



Fiscal Year 2026-27 Proposed City Manager's Trial Budget and Fiscal Year 2026-31 Preliminary Five-Year Capital Improvement Program - Citywide

This report transmits a balanced proposed Fiscal Year (FY) 2026-27 City Manager's Trial Budget for community review and comment. It also includes the Preliminary Five-Year Capital Improvement Program (CIP), as required by City Charter.

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 provides the proposed FY 2026-27 General Fund (GF) Trial Budget, which includes new and expanded programs and services for the community, increases to employee compensation, and set-asides to ensure future City budgets remain 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 March 30 and April 16, the proposed FY 2026-27 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 and reflected in the proposed City Manager's Budget, scheduled to be presented to City Council on May 5.

This report also includes the Preliminary Five-Year CIP for City Council review ([Attachment E](#)). The City Charter requires the City Manager to submit the Preliminary CIP prior to adoption of the final budget.

The CIP represents investments in the long-term needs of the community through infrastructure development and maintenance. The five-year program totals \$11.4 billion, with a \$2.7 billion program for 2026-27. The full report is available on the Budget and Research Department website at [phoenix.gov/budget](https://www.phoenix.gov/budget).

Summary

As presented at the February 24, 2026, Policy meeting, the GF multi-year forecast reflects an overall positive budget outlook, thanks to previous strategic actions by the City Council and continued economic growth. After taking into account resources needed for operational and financial continuity, the FY 2026-27 available surplus was estimated at \$62 million, including \$36 million in ongoing resources and \$26 million in one-time resources. The multi-year forecast reflected a baseline surplus in FY 2027-28 of \$14 million and a deficit in FY 2028-29 of \$(9) million.

Staff have completed the annual 7+5 technical expenditure and revenue review process, and approximately \$8 million in adjustments have been made to the FY 2026-27 GF Status, primarily reflecting updated primary property tax and state-shared sales tax revenue forecasts, as well as minor adjustments to anticipated user fee revenues. These adjustments result in a gross surplus of \$163 million; however, the net available surplus is projected at \$70 million, after accounting for resources needed for operational and financial continuity, including a \$75 million set-aside to balance FY 2027-28 and resources of \$18 million needed for the Office of Homeless Solutions due to expiring American Rescue Plan Act funding, as well as operating costs for new parks. The revised FY 2026-27 projected available surplus of \$70 million includes \$43 million in ongoing resources and \$27 million in one-time resources.

The proposed FY 2026-27 GF Trial Budget recommends allocating approximately \$35 million of the surplus to key Council priority areas, including Community Health and Safety; Children, Youth, and Families; Homeless Service Continuity; Housing Affordability; and Planning and Development Customer Service Enhancements. It also recommends allocating \$53 million for investing in employees through compensation increases to maintain competitiveness in hiring and retention and setting aside \$75 million to help ensure the FY 2027-28 budget remains balanced. These allocations are reflected in [Attachment A](#). The proposed FY 2026-27 Trial Budget also includes several small increases to the Aviation Department, which are reflected in [Attachment B](#).

The proposed FY 2026-27 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 [Attachments A and B](#). Finally, this report includes the annual GF Revenue Estimates Report ([Attachment C](#)) and the schedule of upcoming community budget hearings to engage residents and gather feedback ([Attachment D](#)).

GF Resources

The revised FY 2026-27 GF Status reflects a projected available surplus of \$70 million and includes the beginning fund balance, net transfers, and revenues, which total \$2.297 billion or 4.9 percent higher than FY 2025-26 estimated resources. Revenues make up the majority of FY 2026-27 resources and are projected at \$1.991 billion, representing 3.5 percent growth compared to FY 2025-26 revised revenue estimates. As discussed in the Preliminary GF Budget Status and Multi-Year Forecast report provided to Council on February 24, revenue projections incorporate information and perspectives from key sources, such as the University of Arizona Economic Business Research Center, Joint Legislative Budget Committee, and Finance Advisory Committee, as well as significant internal analysis. Revenue projections assume no new fee increases and no new sources of revenue.

Increases in FY 2026-27 GF revenues are primarily due to growth in state-shared income tax revenues, which are based on collections from FY 2024-25 and reflect solid wage growth and increased capital gains tax revenues. FY 2026-27 revenue projections also reflect moderate growth in City and state-shared sales taxes, as well as primary property tax revenue growth due to increases in assessed valuations and new construction. Because of the these increases in assessed valuations and new construction, the City's primary property tax rate is forecasted to slightly decrease in FY 2026-27 from \$1.2658 to \$1.2652.

While FY 2026-27 revenue projections reflect modest growth from the current year, they are tempered by a number of factors, including geopolitical and federal policy uncertainty, ongoing concerns with affordability, and mixed economic data, including weak contracting sales tax data and mild increases in the local unemployment rate. The projections also account for the incorporation of San Tan Valley, which is projected to negatively impact state-shared revenue distributions by more than \$10 million in FY 2026-27. Finally, it should be noted that revenue projections do not account for any negative impacts from potential state legislative action. Such action can have significant impact on City revenues and expenditures, and staff continues to work with Government Relations to closely monitor all legislation.

The FY 2026-27 GF estimates for each major revenue category, totaling \$1.991 billion, are highlighted below. Comprehensive detail on these categories and their forecast methodologies can be found in [Attachment C](#).

- Local Sales Tax - \$834 million;
- State Shared Revenue - \$711 million;
- Primary Property Tax - \$233 million;

- User Fees - \$213 million.

GF Expenditures

FY 2026-27 GF expenditures to continue existing levels of service are projected to be \$2.134 billion, or \$2.039 billion excluding contingency funds. This compares to the FY 2025-26 GF expenditure estimate of \$1.942 billion, representing an increase of \$97 million or 5.0 percent excluding contingency funds. The increase primarily reflects continued higher costs due to inflation, additional vehicle replacement costs, lower anticipated salary savings from vacant positions, and increases in employee salaries and fringe benefits, including higher pension costs discussed below and the continued impact of the City Council-approved Classification and Compensation Study. These increases are partially offset by lower planned costs for GF pay-as-you-go capital improvement projects. 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 5.

Employee pension costs have consumed a growing share of the City's GF resources over the past 10 years. GF pension costs in FY 2026-27 are estimated to be \$486 million or 23.9 percent of total GF operating costs. The GF Multi-Year Forecast included estimated increases of \$46 million between FY 2025-26 and FY 2028-29. This increase is primarily caused by rising 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 over \$3.7 billion, per the PSPRS June 30, 2025, actuarial valuation.

Proposed GF Budget Additions and Set-Asides

Due to the leadership of the City Council and continued economic growth, the proposed FY 2026-27 GF Trial Budget includes a \$70 million available surplus. The Trial Budget includes strategic allocations of \$35 million to invest in key Council priority areas, addressing community needs and enhancing City services. It also includes \$53 million to increase employee compensation, ensuring the City remains market competitive and is able to recruit and retain our most important asset - our people. Finally, the Trial Budget includes a set-aside of \$75 million to help ensure future budget years remain balanced and continue to provide reliable service to residents.

Additional detail on the proposed FY 2026-27 supplementals is provided below and

also included in **Attachment A**.

Community Health and Safety - \$1.2 million and 8.5 positions

Community health and safety remains a high priority for the City Council, and the Trial Budget includes several supplementals designed to address this priority. First, it proposes to invest \$500K in one-time funds for additional streetlights and streetlighting upgrades in the 27th Avenue Community Safety Plan corridor, to further the progress made in improving safety and quality of life along 27th Avenue and the I-17 corridor. Next, it includes \$500K in one-time funds for security lighting enhancements at City parks, helping to promote safe recreational opportunities for Phoenix residents. These improvements include enhanced playground lighting at Buffalo Ridge, Moon Valley, Sueno, and Western Star Parks, and perimeter lighting improvements at Hilaria Rodriguez Park. Finally, the Trial Budget includes \$266K in partial-year, ongoing operating costs for the new 2023 GO Bond-funded Esteban Park recreation center and for the new 395-acre Lone Mountain Park. These additions include 8.5 positions, with combined full-year operating costs estimated at \$764K.

