigator positions and related equipment to support the department's ongoing civilianization efforts. These positions perform select investigative functions and enhance investigative capacity, provide staffing flexibility, and allow the department to use sworn staff where they are most needed. The full-year ongoing cost will be \$1,917,000; however, the cost for FY 2023-24 will be absorbed utilizing savings from vacant sworn positions.	20.0
	Status Update: These positions are assigned to a variety of bureaus, with 18 of the 20 positions currently filled. Their work supports the Homicide Squad, Drug Enforcement Bureau, Property Crimes Bureau, Employment Services Unit, as well as Real Time Operation Centers. Essential tasks include data collection, communicating with residents, liaising with other government agencies, and relieving sworn staff of duties that would keep them from needed public safety work.	
2.	<i>Various</i>	\$0
	Add funding for three Police Research Analyst positions and three Criminal Intelligence Analyst positions and related equipment to the Investigations and Patrol Divisions and the Compliance and Oversight Bureau as part of the department's ongoing civilianization efforts. These positions will provide key analytics and research work to support a variety of department efforts, including work with the Office of Accountability and Transparency and the Professional Standards Bureau addressing community concerns. The full-year ongoing cost will be \$575,000; however, the cost for FY 2023-24 will be absorbed utilizing savings from vacant sworn positions.	6.0

Department/Program

Status Update: All positions are currently filled. The Organizational Integrity Bureau is assigned two Police Research Analysts, and the Department of Justice (DOJ) Investigative Detail is assigned one Police Research Analyst. These positions support DOJ activities, work with the Organizational Integrity Unit, support early intervention efforts, provide assistance on analytics and dashboards, and handle community complaints. The Strategic Information Bureau currently has two Criminal Intelligence Analyst positions, and the Compliance and Oversight Bureau has one Criminal Intelligence Analyst. Two of the positions are assigned to the Compstat program, which provides crime trend information to leadership. One position conducts data queries, develops reports, responds to public records requests, and provides research and data analysis to assist with ongoing investigations and solving crimes.

- | | | |
|----|---|--------------------|
| 3. | <p><i>Training Bureau - Training, ALEA & AZPOST</i></p> <p>Add funding for four Civilian Curriculum and Training Coordinator positions working as Law Enforcement Training Specialists in the Training Bureau. These positions are needed to enhance training capacity, benefitting both new recruits and existing sworn staff. The full-year ongoing cost will be \$384,000; however, the cost for FY 2023-24 will be absorbed utilizing savings from vacant sworn positions.</p> <p>Status Update: The Training Bureau has utilized these positions to alleviate workload normally handled by sworn staff. All four positions are currently filled. The coordinators conduct daily physical conditioning with recruits, teach health and wellness classes, and assist with the PHXYou learning management system. Additionally, they create and prepare lesson plans for the Phoenix Police Academy, proctor exams, document grade reports, conduct orientations and information training, and manage the Academy's data dashboard. These positions have allowed Field Training Officers to spend more time training recruits.</p> | <p>\$0
4.0</p> |
| 4. | <p><i>Laboratory Bureau - Crime Scene Response/Crime Suppression</i></p> <p>Add funding for five Crime Scene Specialist II positions, vehicles, and related equipment in the Laboratory Services Bureau. These positions play a pivotal role in the investigative process and processing of crime scenes. Due to increased work volume, additional positions are needed to keep pace with national standards and best practices. The full-year ongoing cost will be \$381,000; however, the cost for FY 2023-24 will be absorbed utilizing savings from vacant sworn positions.</p> <p>Status Update: All five positions are filled and are in various stages of training, with all positions available to respond to crimes scenes. Two staff have completed training and are responding to violent crime scenes. These positions have increased the number of investigated scenes, resulting in improved support overall for criminal investigations.</p> | <p>\$0
5.0</p> |

Department/Program

5.	<i>Various</i>		\$0
		Add funding for 10 Police Assistant positions, vehicles, and related equipment to the Patrol Division and Logistical Resources Bureau. The Police Department recently partnered with Arizona State University in a collaborative assessment of calls for service, resulting in the identification of four call types that could best be performed by Police Assistants. Among other tasks, these positions will ensure the integrity of chain of custody and preservation of property. The full-year ongoing cost will be \$680,000; however, the cost for FY 2023-24 will be absorbed utilizing savings from vacant sworn positions.	10.0
		Status Update: These positions are assigned to various bureaus. Nine positions are filled, and one is vacant. The positions assigned to precincts relieve sworn patrol staff by responding to non-emergency calls not requiring a sworn officer. Positions in the Property Management Bureau purge items from the Records Management System in accordance with policy, serve as the Abandoned Vehicle Coordinator, and assist with drug disposals. Additionally, they are the subject matter experts for Evidence on Q, the Property Management Bureau’s new evidence management program. These positions have allowed sworn officers to spend more time responding to emergency calls for service.	

Total Police	\$0 45.0
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Street Transportation

1.	<i>Street Cleaning</i>		\$150,000
		Add funding to allow Street Transportation Maintenance to clean, cut, and remove debris in up to three additional washes annually, and to enhance the clean-up of medians. This would reduce the turnaround time each wash is maintained, shortening the time frame between each cleaning. Additional cleanings will help reduce calls for service and citizen complaints.	0.0

Status Update: Street Transportation Maintenance has utilized the additional funding of \$150,000 to service three additional washes. In addition to the immediate benefits of maintaining a wash, the increased frequency of service reduces future service times and effort required to maintain the wash. This increased service level contributes directly to increased citizen satisfaction and reliability of the wash during storm events.

2.	<i>Street Cleaning</i>		\$100,000
		Add funding for a street sweeper for bike lanes. The sweeper will improve the safety and cleanliness of protected bike lanes on city streets. Bike lane sweepers can remove debris and other hazards from the lanes, making them safer for cyclists to use. Regularly cleaning the lanes can help promote cycling as a viable mode of transportation, contributing to a reduction in traffic congestion and air pollution.	0.0

Department/Program	2023-24 Total
<p><u>Status Update:</u> Street Transportation Maintenance is working with Fleet Services to complete the procurement and deployment of the bike lane sweeper machine. The sweeper will improve the safety and cleanliness of protected bike lanes on City streets by servicing these areas that traditional street sweepers cannot access.</p>	
Total Street Transportation	\$250,000 0.0
<u>TOTAL GENERAL FUND</u>	\$14,650,000 114.0

**SUPPLEMENTALS UPDATE
NON-GENERAL FUND**

Aviation

- | | | |
|----------------|--|------------------|
| 1. | <p><i>Terminal Safety, Security & Communication Center</i></p> <p>Add two Airport Access Agent positions to provide security badging services to an active badge population of 19,000. These additional positions will reduce wait times and increase the number of available appointments. They will also assist in meeting regulatory requirements of security functions such as background checks, security training, and badging services. The full-year ongoing cost, excluding one-time equipment purchases, will be \$122,000.</p> <p><u>Status Update:</u> All positions were filled in November 2023, reducing wait times, increasing available appointments for badging customers, and allowing for additional walk-in customers.</p> | \$167,000
2.0 |
| 2. | <p><i>Terminal Safety, Security & Communication Center</i></p> <p>Increase the Airport Police Bureau fleet by adding 10 new vehicles. Due to the growth in passenger traffic, geographic footprint and the Sky Train expansion, the Police Bureau is gaining 12 additional officer positions. This increase to the fleet will help support daily operations.</p> <p><u>Status Update:</u> All 10 vehicles were procured December 2023 and delivered in the first quarter of 2024-25. The vehicles are currently in make-ready status awaiting to be upfitted, therefore not currently in operations.</p> | \$750,000
0.0 |
| Total Aviation | | \$917,000
2.0 |