Children, Youth, and Families - \$7.3 million and 0.5 positions

Children, youth, and families are a vital part of the Phoenix community, and the Trial Budget invests in them in several ways. First, childcare costs represent a significant financial challenge for Phoenix families. The Trial Budget includes a \$5 million set-aside to address this challenge by exploring potential options to help bring down the cost of childcare for Phoenix families. Next, the Trial Budget includes \$1.5 million in one-time funds to provide flexible emergency financial assistance to Phoenix residents. This funding is intended to help prevent homelessness and stabilize housing and food security for low-income individuals and families in light of recent reductions and restrictions in federal funding. The Trial Budget also includes \$500K in ongoing funds, including 0.5 part-time positions, for the Parks and Recreation Department to invest in several teen prevention strategies, including tutoring opportunities, enhanced and expanded recreation programming, and to improve program affordability to ensure Phoenix families can participate in Parks programs. Finally, the Trial Budget includes \$322K in ongoing funds for a parking lease at Cholla Library. Ongoing redevelopment of the former Metrocenter Mall has reduced parking options for library visitors. This funding will secure a dedicated parking lot for visitors, ensuring they can continue to enjoy the library's offerings.

Homeless Service Continuity - \$18.4 million and 0.0 positions

During the pandemic, the City Council strategically deployed American Rescue Plan Act (ARPA) funding to address homelessness in the Phoenix area. As ARPA funding expires, and to ensure progress made in this critical area continues, the Trial Budget includes a total of \$18.4 million in ongoing funds to continue key services. This

includes \$12.9 million to continue shelter operations, both at City-owned facilities such as the Phoenix Navigation Center, Safe Outdoor Space, and Washington Shelter, and through nonprofit partner facilities, such as Rio Fresco, North Mountain Healing Center, and the Central Arizona Shelter Services single adult shelter. Funding of \$1.5 million will help continue summer heat relief efforts at the City's 24/7 heat respite sites and three extended hour cooling centers. Additionally, the Trial Budget allocates \$1.5 million to support the Keys to Change Key Campus operations, including the Brian Garcia Welcome Center, janitorial services around the campus, and ensuring safe and secure storage of client personal property. Finally, the Trial Budget includes \$2.5 million for a master lease program. This program would enable the City to secure master leases for rental housing units, which include on-site support services, to sublease to individuals exiting homelessness to free up shelter bed space.

Housing Affordability - \$6.6 million and 0.0 positions

The City Council established the Phoenix Housing Trust Fund in May 2025, and adopted the Housing Trust Policy in November 2025, to further the City's commitment to affordable housing. The proposed one-time \$6.6 million increase to the Housing Trust Fund would bring its total available resources to \$15 million, representing a significant investment in affordable housing. This funding includes \$2 million designated for waivers or reductions on affordable housing and related project plan review, permit, and inspection fees, with rules on eligibility and amounts to be determined by the City Council. It also includes \$1 million designated for the creation of pre-approved housing plans focused on affordability and the character of the city's villages. Remaining funds would be deployed in accordance with the Housing Trust Policy, furthering affordable housing efforts in Phoenix.

Planning and Development Customer Service Enhancements - \$1.5 million and 0.0 positions

The FY 2026-27 Trial Budget includes \$1.5 million in one-time funds for customer service enhancements in the Planning and Development Department, focused on two key areas. First, the funding will support improvements to the customer service experience at Phoenix City Hall, including streamlined check-in processes, customer flow, and other potential enhancements to the visitor experience. Additionally, the funding will support continued customer service and process improvement initiatives, which may include website enhancements, additional educational efforts on available services and resources, and technology upgrades.

Set-Aside for Labor - \$53 million

Investing in employees to recruit and retain talent remains a priority for the City Council. The FY 2026-27 Trial Budget includes \$53 million for employee compensation increases and reflects a mix of ongoing and one-time funds. Current employee

contracts expire at the end of the current fiscal year, and management has been negotiating with each bargaining unit. Exact details of the compensation packages will be determined in the negotiations process.

Set-Aside to Balance the FY 2027-28 Budget - \$75 million

The FY 2026-27 Trial Budget includes a set-aside of \$75 million to help ensure the FY 2027-28 budget remains balanced. This strategic use of one-time funds allows for the continuation of programs and services that residents rely on and helps ensure the GF budget is sustainable into the future.

Non-GF Budget Additions - 1.2 million and 8.0 positions

The proposed FY 2026-27 Trial Budget also includes several Non-GF supplemental budget additions for the Aviation Department, totaling \$1.2 million and 8.0 FTEs. These additions will support international airline operations, capital project management, computer technology upgrades, water quality monitoring, and administrative needs. Additional detail is provided in [Attachment B](#).

GF and Non-GF Conversions to Maintain Services - \$0 and 69.9 FTE

The Trial Budget includes 45.9 GF and 24.0 Non-GF new ongoing positions to provide critical and sometimes legally required support for City departments. These positions either represent conversions of existing temporary positions to ongoing status or are new ongoing positions funded at no additional cost. Funding for these positions has been identified and programmed in each respective department's operating budget. These positions are reflected in [Attachments A and B](#).

Preliminary Five-Year CIP

The Preliminary Five-Year CIP presented in [Attachment E](#) totals \$11.4 billion. The first year of the program, totaling \$2.7 billion, will ultimately be updated for carryover and resource availability and presented to the City Council for appropriation in June. The remainder of the CIP is presented for responsible planning purposes and is dependent upon resource availability. The full report is available on the Budget and Research department website at [phoenix.gov/budget](https://www.phoenix.gov/budget).

Next Steps

In order to engage the community in the budget process, staff will be holding 12 community budget hearings between March 30 and April 16. [Attachment D](#) includes the schedule of budget hearings. Residents are also encouraged 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 5, 2026	City Manager's 2026-27 Proposed Budget
May 19, 2026	City Council Budget Decision
June 3, 2026	2026-27 Tentative Budget Ordinance Adoption
June 17, 2026	2026-27 Funding Plan and Final Budget Ordinance Adoption
July 1, 2026	2026-27 Property Tax Levy Ordinance Adoption

Responsible Department

This item is submitted by City Manager Ed Zuercher, Deputy City Manager Amber Williamson and the Budget and Research Department.

ATTACHMENT A

2026-27

**PROPOSED ADDITIONS
GENERAL FUND**

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

Department/Program	2026-27 Total
<u>Set-Asides</u>	
1. Current employee contracts expire at the end of the current fiscal year. Management has been negotiating with each bargaining unit. Exact details of the compensation packages, including ongoing and one-time costs, will be determined in the negotiations process.	\$53,190,000
2. General Fund set-aside of one-time funds to be used to balance the projected FY 2027-28 budget.	\$75,000,000
3. General Fund set-aside of ongoing funds to support efforts to address childcare affordability for Phoenix families.	\$5,000,000
Total Set-Asides	\$133,190,000
<u>City Manager's Office</u>	
1. <i>Office of Innovation</i> Convert a temporary full-time Administrative Assistant I position and a temporary part-time Administrative Intern position to ongoing status. The Administrative Assistant I maintains the City Manager's Performance Dashboard and Environmental, Social, and Governance Dashboard; leads Innovation Office geographical information systems (GIS) initiatives; and supports coordination and analysis for projects including the Chilled Drinking Water Initiative. The part time Administrative Intern supports data collection and quality assurance for the City Manager's Performance Dashboard, the Valley Benchmark Cities Initiative, and the Chilled Drinking Water Initiative, and produces and manages digital story maps and infographics that connect the community to key projects through data.	\$0 1.5
Total City Manager's Office	\$0 1.5
<u>Finance</u>	
1. <i>Administration</i> Convert a temporary Finance Director position to ongoing status. The Finance Director position will allow the Chief Financial Officer to focus on strategic financial planning for the City. The Finance Director will manage department operations and resources.	\$0 1.0

Department/Program		2026-27 Total
2.	<i>Enterprise Resource Planning</i>	\$0
	Convert a temporary Management Assistant II position to ongoing status in the Enterprise Resource Planning Division. The position is responsible for ensuring the integrity and accuracy of contract data stored in the City's procurement system, including analyzing data, resolving discrepancies, and performing technical tasks.	1.0
	Total Finance	\$0 2.0
<u>Fire</u>		
1.	<i>Fire Prevention Special Hazards</i>	\$0
	Add funding for 14 civilian positions to expand the Fire Special Hazards Unit to meet operational demands driven by significant city growth and service needs. The additions include two Fire Protection Engineers, two Fire Prevention Supervisors, eight Fire Prevention Specialist II positions, one Engineering Technician, and one Senior Engineering Technician. These positions are essential to ensuring Fire Code compliance and providing timely plan reviews, permit processing, and inspection services for facilities that store, handle, and use hazardous materials, including Taiwan Semiconductor Manufacturing Company and other large sites citywide. Increased revenue from Special Hazards Assessment and Fire Prevention fees will fund these additions.	14.0
	Total Fire	\$0 14.0
<u>Housing</u>		
1.	<i>Housing Trust Fund</i>	\$6,600,000
	Add one-time funding to the Phoenix Housing Trust Fund, established by City Council in May 2025 to further the City's commitment toward affordable housing. This funding includes \$2 million designated to waive or reduce plan review, permit, and inspections fees for affordable housing or other designated projects; \$1 million to utilize an RFP to create pre-approved housing plans that would focus on affordability and the character of the city's villages; and remaining funding to be used in accordance with the Housing Trust Policy, as adopted by Council in November 2025.	0.0
	Total Housing	\$6,600,000 0.0
<u>Human Resources</u>		
1.	<i>Organizational & Learning Development</i>	\$0
	Convert a temporary Management Services Administrator position to ongoing status. This position manages the Organizational Learning and Multimedia Division.	1.0

Department/Program		2026-27 Total
2.	<i>Organizational & Learning Development</i> Convert a temporary Senior Business Systems Analyst position to ongoing status. This position provides day-to-day technical and user support for PHXYou, the City's Learning Management System.	\$0 1.0
Total Human Resources		\$0 2.0
<u>Human Services</u>		
1.	<i>Client Services</i> Add one-time funding to provide flexible financial assistance and refugee crisis assistance aimed at preventing homelessness and stabilizing housing and food security for low-income individuals and families. This request helps offset recent reductions in federal funding and increased restrictions on federal safety net programs. Financial assistance will be paired with coaching and case management, including budgeting, benefits navigation, employment and education linkages, and connection to community resources, with the goal of providing both immediate household relief and strengthened long-term resilience.	\$1,500,000 0.0
2.	<i>Homeless Emergency Services</i> Add ongoing funding for the Office of Homeless Solutions (OHS) to support ongoing operations of emergency shelters serving adults experiencing homelessness in Phoenix. Additional resources are required due to the expiration of American Rescue Plan Act (ARPA) funds, which OHS previously used to open and operate several shelters citywide. This request includes support for City owned facilities—such as the Safe Outdoor Space, the Phoenix Navigation Center, and the Washington Shelter—as well as nonprofit-operated shelters, including Rio Fresco, the North Mountain Healing Center, and the Central Arizona Shelter Services (CASS) single adult shelter. These shelters combined serve nearly 1,600 people nightly and more than 6,000 people annually.	\$12,941,000 0.0
3.	<i>Homeless Emergency Services</i> Add ongoing funding for the Office of Homeless Solutions to support the City's 24/7 heat respite site and three extended hours cooling centers. These sites serve more than 5,500 people each summer, providing cool, safe locations during the summer heat. Eventual ongoing GF costs are anticipated to be \$4 million; however, opioid settlement funds are forecasted to be available to cover a portion of these costs for the next several years.	\$1,500,000 0.0
4.	<i>Homeless Emergency Services</i> Add ongoing funding for the Office of Homeless Solutions to support the Keys to Change Key Campus operations due to expiring American Rescue Plan Act funding. Funds will be utilized for operations of the Brian Garcia Welcome Center, janitorial services for the neighborhood around the Campus, and providing safe and secure storage for client personal property. The Key Campus serves roughly 1,000 people daily.	\$1,500,000 0.0

		2026-27
<u>Department/Program</u>		Total
5.	<i>Homeless Housing Services</i> Add ongoing funding for the Office of Homeless Solutions to expand its housing programming to include the master lease of 50+ units of rental housing that would be sub-leased to people exiting homelessness. Third party leases will serve single adults, couples and roommate situations with stable, affordable housing with on-site support services.	\$2,500,000 0.0
Total Human Services		\$19,941,000 0.0
<u>Information Technology Services</u>		
1.	<i>Various</i> Convert 16 temporary Information Technology positions to ongoing status, including: one Information Tech Systems Specialist to help support protection, backup and recovery of critical data; one Information Tech Systems Specialist for overseeing the installation, maintenance, and repair of the City's large-scale communications network; eight positions supporting cyber-security and threat analysis (four Information Technology Service Specialists, three Information Technology System Specialists, and one Senior Information Technology Systems Specialist), three positions supporting installation and maintenance of the City's cable and network telecommunication infrastructure (one Communications Engineer, one GIS Coordinator, and one User Technology Specialist*U2); one Lead User Technology Specialist for oversight of the Network Operations Center (NOC) and monitoring of enterprise network and unified communications systems to ensure security and optimal performance; one Contract Specialist II to support legal and procedural compliance for contract procurement and administration; and one Information Technology Specialist to keep City security policy, standards, and procedures accurate, current, and properly documented. Converting these 16 positions to ongoing status and filling with City staff will help ensure continuity, stability, and long-term support for these critical functions.	\$0 16.0
Total Information Technology Services		\$0 16.0
<u>Law</u>		
1.	<i>Civil Division</i> Increase litigation staff to reduce reliance on contracted law firms. The cost of contracted legal services has risen substantially in recent years, and transitioning this work to City staff is expected to achieve meaningful and ongoing cost savings. The three Assistant City Attorney IV positions, Legal Secretary*U8, and Legal Assistant will be funded through the City's self-insurance trust.	\$0 5.0
Total Law		\$0 5.0

Department/Program		2026-27 Total
<u>Library</u>		
1.	<i>Branch Libraries</i> Add ongoing funding for the Cholla Library parking land lease. Due to ongoing redevelopment of the former Metrocenter Mall, Cholla Library has experienced reduced parking options for visitors. Funding will provide a dedicated lot that will reduce congestion on nearby streets and neighboring business lots, improve customer experience, and support the library's role as a hub for learning, events, and civic life.	\$322,000 0.0
Total Library		\$322,000 0.0
<u>Office of Arts and Culture</u>		
1.	<i>Administration</i> Convert a part-time Administrative Assistant I position to an ongoing full-time position. This position is the first contact point for customer service and supports Arts and Culture programs by scheduling meetings, creating reports and presentations, responding to constituent inquiries, and supporting the public art, grants, and facilities teams.	\$0 0.4
Total Office of Arts and Culture		\$0 0.4
<u>Parks and Recreation</u>		
1.	<i>Administration</i> Add ongoing funding to invest in teen prevention strategies, including tutoring opportunities, enhanced and expanded recreation for youth and teens, and to improve program affordability to ensure Phoenix families can participate in Parks programs. This funding will implement tutoring opportunities at the Longview, Maryvale, South Mountain, and Sunnyslope community centers; allow the South Phoenix Youth Center to be open on Saturdays from 10 a.m. to 4 p.m., allowing the center to be open six days a week; add enhanced programming and youth and teen engagement at the Desert West, Longview, and Sunnyslope community centers and the South Phoenix Youth Center; and improve affordability of select youth and teen programs at the Laveen, Deer Valley, Desert West, Longview, Maryvale, South Mountain, and Sunnyslope community centers.	\$500,000 0.5
2.	<i>Parks Maintenance</i> Add one-time funding for security lighting enhancements at City parks. This funding will support renovations and additions to the existing LED lighting infrastructure at five park locations. The improvements will increase visibility and promote safe, enjoyable recreation opportunities for Phoenix residents by providing enhanced playground lighting at Buffalo Ridge, Moon Valley, Sueno, and Western Star Parks, as well as perimeter lighting around Hilaria Rodriguez Park.	\$500,000 0.0