Department/Program

Planning and Development

- | | | |
|----|---|--------------------------|
| 1. | <p><i>Administration</i></p> <p>Add funding for a Planning and Development Team Leader position, Plan Review Coordinator position, and a Senior Business Systems Analyst position to support the SHAPE PHX technology replacement project and ensure continuity of IT support services. The project will replace numerous highly-customized legacy systems with a new application that supports planning, zoning, historic preservation, and plan review and permitting. The Team Leader position will supervise Business Leads, oversee involvement of subject matter experts, and ensure turnaround times and customer service levels are maintained. The Plan Review Coordinator position will support the largest project release which includes civil and commercial plan review and permitting and serve as the liaison between the team and the vendor. The Senior Business Systems Analyst position will respond to customer requests from residents, the development community, and staff. The full-year ongoing cost, excluding initial computer and office supply purchases, will be \$324,000.</p> <p>Status Update: The Planning and Development Team Leader position is filled. The Plan Review Coordinator (Business Lead) position is vacant due to an unsuccessful recruitment process. Recruitment will be revisited. The Senior Business Systems Analyst position was filled at the end of FY 2022-23. The position is dedicated to overseeing internal and external customer communications regarding SHAPE PHX Portal Accounts and Permit Application questions. It also oversees Glance, a resource/tool for staff to assist external customers with questions regarding Planning and Development Services Portal processes. The position oversees intranet and internet pages for needed updates. The positions support the SHAPE PHX Project and work to ensure continuity of IT support services in the department. SHAPE PHX is a transformative technology project that replaces numerous highly customized legacy systems with a consolidated, secure, transparent, and modern land-based application that supports Planning, Zoning, Historic Preservation, Plan Review and Permitting.</p> | <p>\$335,000
3.0</p> |
| 2. | <p><i>Administration</i></p> <p>Add funding for a Chief Engineering Technician position for the Electronic Plan Review administrative team. This position will facilitate plan review submittals and processing. This will allow staff to manage turnaround times and support the demand of high-profile projects without adversely impacting other teams. The full-year ongoing cost, excluding initial computer and office supply purchases, will be \$79,000.</p> <p>Status Update: The position was filled on November 13, 2023. The main functions of the Self-Cert Electronic Plan Review Team are administrative processing of highly confidential projects, coordination and plan review of Self-Certification submittals and to maintain a report for ARS 9-835 (SB Report) to make sure all plan reviews are being conducted in the SB Timeframe in order to not refund the customers. This position adds support to these key functions and allows for more in-depth research for the ARS 9-835 report.</p> | <p>\$83,000
1.0</p> |

<u>Department/Program</u>		2023-24 Total
3.	<i>Administration</i> Add funding for a Human Resources Aide position to reduce turnaround times for HR transactions and processing. The full-year ongoing cost, excluding initial computer and office supply purchases, will be \$67,000. Status Update: This position is filled. The current workload for Leave/Transactions/Payroll functions was previously distributed between two HR Aide positions which proved to be a workload burden, creating longer time frames for HR processes causing unnecessary delays. By having a third HR Aide position, we are able to distribute the workload more evenly, creating much more manageable workloads and efficiencies.	\$71,000 1.0
Total Planning and Development		\$489,000 5.0
<u>Public Transit</u>		
1.	<i>Facility Construction and Maintenance</i> Increase funding for clean-up, removal of debris, and overall maintenance of bus stops. This funding will enable additional services through multiple existing contracts to include bus stop cleaning, bus stop repairs, landscaping, and other maintenance and improvements. Status Update: Bus stops across the city are being cleaned more often.	\$50,000 0.0
Total Public Transit		\$50,000 0.0
<u>Regional Wireless Cooperative</u>		
1.	<i>Regional Wireless Cooperative</i> Add a part-time Accountant I position to support the administrative and accounting responsibility of the VHF (Conventional) Radio Network. This position will assist in the following areas: accounts receivable, accounts payable, audit, budgeting, projections, member inquiries, research, and special projects specifically related to the VHF system. This position was approved by the RWC Board of Directors on December 1, 2022. Status Update: The part-time Account I position was filled in October 2023. The creation of this position provides for more efficient accounting support to all RWC members. After a one year review it was determined that a full-time Accountant I was required to meet the demand for increased accounting support for the VHF Network. In February 2025, the position was converted to full-time; the department plans to begin recruitment for the full-time position in the spring of 2025.	\$51,000 1.0
Total Regional Wireless Cooperative		\$51,000 1.0
<u>TOTAL NON-GENERAL FUND</u>		\$1,507,000 8.0

ATTACHMENT D

City of Phoenix 2025-26 Community Budget Hearings

Date/Time	Council District(s)	Location Information
Tuesday, April 1, 2025 6:00 pm	Communitywide Hybrid (virtual/in-person open to all residents)	City Council Chambers 200 W. Jefferson Street www.phoenix.gov/budget/hearings
Wednesday, April 2, 2025 6:00 pm	D4	Steele Indian School Park Memorial Hall 300 E. Indian School Road
Thursday, April 3, 2025 6:00 pm	Spanish Language (English interpretation available)	South Mountain Community Center Century Room 212 E. Alta Vista Road
Friday, April 4, 2025 8:00 am	D1	DoubleTree by Hilton Phoenix North Terrace Room 10220 N. Metro Pkwy E
Saturday, April 5, 2025 10:30 am	Communitywide Bilingual Hybrid (virtual/in-person open to all residents)	City Council Chambers 200 W. Jefferson Street www.phoenix.gov/budget/hearings
Monday, April 7, 2025 6:00 pm	D8	South Mountain Community Library 7050 S. 24th Street
Tuesday, April 8, 2025 6:00 pm	D5	Maryvale Community Center Multipurpose 4420 N. 51st Avenue
Thursday, April 10, 2025 8:30 am	D3	Sunnyslope Community Center Multipurpose 802 E. Vogel Avenue
Thursday, April 10, 2025 6:00 pm	D7	Desert West Community Center Multipurpose 6501 W. Virginia Avenue
Monday, April 14, 2025 8:30 am	D6	Devonshire Senior Center Multipurpose 2802 E. Devonshire Avenue
Monday, April 14, 2025 6:00 pm	D2/D3	Paradise Valley Community Center Multipurpose 17402 N. 40th Street
Wednesday, April 16, 2025 6:00 pm	Spanish Language (English interpretation available)	Maryvale Community Center Multipurpose 4420 N. 51st Avenue

ATTACHMENT E



City of Phoenix

BUDGET AND RESEARCH DEPARTMENT REPORT

B.R.D. NUMBER

2025-05

SUBJECT

General Fund Revenue Estimates

DATE ISSUED

March 18, 2025

This report provides General Fund (GF) revenue estimates to explain recommended revenue projections. The City is committed to providing a transparent and open budget process. Providing this information enhances the review and understanding of how revenue projections are developed to better facilitate discussions during the annual budget development process.

Careful examination of revenue estimates is required to ensure projections are as accurate as possible to maintain fiscal stability and long-term budget management. Predicting future revenue growth is challenging and requires consistent and diligent analysis based on sound forecasting principles and methods. Revenues are monitored closely, and an updated revenue report is prepared and distributed to the City Manager's Office, the City Council, and the community for review monthly. GF revenues are comprised of several categories, all of which are unique and require separate analysis. The primary revenue categories include local taxes and related fees, primary property taxes, state shared sales, income and vehicle license taxes, and user fees and non-tax revenues.

Included in this report is an explanation of how GF revenue is projected, the sources relied upon to assist in developing estimates, economic assumptions and the methods used to analyze revenues. Also included are historical revenue actuals and growth rates, the recommended revenue estimates for 2024-25 and 2025-26, and an explanation of the influencing factors used by staff in analyzing each major revenue category. Revenue estimates for Local Taxes assume City Council approval of a proposed Transaction Privilege Tax and Use Tax rate increase from 2.3% to 2.8% effective July 1, 2025. The City Council is scheduled to vote on the proposed tax rate increase on March 18, 2025.

The table below summarizes the 2024-25 and 2025-26 estimated GF revenues and the primary reason for the variance:

GF Revenue Category (millions)	2024-25 Estimate	2025-26 Estimate	Amount Change	Percent Change	Primary Reason for Difference
Local Taxes	\$718.4	\$840.9	\$122.5	17.1%	Assume moderate growth and a 0.5% TPT rate increase.
Primary Property Tax	215.4	222.7	7.3	3.4%	Increase in assessed property valuation.
State Shared Sales Tax	252.5	262.7	10.2	4.0%	Moderate growth is expected.
State Shared Income Tax	351.0	328.3	(22.7)	-6.5%	Based on collections received two years prior. Includes impact of Senate Bill 1828.
State Shared Vehicle License Tax	88.0	90.9	2.9	3.3%	Moderate growth is expected.
User Fees & Non-Taxes	194.0	191.3	(2.7)	-1.4%	Projected decline in interest earnings.
Total	\$1,819.3	\$1,936.8	\$117.5	6.5%	

Revenue Projections & Trusted Sources

Projecting revenues involves complex analysis and continuous monitoring to identify variances and recommend adjustments so that expenditures do not exceed available resources and a balanced budget can be maintained. As part of the overall forecasting process, assumptions about the direction and strength of the national, state, and local economy are considered along with indicators such as population, job growth and personal income. Information on program and service activity levels, rates, and fees that influence certain revenues are evaluated and proposed legislation is monitored to determine potential impacts to revenue categories such as sales taxes, state shared revenues, emergency transportation service revenues and property taxes.

For example, the State enacted Senate Bill (SB) 1131, which prohibits municipalities from taxing residential rental property starting Jan. 1, 2025. The estimated five-month impact to the GF for 2024-25 is approximately \$(19) million and the ongoing annual impact beginning in 2025-26 is over \$(47) million. Additionally, SB 1828 reduces individual income tax rates beginning in tax year 2022 to the current flat tax rate of 2.5%. The City receives state-shared income taxes based on actual collections from two years prior. Compared to FY 2023-24 collections, state-shared income tax revenue will decrease by \$(85) million in FY 2024-25, followed by an additional reduction of \$(23) million in FY 2025-26. To address the revenue decline resulting from the State's actions and to support both existing and future costs to deliver programs and services to the community, the City proposes increasing the Transaction Privilege Tax (TPT) and Use Tax rate from 2.3% to 2.8%, effective July 1, 2025, as reflected in the revenue forecast. The City Council is scheduled to vote on the proposed tax rate increase on March 18, 2025.