Department/Program		2026-27 Total
3.	<i>Parks Maintenance</i> Add ongoing funding for one Groundskeeper and two Gardner positions, as well as vehicles, equipment, and utilities to support operations of Lone Mountain Park. Lone Mountain Park will be a 395-acre Community Park located at 56th Street and Montgomery Road. Costs are anticipated to begin in April 2027. The full-year ongoing cost, excluding initial equipment purchases, will be \$379,764.	\$194,000 3.0
4.	<i>Recreation/Teen Centers Operated with City Staff</i> Add ongoing funding for one full-time Recreation Coordinator II, 2.5 FTE part-time Recreation Leader, 1.0 FTE part-time Parks & Recreation Aide, and 1.0 FTE part-time Recreation Instructor for the new recreation center at Esteban Park. This project is part of the 2023 GO Bond program, and costs are anticipated to begin in April 2027. The full-year ongoing cost will be \$384,515.	\$72,000 5.5
5.	<i>Various</i> Convert a temporary Special Projects Administrator position to ongoing status. This position was established to assist with a variety of high-level department and capital projects in the Director's Office and the Parks Development Division. The position serves as the lead for the development of the department's Parks Master Plan, acts as the department grant liaison, and supervises the FitPHX program manager.	\$0 1.0
Total Parks and Recreation		\$1,266,000 10.0
<u>Planning and Development</u>		
1.	<i>Various</i> Add one-time funding for customer service enhancements in the Planning and Development Department (PDD). Funding will support improvements to the customer experience for visitors to PDD at Phoenix City Hall. In partnership with the Public Works Department, PDD will identify opportunities to streamline and improve the check-in process and overall customer flow. Potential improvements include creating collaboration space, enhancing signage, and evaluating alternative security and check-in procedures. Additionally, funding will support continued customer service and process improvement initiatives, which may include but are not limited to updating the department's website, developing strategies and educational materials on available services and resources, and providing additional support for technology upgrades.	\$1,500,000 0.0
Total Planning and Development		\$1,500,000 0.0

<u>Department/Program</u>	2026-27 Total
<u>Public Works</u>	
1. <i>Equipment Maintenance Repair and Related Parts Service Support</i>	\$0
Convert a temporary Equipment Shop Foreman position at the Salt River Service Center to ongoing status. This position supervises the overnight shift, providing 24-hour, five-day-a-week operations making essential repairs to Solid Waste vehicles and minimizing daily collection schedule disruptions.	1.0
2. <i>Administration</i>	\$0
Convert a temporary Senior Human Resources Analyst position to ongoing status. The position provides human resources support, including guidance to staff and management regarding performance management, employee relations, training on HR-related topics, recruiting and selection processes, and grievances for more than 1,100 employees in all Public Works divisions.	1.0
3. <i>Facilities Management</i>	\$0
Convert a temporary Administrative Assistant II position to ongoing status. The position supports budget coordination for downtown buildings and service centers; identifies and tracks potential grant opportunities; assists with property management activities for new facilities; contributes to revisions of City building standards in collaboration with subject matter experts; and serves as a liaison with City departments and Police to support visitor management at Phoenix City Hall and the Calvin C. Goode Building.	1.0
Total Public Works	\$0 3.0
<u>Street Transportation</u>	
1. <i>Street Lighting</i>	\$500,000
Add one-time funding for the installation of 17 new streetlights and 24 streetlight upgrades as part of the 27th Avenue Community Safety Plan, which leverages technology and community-based resources to enhance safety and improve quality of life along 27th Avenue and the I-17 corridor. These improvements will increase visibility and support a safer environment for residents, businesses, and visitors.	0.0
2. <i>Central Records</i>	\$0
Convert a temporary Chief Engineering Technician*U7 position to ongoing status. This position serves internal and external customers, trains new employees, researches to locate hard-to-find records, indexes documents, streamlines team processes, and communicates with Subject Matter Experts to complete the fulfillment of Public Records requests.	1.0
Total Street Transportation	\$500,000 1.0
<u>TOTAL PROPOSED GENERAL FUND ADDITIONS</u>	\$163,319,000 54.9

ATTACHMENT B

2026-27

PROPOSED ADDITIONS NON-GENERAL FUND

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

<u>Department/Program</u>	<u>2026-27 Total</u>
<u>Aviation</u>	
1. <i>Terminal Technology Systems</i> Add ongoing funding to implement an access management system. This security tool automates password management for high level system accounts, helping meet Transportation Security Administration requirements and align with citywide cybersecurity standards.	\$118,000 0.0
2. <i>Terminal Management & Maintenance</i> Add ongoing funding for one Facilities Project Planner and two Building Maintenance Worker positions to support water quality and safety operations at all three airports. The positions will ensure faster response times and support the internal capacity needed to proactively implement and maintain the new airport water quality program.	\$295,000 3.0
3. <i>International & Common Use Systems</i> Add ongoing funding for one Aviation Supervisor II (Common Use Coordinator) dedicated to international operations. Rapid growth in international air service requires focused oversight to maintain safe, efficient passenger processing. This position will manage passenger flow in international gate hold areas and support federal inspections to ensure effective and timely movement of international travelers.	\$101,000 1.0
4. <i>Administration</i> Add ongoing funding for three positions to support administrative functions. The addition of one Human Resources Analyst is needed to meet growing personnel needs. The Program Manager and Management Assistant II will ensure a successful rollout and long term stewardship of the new asset management platform.	\$487,000 3.0
5. <i>Capital Management & Support</i> Add ongoing funding for one Special Projects Administrator to support Operational Readiness, Activation, and Transition (ORAT) activities for major capital projects. This position will serve as the dedicated ORAT lead within the Operations Division, ensuring new facilities at Sky Harbor are operationally ready and improving coordination and performance on large scale projects.	\$190,000 1.0
Total Aviation	\$1,191,000 8.0

Department/Program

Finance

1.	<i>Risk Management</i>		\$0
		Convert a temporary Risk Management Program Manager position to ongoing status in the Risk Management Division. The position supports the planning, development, and oversight of the City's commercial insurance programs, liability claims management, and loss prevention initiatives. The position is funded by the Water Services Department due to the increased volume and complexity of risk related claims within that department.	1.0
2.	<i>Risk Management</i>		\$0
		Convert a temporary Claims Adjuster II position to ongoing status in the Risk Management Division. The position responsibilities include essential administrative and management support that directly contributes to service quality of aviation claims activity. The position is funded by the Aviation Department due to the increased volume and complexity of risk claims at the Deer Valley and Goodyear airports.	1.0
Total Finance			\$0
			2.0

Housing

1.	<i>Project Implementation</i>		\$0
		Convert a temporary Project Management Assistant to ongoing status. This position supports the Wi-Fi Connectivity Program, which helps bridge the digital divide for residents of City affordable and senior housing facilities, and provides literacy training to empower residents to access education, healthcare, and community resources. The position supports the program's initiatives by collaborating with partners, fostering relationships, and securing new opportunities and resources.	1.0
Total Housing			\$0
			1.0

Phoenix Convention Center

1.	<i>Convention Center</i>		\$0
		Convert a temporary Senior User Technology Specialist position to ongoing status. The position provides advanced technical support, resolves high level hardware and software issues, coordinates with vendors, and assists with the evaluation, installation, and maintenance of mission critical systems and applications. The position also supports infrastructure planning with architects and external agencies and helps staff integrate technology to improve operational efficiency.	1.0

Department/Program		2026-27 Total
2.	<i>Convention Center</i> Convert a temporary User Technology Specialist position to ongoing status. The position provides frontline technical assistance for networked systems, applications, telecommunications, Wi-Fi, digital signage, AV equipment, and event-related technology. The position also deploys computer devices, supports temporary ticketing networks, and maintains accurate IT asset inventory.	\$0 1.0
3.	<i>Convention Center</i> Convert two temporary Project Management Assistant positions to ongoing status. The positions coordinate cross-functional initiatives and contribute to strategic planning for multimedia content, ranging from internal communications to public-facing materials.	\$0 2.0
4.	<i>Convention Center</i> Convert a temporary Accountant II position to ongoing status. The position is responsible for event settlements and financial reporting, compliance and reconciliation. With sustained growth in the Phoenix Convention Centers events, programs, and services, this position is essential in the financial operations to balance the workloads and maintain financial accuracy and efficiency.	\$0 1.0
5.	<i>Convention Center</i> Convert a temporary Sales Manager position to ongoing status. The position is essential for driving revenue, managing client relationships, and developing strategic sales plans. The position supports marketing and client facing needs, develops and executes marketing campaigns, creates promotional and social media content, maintains website and email communications, coordinates events, conducts market research, and collaborates with vendors to deliver effective initiatives.	\$0 1.0
Total Phoenix Convention Center		\$0 6.0
<u>Planning and Development</u>		
1.	<i>Civil Plan Review & Inspections</i> Convert 12 temporary positions to ongoing status to support the Taiwan Semiconductor Manufacturing Company (TSMC) development project. Included are one Electrical Plans Examiner II, Plan Review Coordinator, Mechanical Plans Engineer, Fire Protection Engineer, Structural Plans Engineer, Electrical Plans Engineer, Planning & Development Team Leader, Chief Engineering Tech*U7, two Senior Engineering Tech, and two Planner II positions. The positions are needed to fulfill obligations under the development agreement and ensure expedited, high-quality support for plan review and permitting. These positions are critical to the success of TSMC's North Phoenix expansion and Phoenix's economic growth.	\$0 12.0
Total Planning and Development		\$0 12.0