In addition, information from City departments on user fees and non-tax revenue is requested and analyzed each year as part of the technical budget review process. Finally, trusted economic and financial sources are relied on to provide certain revenue projections and insight into the overall direction and strength of the economy and include experts from the State's Finance Advisory Committee (FAC), Joint Legislative Budget Committee (JLBC), Arizona State University, University of Arizona (UofA) Economic and Business Research Center (EBRC), Arizona Department of Revenue, National Blue Chip, Western Blue Chip, and the U.S. Bureau of Labor Statistics and Bureau of Economic Analysis.

The City is also a member of the Forecasting Project through the EBRC at the UofA. This project is a community-sponsored research program providing project members with economic forecasts for Arizona and the Phoenix-Mesa metro area. Budget & Research (B&R) staff attend quarterly meetings, participate in discussions with other local government and private enterprise members, and receive quarterly economic reports. In the fall of 2014, Budget and Research consulted with the UofA's Eller College of Management, EBRC to enhance the City's sales tax revenue forecasting process. Dr. George Hammond, EBRC Director, and Dr. Alberta Charney, Senior Research Economist, spent several months working with City staff to develop an enhanced econometric sales tax forecasting model for all categories of city and state sales taxes. In the summer of 2017, staff worked with EBRC to update the tax forecasting model. In March 2021, the EBRC revised the City's model again by including online sales tax. The EBRC leads the State of Arizona Forecasting Project, which provides in-depth economic forecast analysis and databases on a subscription basis to businesses, organizations, and government via membership. The additional consulting with Dr. Hammond has provided the City with solid, independent economic and statistical expertise used to develop a statistically valid forecasting model specifically for the City of Phoenix. The projected growth rates in each category of sales tax for the 2025-26 estimate and the out years of the forecast are based on projections developed with the enhanced econometric forecasting model.

Economic Assumptions

Several of the primary revenue categories are influenced by the economy and the sources mentioned above provide valuable information about the expected growth of the economy. These sources are used in developing projected revenue growth rates. B&R staff continuously monitor economic variables and what these experts are predicting when developing revenue estimations.

The U.S. economy experienced the most robust recovery from the COVID-19 pandemic compared to other major developed economies, demonstrating resilience and potential for continued growth. Real Gross Domestic Product (GDP), a common economic measure, grew 2.8% in 2024, compared with an increase of 2.9% in 2023. According to the U.S. Bureau of Economic Analysis (January 2025), the 2024 growth was attributed to increases in consumer spending, nonresidential fixed investment, state and local government spending, and exports. However, the Blue Chip Economic Indicators (BCEI) consensus projects that real GDP will grow at a slower pace, with an estimated growth of 2.2% in 2025 and 2.0% in 2026. Uncertainties and market volatility are still expected to persist throughout the year, driven by factors such as geopolitical conflicts, policy shifts under the new administration, high consumer debt levels, low housing affordability, labor market challenges, high interest rates, global supply chain disruptions, and inflationary pressures.

The U.S. economic growth established a platform for continued solid gains in Arizona in 2024. Inflation is currently below the national rate, and job growth is occurring at a faster pace than in the US (Arizona Governor's Executive Budget, January 2025). As of December 2024, Arizona's Consumer Price Index (CPI-U) was 1.9%, which is lower than the U.S. City Average of 2.9%. Furthermore, Arizona's job growth reached 2.1% for the twelve months ending in December, outpacing the national average of 1.6%. Additionally, the Phoenix MSA average hourly earnings within the private sector have increased by 6.5%, exceeding the Phoenix MSA CPI-U of 2.2% in 2024. The Arizona economy experienced a solid year in 2024, but faced several challenges such as slowing growth, housing affordability issues, and uncertainty regarding new government policies. Arizona taxable retail sales growth (including remote sellers) has decelerated in recent months. Year-to-date (YTD) statewide taxable retail plus remote sales tax increased by only 2.3% in December 2024, a decline from 2.8% in December 2023 and 6.4% in December 2022. YTD sales tax collections for Prime Contracting grew by only 2.8% in December 2024, compared to 17.3% in December 2023 and 21.6% in December 2022. According to the JLBC, this is the lowest growth rate for the comparable period since December 2021 when the construction industry in Arizona was adversely affected by the pandemic (JLBC, January 2025). Furthermore, Arizona's job growth has been decelerating. As of December 2024, the year-over-year job growth rate for non-farm employment has slowed to 1.7%, a decline from 2.4% in 2023 and 3.4% in 2022 (U.S. Bureau of Labor Statistics, January 2025). Following the COVID-19 pandemic, Arizona has experienced a surge in home and rent prices; housing affordability has remained a primary challenge for the state. The number of building permits issued in Arizona has continued to drop. Statewide new housing units for single-family and multi-family homes decreased by 38.8% in December 2024 compared to December 2023 (EBRC Benchmark).

Revenue Forecasting Methods

Several forecasting methods and practices are used to estimate City revenues and vary depending on the type of revenue being analyzed. Evaluating historical growth patterns and current actuals is an important component to analysis and provide insight into the direction of the various revenue categories and the growth needed to achieve estimated revenues. Information is also collected from the economic sources mentioned earlier to ensure the current and subsequent year's estimates are reasonable and in-line with what these experts are predicting. The State FAC provides valuable information from a panel of respected economists and financial professionals. Included in their

materials are projections of state sales tax and income tax collections. These projections are considered when developing city sales tax, and state shared sales and income tax revenues for both the current and subsequent fiscal years. Additionally, information is collected from City departments during the annual technical review process to analyze the user fee and non-tax revenue category. The department's knowledge of the revenues generated by various City programs and services is essential to developing accurate projections. Staff also considers one-time revenues, adjustments, and contractual agreements impacting growth when developing estimates.

In conjunction with considering historical growth, current trends, and information from trusted sources and departments, B&R staff uses several forecasting methods when preparing the estimates. The most common methods of revenue estimation used are averages of actual revenue experience by varying periods, annualization of year-to-date actuals, and most often a percentage of prior year method. This last method involves analyzing the amount of revenue collected at a point in time during prior fiscal years, for example, the 7-month actuals represented a certain percentage of the total collections for the entire fiscal year and then applying it to current year-to-date actuals. This method accounts for the seasonal nature of many City revenues and is often a more effective method than using an average or annualizing approach. Additionally, the growth rate needed to reach the budgeted or estimated revenue is considered. If the percentage growth needed for the remaining months of the fiscal year is substantially higher or lower than the current growth rate, adjustments are made to arrive at a new estimated revenue amount for the fiscal year.

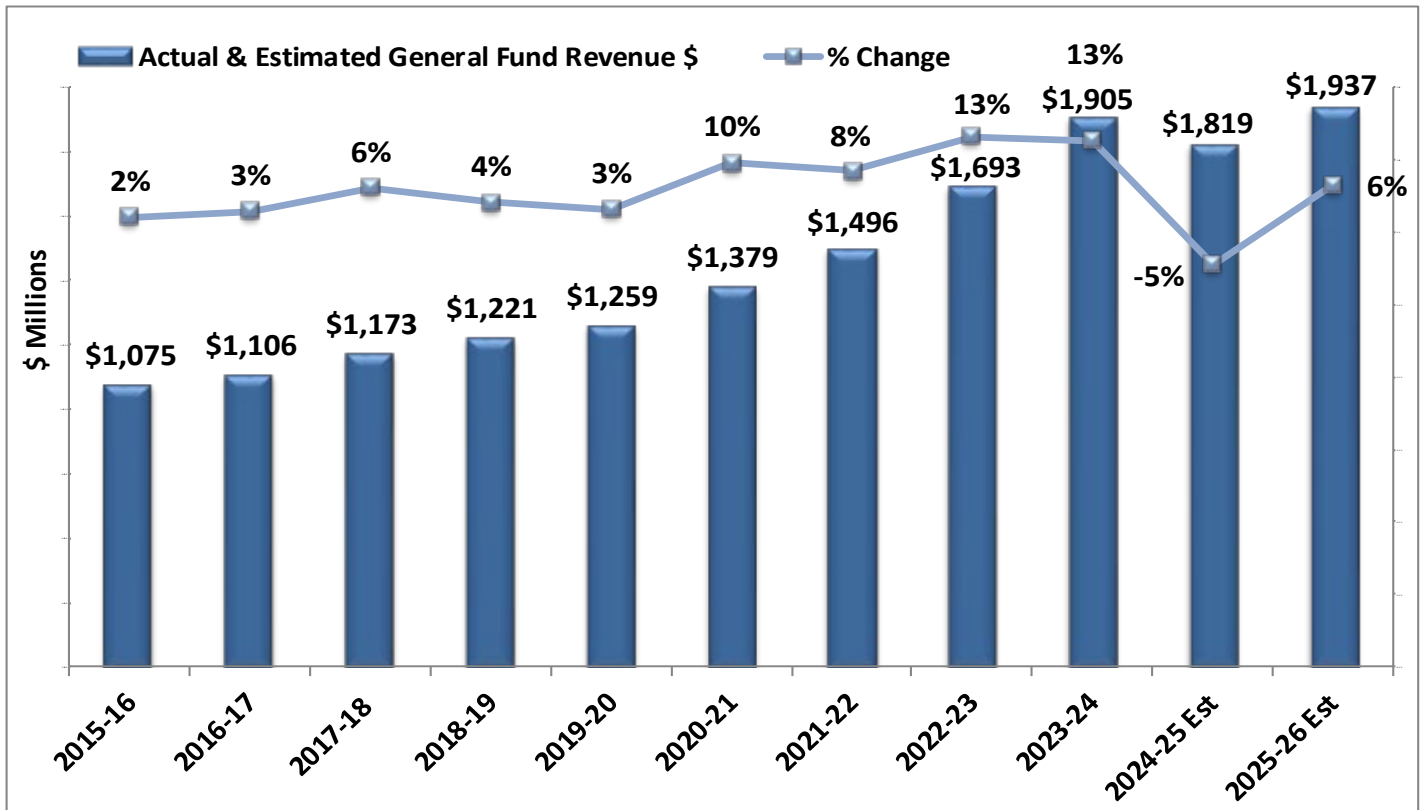
Once the current fiscal year estimate is developed, assumed growth rates are then applied to this amount to arrive at a projected revenue amount for the following fiscal year. These assumed growth rates take into account historical and recent trends in revenue data, one-time revenue adjustments, and information from City departments and our trusted sources to ensure projections are not overly conservative or aggressive.

Finally, as part of the annual budget development process each year, revenue estimates are presented to the City Manager's Office, the City Council and the community as part of the GF Multi-Year Forecast, the proposed Trial Budget and City Manager's Budget recommended for consideration and approval prior to final budget adoption in June.

General Fund Revenue

To assist in explaining the basis for how GF revenue is estimated for each of the major categories, historical revenue growth and estimated revenues for the 2024-25 and 2025-26 fiscal years are provided graphically, along with a description of the revenue category and the methodology used to develop recommended revenue estimates beginning with total GF revenue.

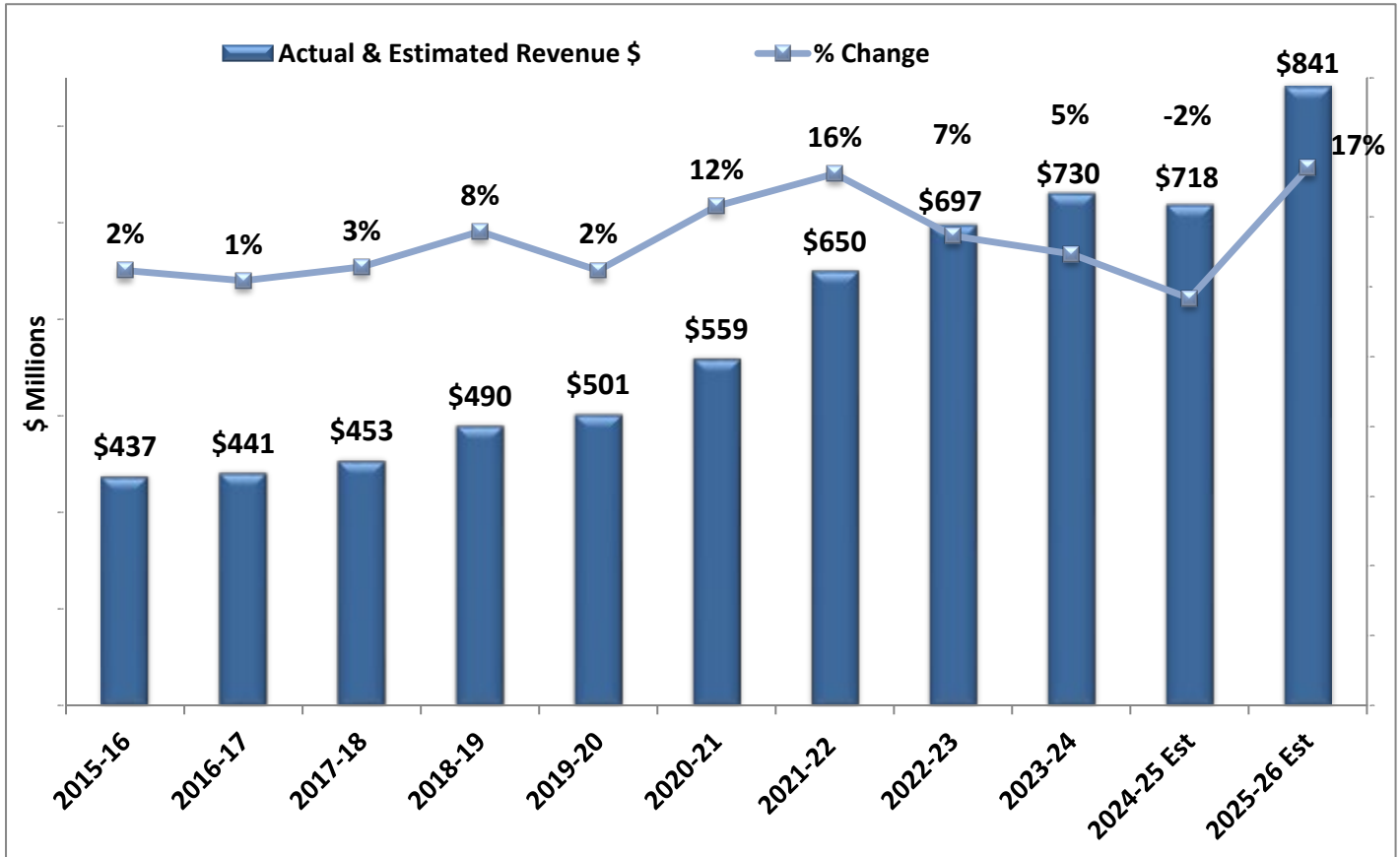
Total General Fund Revenue



** Projections for 2024-25 and 2025-26 assume no fee increases, changes to state shared revenue formulas or legislative changes that have recently been proposed or discussed during the current legislative session. The 2025-26 estimate includes a potential TPT and Use Tax rate increase of 0.5%, effective on July 1, 2025, if approved by City Council on March 18, 2025.*

As mentioned, GF revenue consists of local taxes and related fees, primary property taxes, state shared sales, income and vehicle license taxes, user fees and non-tax revenues. Estimating revenues for each category is conducted separately to predict the revenues for the current and following fiscal year more accurately. Each category is unique with respect to the variables that comprise the revenue and influence growth. Variables that impact revenue growth include economic factors such as inflation, consumer sentiment, discretionary income, population, unemployment, job growth and construction activity. Other influencing factors may include legislative action, City Council policy directives, legal restrictions and mandates, state statutory formulas, program enhancements or reductions, and changes in rates and fees. For these reasons, evaluating each major category separately is preferred and generates more accurate revenue projections.

Local Taxes and Related Fees, 43% of Total General Fund Revenue



Local taxes and related fees consist of city sales taxes, privilege license fees and other excise taxes. The majority of revenue is derived from city sales taxes, which is comprised of 15 general categories collected based on a percentage of business income accruing in each category. The table on the following page provides the local sales tax rates by category and the percentage allocated to each fund. The table reflects a proposed 0.5% increase in the TPT and Use Tax rates, raising them from 2.3% to 2.8%, effective July 1, 2025, pending City Council approval on March 18, 2025.

Privilege license fees are assessed to recover the costs associated with administering the local tax system. Other excise taxes include the jail tax and the excise tax collected on water service accounts, which provide resources to help offset jail costs paid to Maricopa County and other GF services.