Department/Program	2026-27 Total
<u>Street Transportation</u>	
1. <i>Administration</i>	\$0
Convert a temporary Contracts Specialist II position to ongoing status. This position supports, invoices, and reconciles the various revenue and expenditure contracts in the department. This position also provides monthly training in the City's procurement and financial system and ongoing shopper training throughout the department.	1.0
2. <i>Administration</i>	\$0
Convert a temporary Senior Human Resources Analyst position to ongoing status. This dedicated recruiter position supports position recruitments and interview processes, and brings specialized expertise and proactive sourcing strategies, to help to quickly fill vacancies.	1.0
Total Street Transportation	\$0 2.0
<u>Water Services</u>	
1. <i>Administration</i>	\$0
Convert a temporary Senior Human Resources Analyst position to ongoing status. This position collaborates with hiring managers to assess staffing needs, develop advertising and outreach strategies, and draft tailored recruitment postings. It reviews and approves selection process materials, supports interview and selection steps, and provides career counseling to employees.	1.0
Total Water Services	\$0 1.0
<u>TOTAL PROPOSED NON-GENERAL FUND ADDITIONS</u>	\$1,191,000 32.0

ATTACHMENT C



City of Phoenix

BUDGET AND RESEARCH DEPARTMENT REPORT

B.R.D. NUMBER
2026-02

SUBJECT

General Fund Revenue Estimates

DATE ISSUED
March 24, 2026

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.

This report explains how GF revenues are projected, including the data sources, economic assumptions, and analytical methods used. It also provides historical revenue actuals and growth rates, revenue estimates for 2025-26 and 2026-27, and the factors staff considered when analyzing each major revenue category. Revenue estimates for Local Taxes reflect two major changes: the loss of residential rental tax revenue due to Senate Bill 1131, effective January 1, 2025, and the 0.5 percentage point increase in the City TPT and Use Tax rates, effective July 1, 2025. Revenue estimates for state-shared revenues reflect the negative impact of San Tan Valley's incorporation. In addition, State-shared income tax revenue estimates reflect the negative impact of Senate Bill 1828, which reduced the individual income tax rate to a 2.5% flat tax starting in tax year 2022. However, it does not reflect any impact on State-Shared Revenue resulting from the 2026-27 State budget, nor does it reflect any legislative changes that have recently been proposed or discussed during the current legislative session.

The table below summarizes the estimated GF revenues and the primary reason for the variance:

GF Revenue Category (millions)	2025-26 Estimate	2026-27 Estimate	Amount Change	Percent Change	Primary Reason for Difference
Local Taxes	\$820.0	\$834.4	\$14.4	1.8%	Assume moderate growth
Primary Property Tax	222.7	233.4	10.7	4.8%	Increase in assessed property valuation
State Shared Sales Tax	256.4	265.2	8.8	3.4%	Assume moderate growth
State Shared Income Tax	326.1	352.0	25.9	7.9%	Based on collections received two years prior
State Shared Vehicle License Tax	90.4	93.4	3.0	3.3%	Assume moderate growth
User Fees & Non-Taxes	208.0	213.0	5.0	2.4%	Assume moderate growth in ambulance billings, partially offset by lower interest earnings.
Total	\$1,923.6	\$1,991.4	\$67.8	3.5%	

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 is 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.

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 sales tax category for the 2026-27 estimate and subsequent 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 on expected economic growth. 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.

By the end of 2025, the U.S. economy displayed both resilience and underlying challenges. Real gross domestic product (GDP) increased at an annual rate of 4.4% in the third quarter of 2025, according to the updated estimate from the U.S. Bureau of Economic Analysis. The increase in real GDP reflected increases in consumer spending, exports, government spending, and investment. Still, the road in 2026 remains challenging. The Blue Chip Economic Indicators (BCEI) consensus projects that real GDP will grow at a slower pace, with 2.0% in 2026 and 2.1% in 2027. Forecasters anticipate continued consumer spending support, though at a slower pace. Persistent uncertainties – including tariff policy

shifts, escalating geopolitical tensions, elevated consumer debt, housing affordability constraints, labor market frictions, and inflationary pressures continue to weigh on confidence and investment decisions.

Arizona's future economic performance, along with that of Phoenix, will be closely tied to national and global trends. Arizona's economy continues to grow, though at a slower pace than usual. Job gains are modest due to reduced hiring and slightly higher layoffs. Arizona's nonfarm job growth has decelerated, shifting from roughly 1.2% in 2024 to 0.6% in 2025, according to the U.S. Bureau of Labor Statistics (BLS). Income levels are rising gradually, reflecting post-pandemic normalization in employment costs. For the 12-month period ending September 2025, wages and salaries for private industry workers increased 2.6% in the Phoenix Metropolitan Area, down from 3.4% in September 2024.

Despite these challenges, Arizona taxable retail sales, including remote sellers, increased by 4.3% in December 2025. The rebound in taxable retail sales demonstrates resilient consumer activity. However, December 2025 marked the fifth consecutive month with a year-over-year decline in State TPT contracting revenue, primarily due to weakness in the residential construction sector. After the COVID-19 pandemic, Arizona saw a surge in home and rent prices. Housing affordability has remained a primary challenge for the state. Housing permit activity statewide has been weak through the first eight months of 2025; seasonally adjusted total Arizona housing permits were down 13.1% compared to the same period last year (EBRC Benchmark).

Revenue Forecasting Methods

Several forecasting methods and practices are used to estimate City revenues, and these vary by revenue type. Evaluating historical growth patterns and current actuals is an important component of analysis and provides 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.

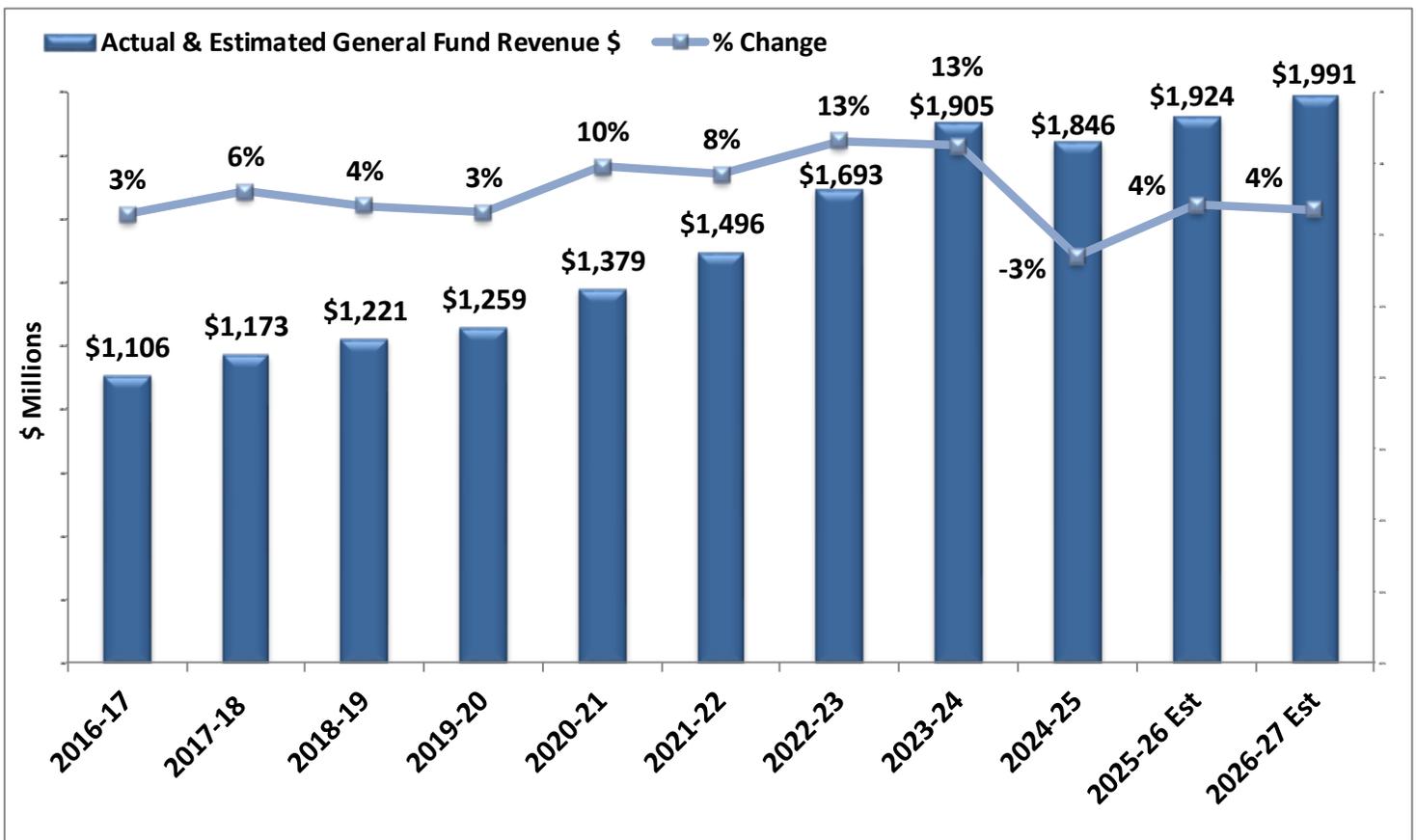
Once the current fiscal year estimate is developed, assumed growth rates are then applied to this amount to arrive at a projected revenue amount for the following fiscal year. These assumed growth rates take into account historical and recent revenue trends, one-time revenue adjustments, and information from City departments and our trusted sources to ensure projections are neither overly conservative nor 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 the 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 2025-26 and 2026-27 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

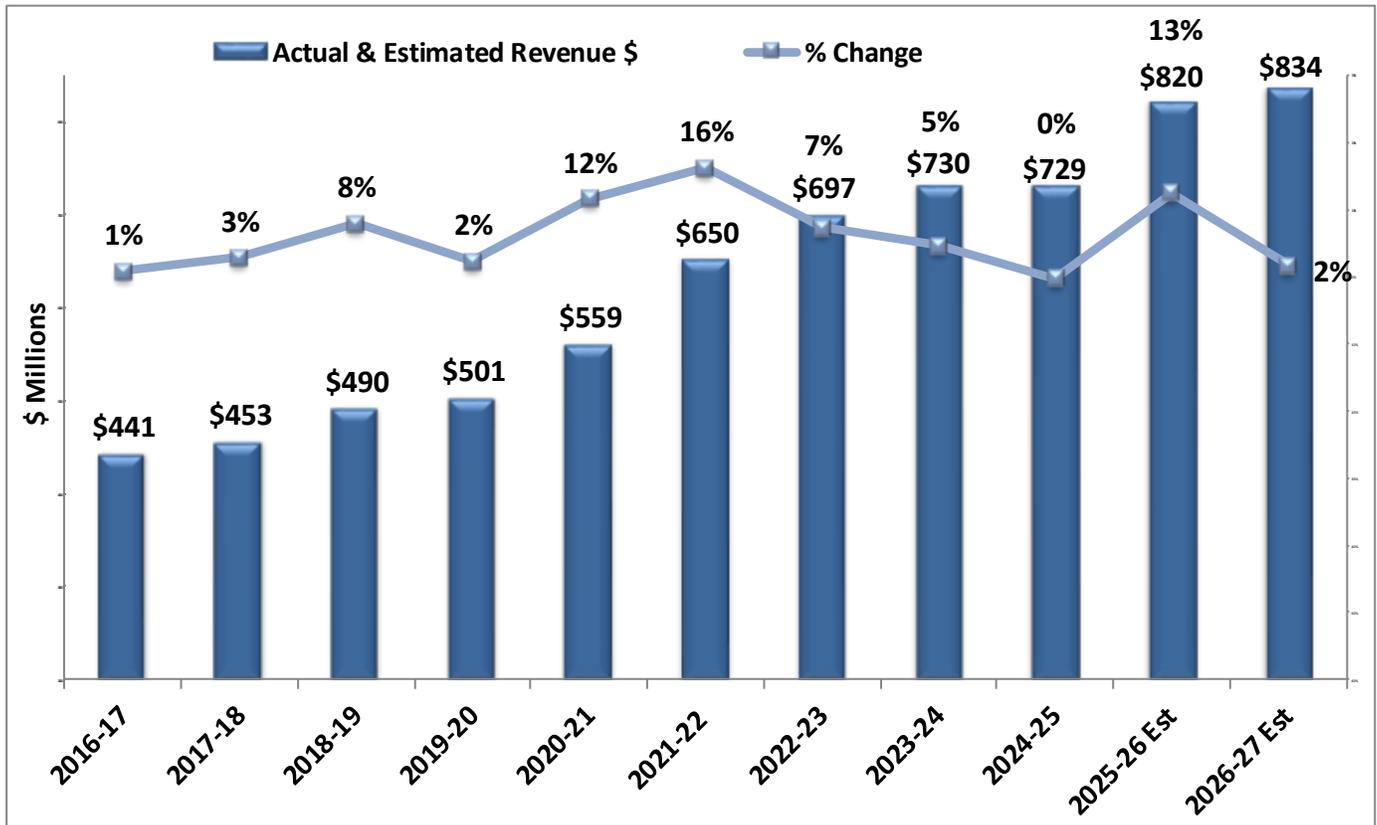


* Projections for 2025-26 and 2026-27 include the 0.5 percentage point increase in the City TPT and Use Tax rates, effective July 1, 2025. They also reflect the negative impact on state-shared revenues from the incorporation of San Tan Valley in 2025-26

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, 41% 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 are 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 the 0.5 percentage point increase in the TPT and Use Tax rates, raising them from 2.3% to 2.8%, effective July 1, 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, driven by underlying fundamentals such as population growth, increases in discretionary income, business expansion, job growth, 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 City revenues by drawing in greater tax revenue from higher-priced taxable goods and a rise in wages. However, the retail sector, the City's largest source of sales tax, has slowed since June 2022. In 2023-24, retail sales tax grew by 3.1%, the slowest rate since 2012-13, and in 2024-25, growth was even more modest at 1.1%. This slowdown, combined with recent legislative changes, has negatively impacted city sales tax revenue collections. The negative impacts include the State's elimination of the residential rental sales tax under Senate Bill (SB) 1131. Significant economic uncertainty and volatility in sales tax revenue collections in the first seven months of 2025-26 require a cautious approach to forecasting. Staff is closely monitoring revenue collections and may revise revenue estimates as more information becomes available.

Privilege license fees and other excise tax projections are developed using the existing fee structures, historical trends, averages, recent collection experience, and the percent of prior year method to account for seasonal influences on revenue activity. Privilege license fees and other excise taxes assume modest 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 = < \$14,338 for a single item) **** & *****	1.5%	0.1%	0.2%	–	0.1%	0.9%	–	–	–	2.8%
Retail (Level 2 – amounts > \$14,338 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% franchise fee paid by utilities with a franchise agreement.