Projections provided by the UofA were used to develop city sales tax estimates. Staff analyzes historical and recent trends in sales tax data by category, evaluates cumulative growth and uses an econometric forecasting model constructed by the UofA to develop projections. Estimates provided by the FAC and JLBC are also considered to ensure projections are reasonable and not overly aggressive or conservative in nature. Sales tax can be volatile and typically correlates to the local economy and consumer spending behavior. Increases in sales tax collections are expected when the local economy expands due to underlying fundamentals such as increases in population, discretionary income, business expansion, jobs, and real estate growth. The opposite holds true during times of economic contraction or recession as evidenced in 2008-09 and 2009-10 during the Great Recession, and most recently during the COVID-19 pandemic. The federal stimulus assistance provided during the pandemic and more than expected revenue collections from retail

and contracting sales taxes offset the revenue loss in the hospitality and leisure sales tax categories which prevented a severe decline in City revenues. Additionally, the recent surge in inflation has positively impacted the City by drawing in greater tax revenue from higher-priced taxable goods and a rise in wages. However, significant economic uncertainty and volatility in sales tax revenue collections in the first seven months of FY 2024-25 require a cautious approach to forecasting. Staff is closely monitoring revenue collections and may revise revenue estimates as more information is available. Currently, the growth estimated in 2025-26 of 17.1% assumes a potential 0.5% increase in the TPT and Use Tax rates, effective July 1, 2025, if approved by City Council on March 18, 2025. The forecast also accounts for moderate growth and the negative impact of the elimination of residential rental sales tax. The State recently enacted SB 1131, which prohibits municipalities from taxing residential rental property starting Jan. 1, 2025. The estimated five-month impact to the GF for 2024-25 is approximately \$(19) million, and the ongoing annual impact beginning in FY 2025-26 is over \$(47) million.

Privilege license fees and other excise tax projections are developed using the existing fee structures, assumptions about historical trends, averages, recent collection experience and use of the percent of prior year method to account for seasonal influences in revenue activity. Privilege license fees are projected to decline by 45.5% in 2025-26. Starting January 1, 2025, income from residential rentals of 30 days or more is exempted from Transaction Privilege Tax, leading to a significant decrease in these fees. The growth estimated in 2025-26 for other excise taxes assumes conservative growth and continuation of current year-to-date experience.

Local Sales Tax Rates by Category

	GF	N'hood Protection	2007 Public Safety Expansion	Public Safety Enhance.	Parks & Pres.	Transp. 2050***	Conv. Center	Sports Fac.	Capital Const.	Total
Advertising	–	–	–	–	–	–	0.5%	–	–	0.5%
Contracting*****	0.9%	0.1%	0.2%	–	0.1%	0.9%	0.6%	–	–	2.8%
Job Printing*****	0.9%	0.1%	0.2%	–	0.1%	0.9%	0.6%	–	–	2.8%
Publishing*****	0.9%	0.1%	0.2%	–	0.1%	0.9%	0.6%	–	–	2.8%
Transportation/Towing*****	0.9%	0.1%	0.2%	–	0.1%	0.9%	0.6%	–	–	2.8%
Restaurants/Bars*****	0.9%	0.1%	0.2%	–	0.1%	0.9%	0.6%	–	–	2.8%
Leases/Rentals/ Personal Property*****	1.5%	0.1%	0.2%	–	0.1%	0.9%	–	–	–	2.8%
Short-Term Motor Vehicle Rental*****	1.5%	0.1%	0.2%	–	0.1%	0.9%	–	2.0%	–	4.8%
Commercial Rentals*****	1.6%	0.1%	0.2%	–	0.1%	0.9%	–	–	–	2.9%
Lodging Rentals Under 30 Days*****	1.5%	0.1%	0.2%	–	0.1%	0.9%	2.0%	1.0%	–	5.8%
Lodging Rentals 30 Days and Over*****	–	–	–	–	–	–	–	–	–	–
Retail (Level 1 – amounts = < \$13,886 for a single item) **** & *****	1.5%	0.1%	0.2%	–	0.1%	0.9%	–	–	–	2.8%
Retail (Level 2 – amounts > \$13,886 for a single item) ****	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%

	GF	N'hood Protection	2007 Public Safety Expansion	Public Safety Enhance.	Parks & Pres.	Transp. 2050***	Conv. Center	Sports Fac.	Capital Const.	Total
Amusements****	1.5%	0.1%	0.2%	-	0.1%	0.9%	-	-	-	2.8%
Utilities	2.7%*	-	-	2.0%**	-	-	-	-	-	4.7%
Telecommunications	2.7%	-	-	-	-	-	-	-	2.0%	4.7%

*The General Fund portion of the utilities category includes the 2.7 percent franchise fee paid by utilities with a franchise agreement.

**The Public Safety Enhancement designated 2.0 percent sales tax applies only to those utilities with a franchise agreement.

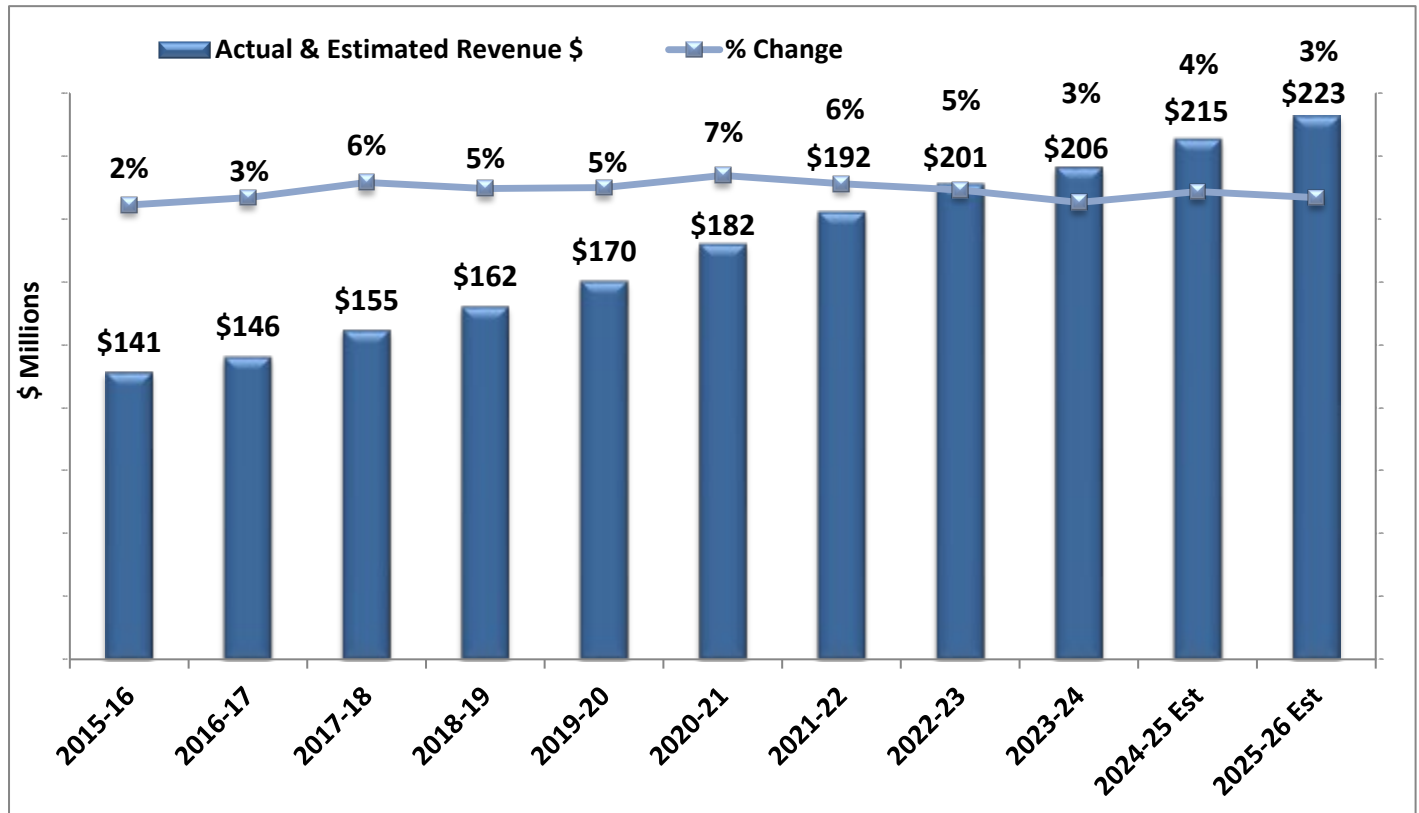
***The Transportation 2050 Fund (Proposition 104) was established by the voters effective January 1, 2016 and replaced the Transit 2000 Fund (Proposition 2000) to fund a comprehensive transportation plan with a 35-year sunset date. The Proposition increased the transaction privilege (sales) tax rates by 0.3% for various business activities.

****Proposition 104 also established a two-tier tax rate structure applicable to retail sales of single items in excess of \$10,000, to be adjusted biennially for inflation. Effective January 1, 2018, the first \$10,303 (Level 1) is subject to the 2.3% tax rate, while transactions over \$10,303 (Level 2) are subject to the 2.0% tax rate. The criteria for Level 1 and Level 2 were adjusted on January 1, 2024, and the current threshold is \$13,886, which will be adjusted again on January 1, 2026.

*****The tax rates reflect a proposed 0.5% increase, from 2.3% to 2.8%, effective July 1, 2025, pending City Council approval on March 18, 2025. The rounded tax rates for each fund are provided for demonstration purposes, with the specific percentages used in the actual allocation.