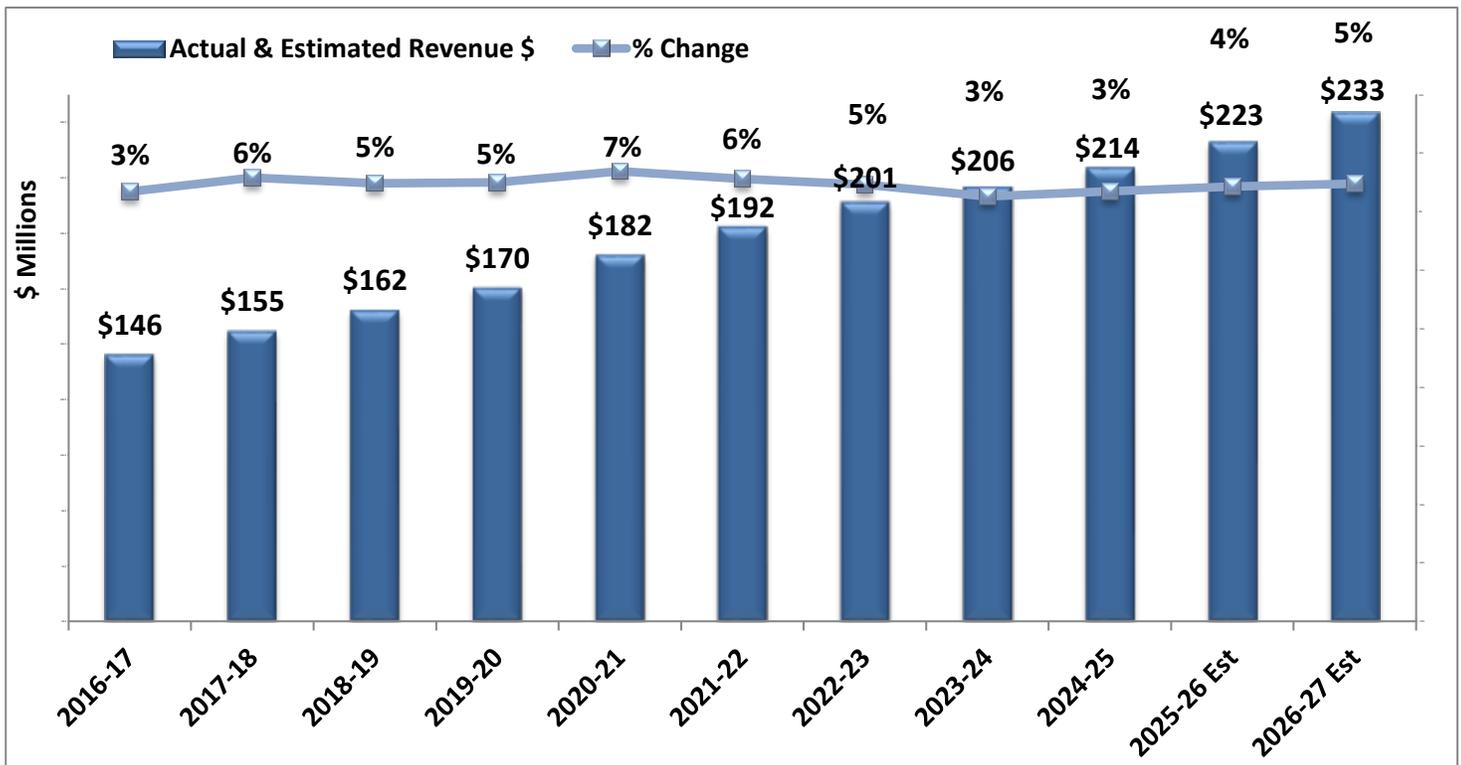
**The Public Safety Enhancement designated 2.0% sales tax applies only to those utilities with a franchise agreement.

***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, 2026, and the current threshold is \$14,338, which will be adjusted again on January 1, 2028.

****The tax rates reflect the 0.5 percentage point increase, from 2.3% to 2.8%, effective July 1, 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.

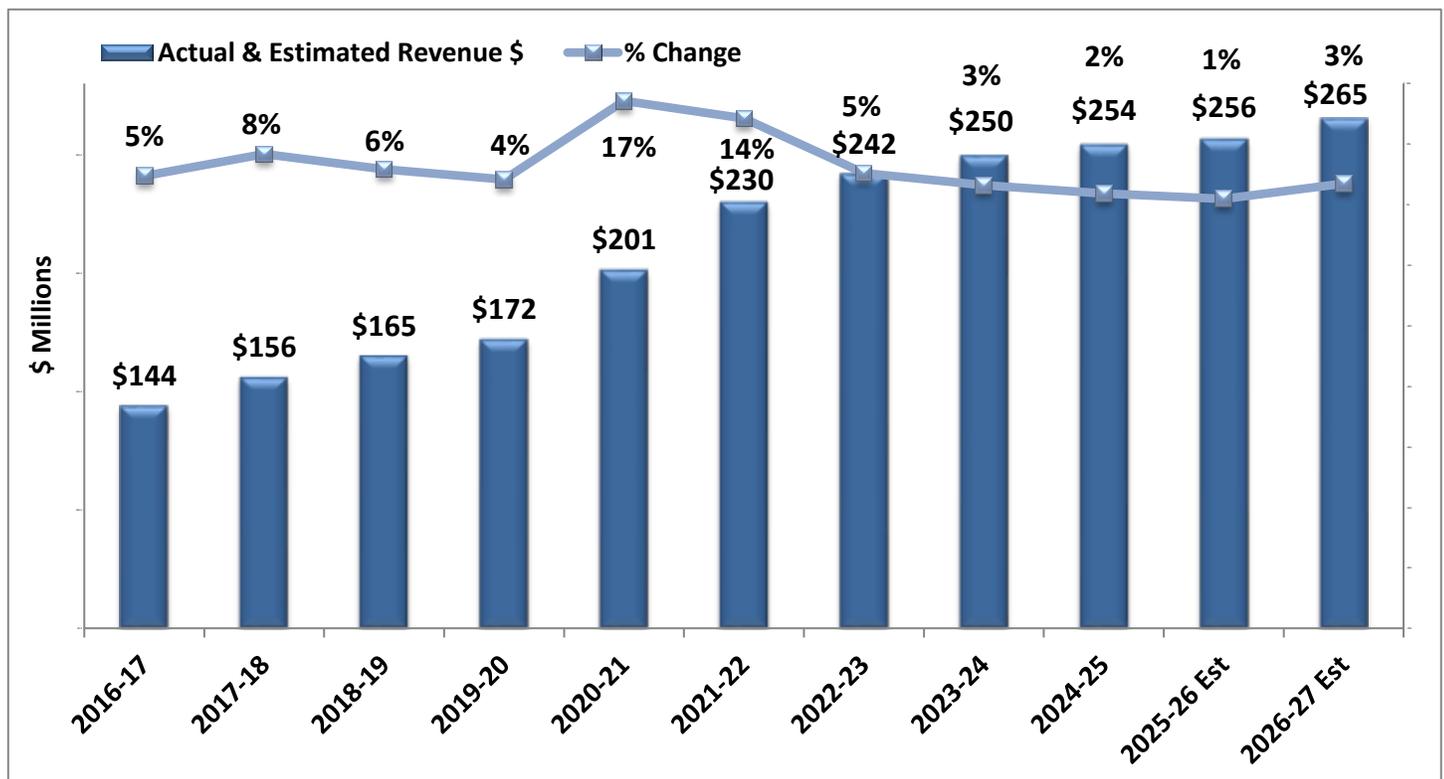
Primary Property Tax, 12% of Total General Fund Revenue



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 2026-27 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 2026-27 of \$1.2652 is lower than the 2025-26 primary property tax rate of \$1.2658 and is equal to the rate allowable under the state constitution, which limits the primary property tax to an amount 2% greater than the prior-year limit on previously taxed properties. The primary property tax revenue estimate for 2026-27 is \$233.4M, which is \$10.7M, or 4.8%, more than the 2025-26 revenue estimate of \$222.7M due to increased taxable net assessed valuation (property values) and new construction.