*****SB 1131 prohibits municipalities from taxing residential rental property starting January 1, 2025.

Primary Property Tax, 11% of Total General Fund Revenue

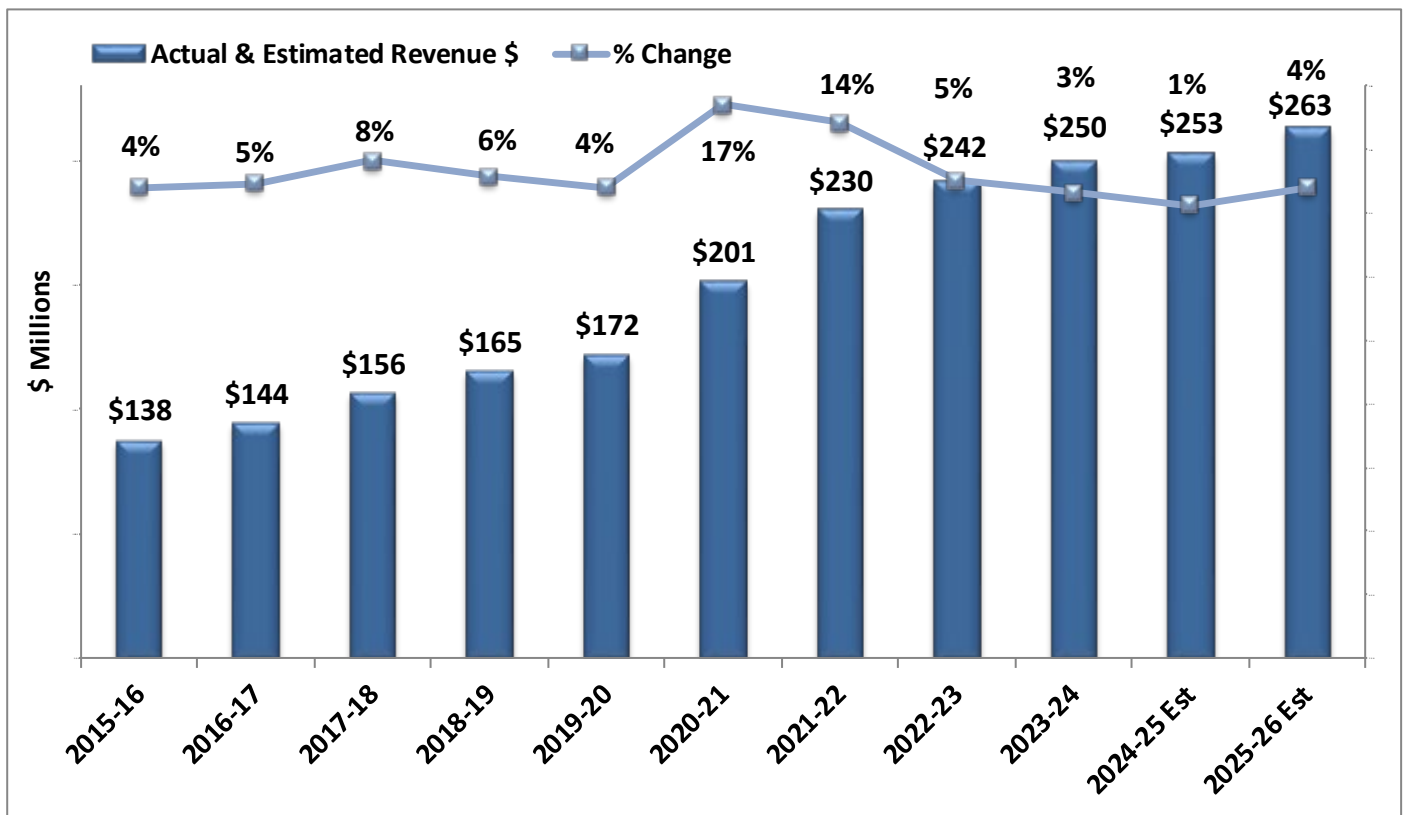


Arizona property tax law provides two separate tax systems. A primary property tax is levied to pay current operations and maintenance expenses. Therefore, primary property tax revenue is budgeted and accounted for in the GF (and is illustrated in the above graph). A secondary property

tax levy is restricted to the payment of debt service on voter approved long-term general obligation debt. Therefore, the secondary property tax revenue is budgeted and accounted for as a special revenue fund. The primary property tax levy forecast reflected here is based on the net assessed value stated in the annual “Levy Limit Worksheet” for the City of Phoenix, issued by the Maricopa County Assessor, multiplied by the projected primary property tax rate. The primary property tax revenue forecast assumes that 99% of the projected primary property tax levy is actually collected.

The annual amount of the primary property tax levy is limited by the Arizona Constitution to a two percent increase over the prior year levy limit plus an estimated levy for previously unassessed property (primarily new construction). Provisions in Chapter XVIII of the City Charter limit the City’s primary property tax rate to \$1.00 per \$100 of assessed valuation with the exception of costs to operate library services. The proposed 2025-26 primary property tax rate, not including the portion of the rate allocated to cover the Library Department operating costs, is \$1.00 per \$100 of assessed valuation. The proposed primary property tax rate for 2025-26 of \$1.2658 is equal to the 2024-25 primary property tax rate and is lower than the rate allowable under the state constitutional 2% levy limit of \$1.2755, which limits the Primary Property Tax to an amount 2% greater than the prior-year levy on previously taxed properties. Although the primary property tax rate remains constant, the primary property tax revenue estimate increases for 2025-26 to \$222.7M, which is \$7.3M or 3.4% more than the 2024-25 revenue estimate of \$215.4M due to increased taxable net assessed valuations (property values) and new construction.

State Shared Sales Tax, 14% of Total General Fund Revenue

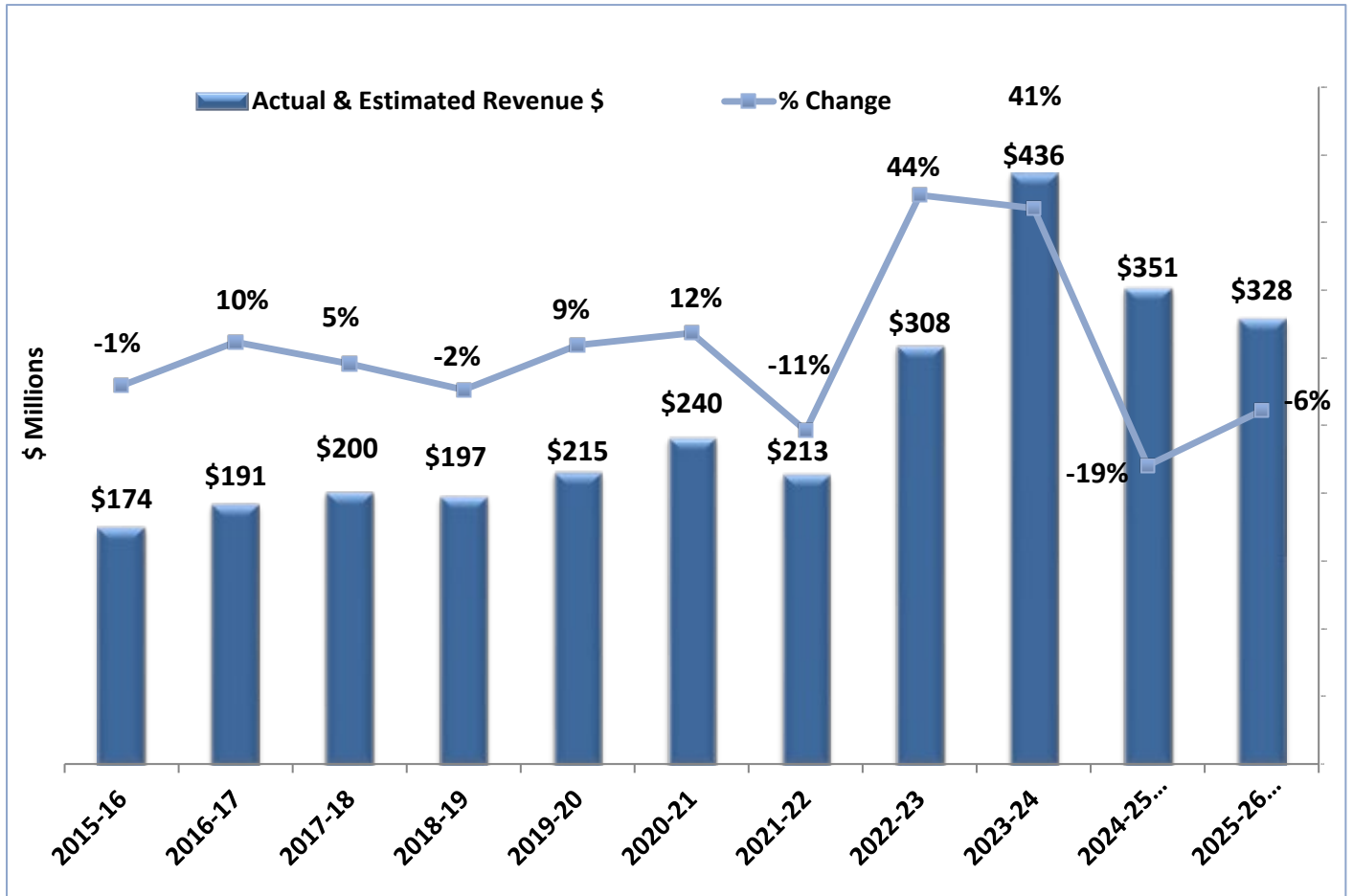


State sales tax revenues received by the City are governed by Arizona State Statute §42-5029. State sales tax revenues are split between a “distribution base”, of which Phoenix receives a share, and a “combined non-shared” category, which is allocated entirely to the state. With the exception of some tax categories, the distribution base consists of either 20, 32, 40, or 50 percent of collections depending on the tax category. State statute §42-5029 stipulates of the monies designated in the distribution base the Arizona Department of Revenue shall pay 25 percent to incorporated cities on the basis of relative population percentages. The population share changes

annually based on Census Bureau Population Estimates. The 2025-26 City of Phoenix population share is estimated at 27.71 percent and is based on the 2023 Census Bureau Population Estimate.

State sales tax is estimated similar to how city sales tax is forecasted. Staff analyzes historical and recent trends in sales tax data by category and evaluates cumulative growth when developing revised estimates. Projections provided by the UofA EBRC, using an econometric sales tax model, were used to develop 2025-26 estimates; and information from the FAC and JLBC were considered to ensure current fiscal year estimates are reasonable and in-line with what these experts are projecting.

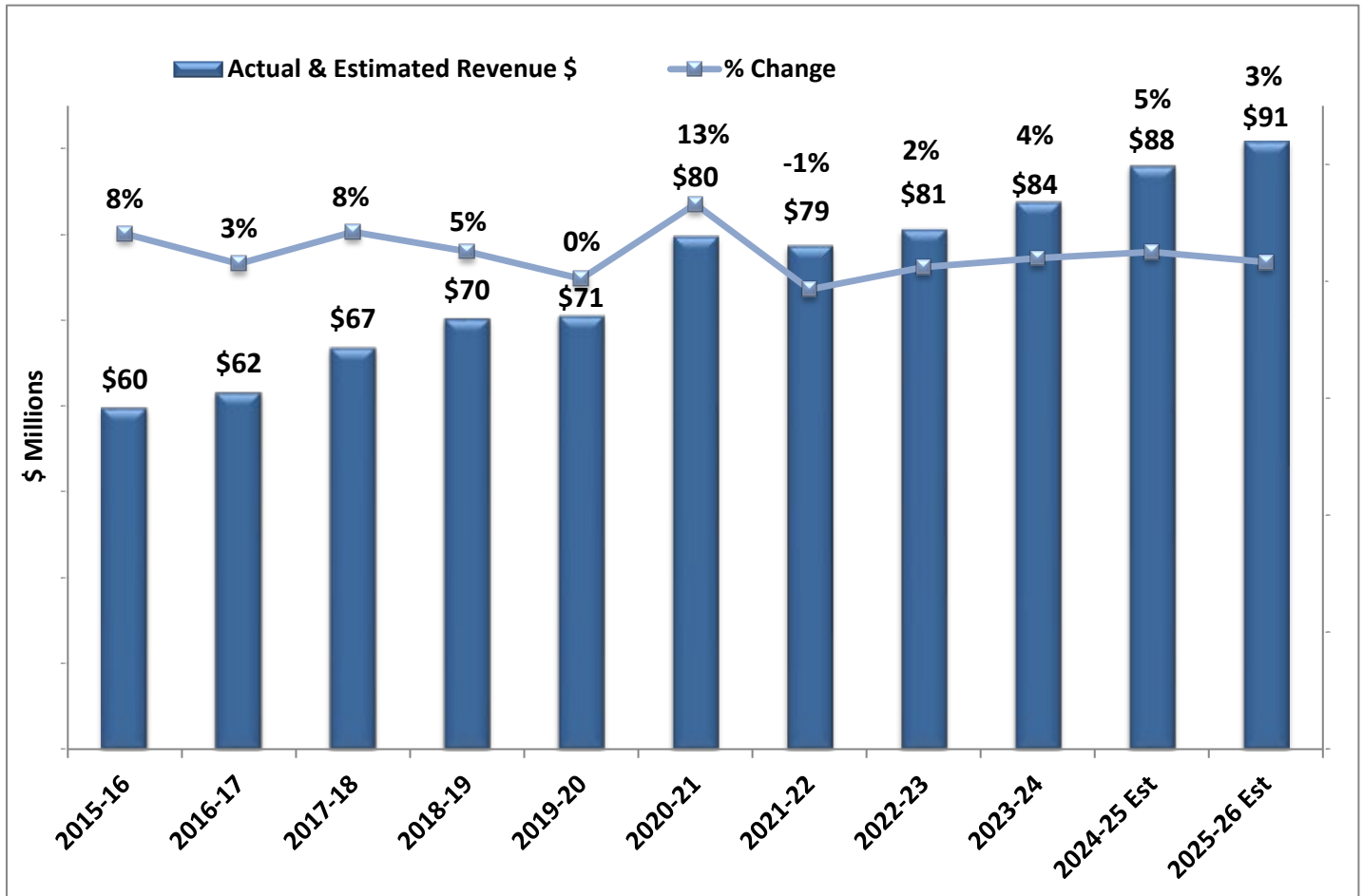
State Shared Income Tax, 17% of Total General Fund Revenue



State shared income tax revenue, also known as the Urban Revenue Sharing (URS) Fund, was established by voter initiative in 1972 and is governed by Arizona Revised Statute §43-206. The statute stipulates that 15 percent of the net proceeds of state individual and corporate income tax collected two years preceding the current fiscal year be distributed to incorporated cities and towns. Laws 2021, Chapter 412 (Tax Omnibus) increased the Urban Revenue Sharing distribution from 15% to 18% starting in 2023-24. Individual cities receive their portion based on the cities' share of the state population. The 2025-26 City of Phoenix population share is estimated at 27.68 percent and is based on the 2023 Census Bureau Population Estimate. This rate will change annually based on Census Bureau Population Estimates. As a result of the initiative, Arizona Revised Statute §43-201 stipulates the area of income taxation is preempted by the state and a county, city, town, or other political subdivision shall not levy income tax as long as the Urban Revenue Sharing Fund is maintained as provided in state statute §43-206.

Since state shared income tax revenue is based on actual collections from two years preceding the current fiscal year, the 2024-25 and 2025-26 projected revenue is known and is based on actual collections received in 2022-23 and 2023-24, respectively. The negative growth of (19.4) % in FY 2024-25 and (6.5) % in FY 2025-26 are primarily due to significantly lower state shared income tax collections caused by the State’s actions to lower the individual income tax rate to the current “flat tax”. Senate Bill 1828 reduces individual income tax rates beginning in tax year 2022 to the current flat tax rate of 2.5%.

State Shared Vehicle License Tax, 5% of Total General Fund Revenue

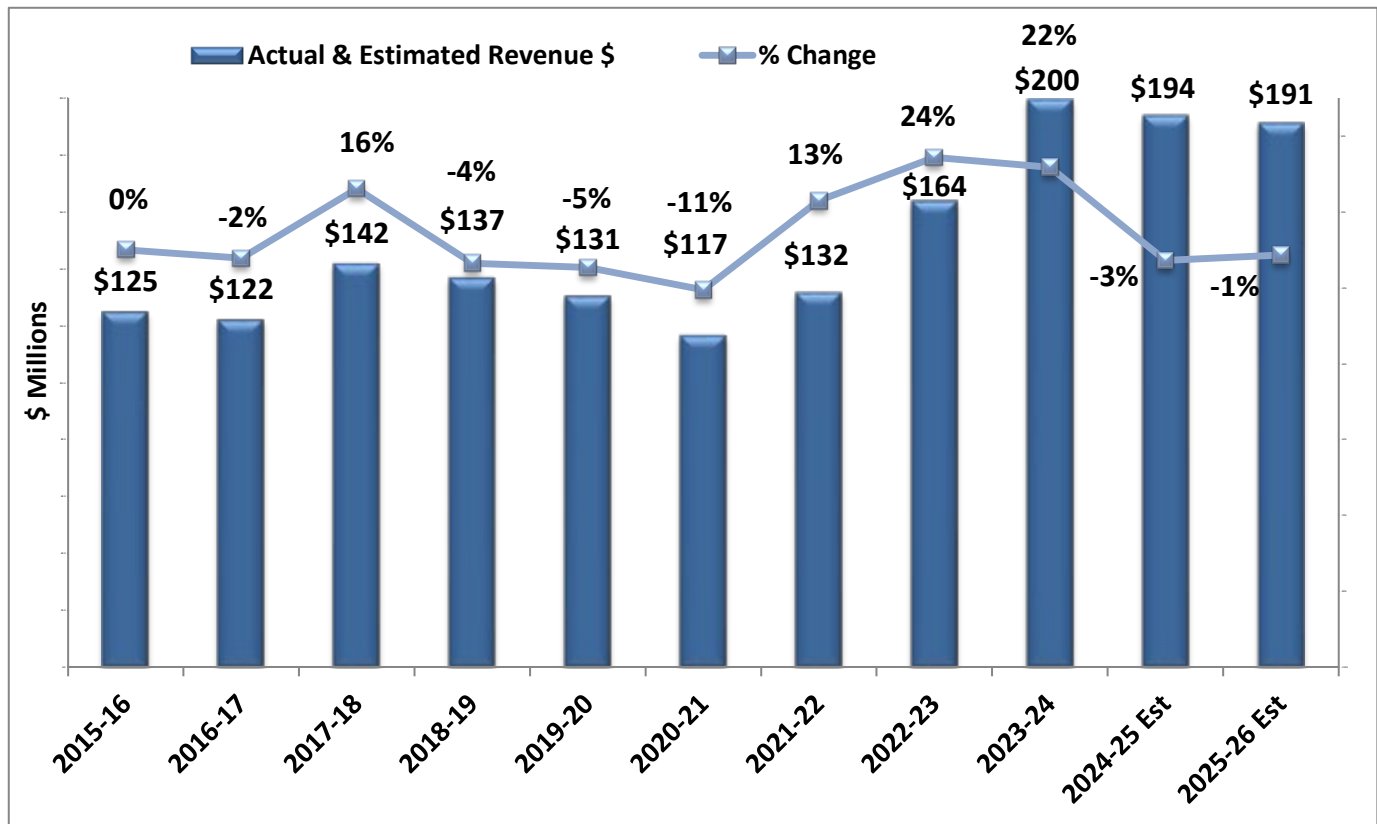


State shared vehicle license tax has been distributed to cities and towns since 1941. The tax is levied per \$100 of a vehicle’s assessed value. For the first 12 months of the vehicle’s life, the assessed value is 60% of the manufacturer’s base retail price. For each subsequent year, the assessed value is 16.25% less than the previous year. The rate per \$100 of assessed value is \$2.80 for new vehicles and \$2.89 for renewals. The Arizona Department of Transportation (ADOT) collects and distributes the tax according to Arizona Revised Statute §28-5808. The distribution to individual cities is based on their relative population within the county. The 2025-26 City of Phoenix population share is estimated at 39.19 percent and is based on the 2023 Census Bureau Population Estimate. This rate will change annually based on Census Bureau Population Estimates.

Vehicle License Tax (VLT) revenues are often correlated to the overall strength of the economy. Similar to sales tax revenues, this revenue category tends to grow when the economy is expanding, as illustrated in the graph above. Revenues are estimated by evaluating historical growth patterns, year-to-date cumulative growth and applying the percent of prior year method to year-to-date actuals, which accounts for the seasonality in collections. Staff also consider projections

provided by ADOT, which are published annually for this revenue source, and any available recent economic information pertaining to projections on the local economy and vehicle sales when formulating recommended current and subsequent year estimates. The projected growth rate for 2025-26 is expected to be 3.3%, assuming a moderate growth rate based on the ADOT forecast in September 2024.

User Fees and Non-Tax Revenues, 10% of Total General Fund Revenue



User Fees and Non-Tax Revenues include collections from licenses and permits, fines and forfeitures, cable television fees, user fees from several City departments designed to recover the costs of providing specific City services including Parks and Recreation, Library, Planning, Police, Fire, and Streets; other service charges including interest income, parking meter revenue, in lieu property taxes, sales of surplus property, various rental income, parking garage revenues and concessions; miscellaneous service charges in Finance, Housing, Human Services and Neighborhood Services.

B&R staff relies on departments to provide essential information concerning activity levels, fee increases or decreases and program changes which impact the variety of revenue sources in this category. Technical revenue reviews are conducted twice each fiscal year as part of the annual budget development process. Departments are asked to provide revenue estimates and reasons for changes from prior year actuals. Staff conducts a line-item analysis of all revenues and uses various methods including annualization and percentage of prior year, as well as consideration of one-time and contractual revenues, program enhancements or reductions and other adjustments when developing estimates.

The projected negative growth rate of (1.4)% in 2025-26 was attributed to a decline in interest earnings, which offset the moderate growth of emergency transportation services. Some non-tax revenues, such as cable communications and police personal service billings, are expected to

decrease in 2025-26 due to a decline in collection trends and one-time revenue collections in 2024-25.

In addition to the technical reviews conducted twice each fiscal year, B&R staff monitors revenues monthly to determine if adjustments to projections are needed. The proposed estimates are then reviewed by B&R management and the City Manager, and finally incorporated into the GF proposed revenue projections for consideration by the City Council and the community.

This report is for informational purposes only and is intended to provide the City Council and the community with explanations on how GF revenues are analyzed and developed to better facilitate discussions during the annual budget development process.

Yung Pham

Yung Pham
Principal Budget and Research Analyst

ATTACHMENT F

Government Relations staff closely monitor State legislation each year and have identified bills that if passed could further limit local control, reduce City revenues or increase expenditures causing negative impacts to the budget.

Staff have identified top priority bills in the current session actively moving through the State Legislature that could have an estimated annual revenue impact of **\$(69) million** according to JLBC fiscal notes:

- **SB1318 income tax rate; reduction; surplus**
 - For each tax year beginning with 2026, the Department of Revenue is required to reduce the individual income tax rate for the current tax year by 50 percent of a "structural surplus" for the immediately following fiscal year.
- **SCR1014 surplus; income tax rate; reduction**
 - The 2026 general election ballot is to carry the question of whether to amend state statute to require the Department of Revenue to reduce the individual income tax rate for the current tax year by 50 percent of a "structural surplus" for the immediately following fiscal year.
- **SB1371 income tax; subtraction; retirement distribution**
 - For individuals 67 or older, subtracts distributions from pension and retirement accounts and non-deductible contributions to individual retirement accounts (IRA), excluding Roth IRAs, from the calculation of Arizona gross income tax.
- **HB2918 tax rates; reductions**
 - Reduces the rates for several tax categories including property tax and individual income tax. For the individual income tax rate reduces the rate from 2.5% to 2.47% beginning in Tax Year 2026.

Staff have identified the following bills that increase obligations on the City's General Fund:

- **HB2689 cancer insurance; retirees; public safety**
 - Permits people on the Public Safety Cancer Insurance Program whose eligibility is expiring to remain eligible for coverage paying 50% of the premium and requiring the employer to pay the remaining amount of the premium.
- **SB1365 PSPRS; member contributions**
 - Effective January 1, 2026, caps the Tier 3 member contribution rate at 9.5 percent and requires Public Safety Personnel Retirement System employers to pay the difference if the member's contribution rate must be higher.
- **SB1288 police vehicles; inspection; requirements**
 - Requires police patrol vehicles to be replaced 10 years after the manufacture date or when the odometer reaches 115,000 miles.

Staff have identified the following bills that impact Mayor and Council's ability to balance the City's budget:

- **HB2221 law enforcement; defunding; prohibition**
 - Prohibits a city from reducing the annual operating budget for a law enforcement agency.
- **HB2943 municipal fire departments; defunding; prohibition**
 - Prohibits a city from reducing the annual operating budget for a fire department.
- **SB1013 municipalities; counties; fee increases; vote**
 - Prohibits the common council of a municipality or the board of supervisors of a county from increasing an assessment, tax or fee without a two-thirds vote of the governing body.
- **SCR1008 municipalities; counties; vote; fee increases**
 - The 2026 general election ballot is to carry the question of whether to amend state statute to Prohibit the common council of a municipality or the board of supervisors of a county from increasing an assessment, tax or fee without a two-thirds vote of the governing body.

Staff would also like to bring attention to the following two bills that pose significant budgetary risks to the City if passed. While these bills are effectively “dead” they may return in the form of amendments or in future legislative sessions. Per JLBC fiscal notes the estimated annual impact to the City if signed into law is **\$(120) million**.

- **HB2421 corporate income tax rate; reduction**
 - Reduces the Corporate Income Tax rate from the current rate of 4.9% to 2.0%
- **HCR2012 income tax; rate; reduction**
 - The 2026 general election ballot is to carry the question of whether to amend state statute to reduce the Individual Income Tax rate from the current rate of 2.5% to 2.0%, beginning in Tax Year 2027.