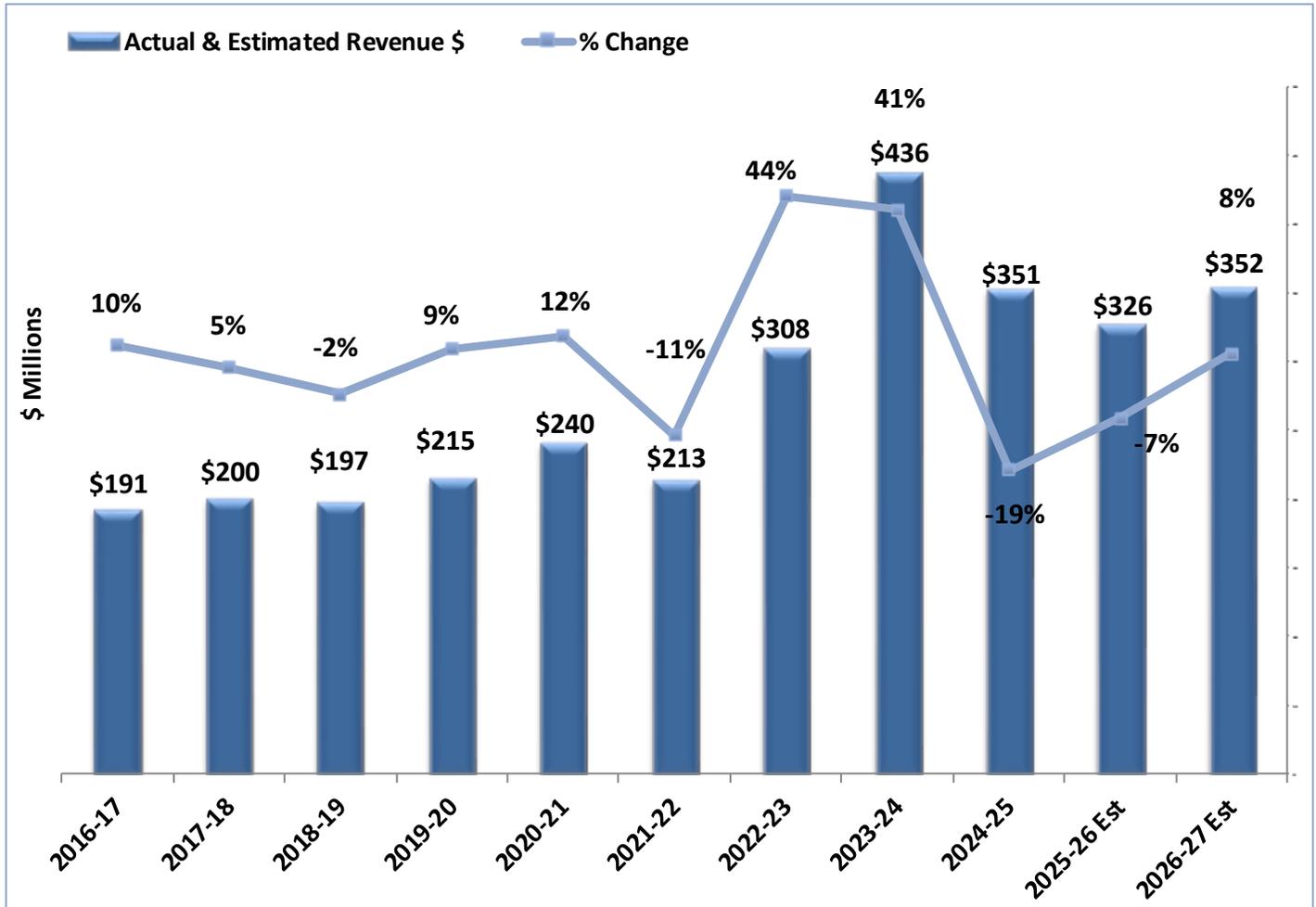
State Shared Sales Tax, 13% of Total General Fund Revenue



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 that, of the monies designated in the distribution base, the Arizona Department of Revenue shall pay 25% to incorporated cities on the basis of relative population percentages. The population share changes annually based on Census Bureau Population Estimates. For 2026-27, the City of Phoenix population share is projected to be 27.07%, based on the 2024 Census Bureau Population Estimates. This estimated share also reflects the reduced share resulting from the incorporation of San Tan Valley in 2025-26.

State sales tax is estimated to be similar to the city sales tax forecast. 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 2026-27 estimates, and information from the FAC and JLBC was considered to ensure current fiscal year estimates are reasonable and in line with what these experts are projecting.

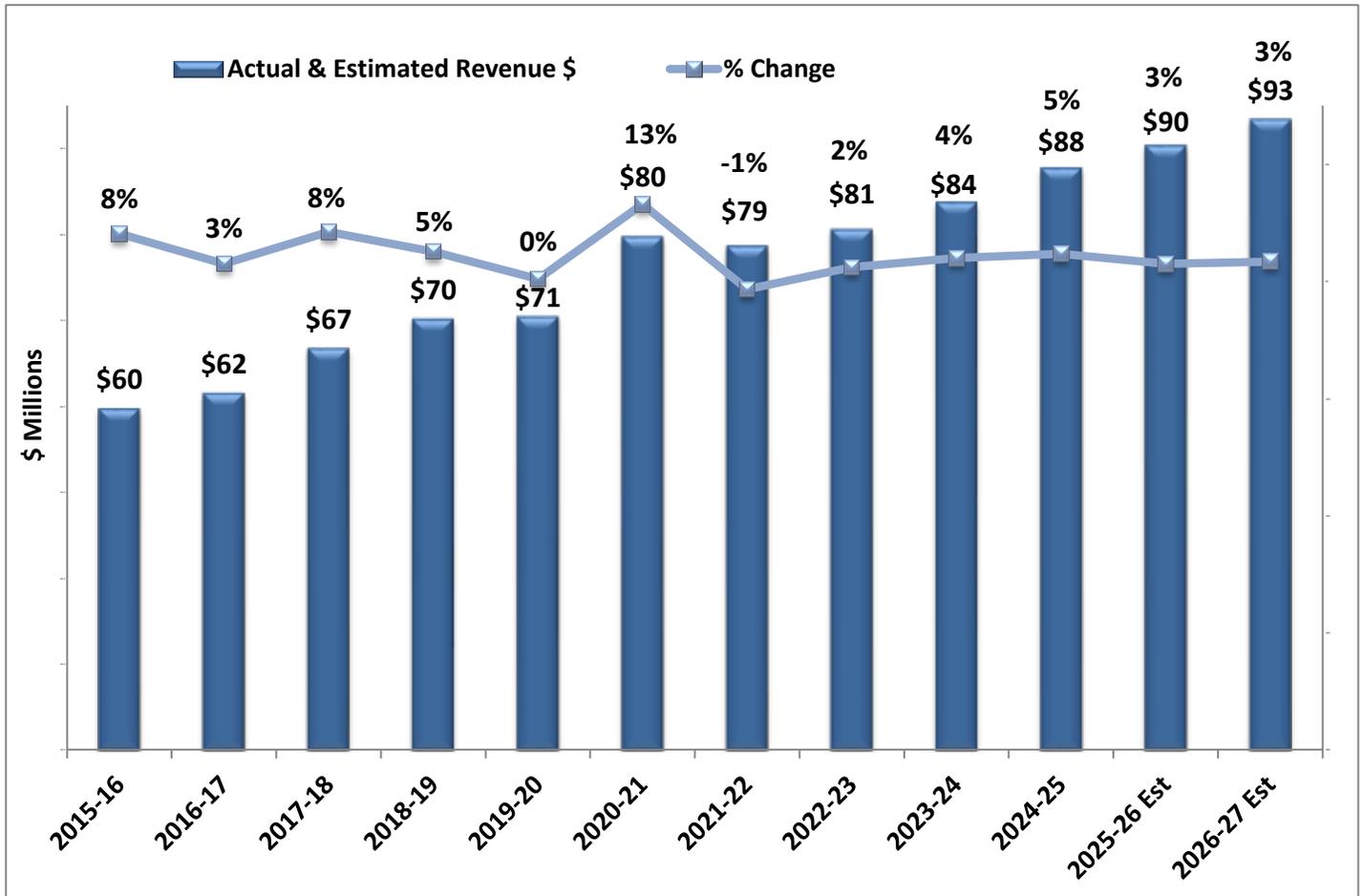
State Shared Income Tax, 18% of Total General Fund Revenue



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% 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 2026-27 City of Phoenix population share is estimated at 27.03% and is based on the 2024 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 that 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. The estimated share of 27.03% also reflects the reduced share resulting from San Tan Valley's incorporation in 2025-26.

Since state shared income tax revenue is based on actual collections from two years preceding the current fiscal year, the 2025-26 and 2026-27 projected revenue is known and is based on actual collections received in 2023-24 and 2024-25, respectively. The declines of (19.4) % in 2024-25 and (7.0) % in 2025-26 are primarily due to significantly lower state shared income tax collections following the State’s implementation of a flat individual income tax. Senate Bill 1828 reduced individual income tax rates beginning in tax year 2022 to the current flat tax rate of 2.5%. The projected 7.9% growth in 2026-27 reflects anticipated capital gains growth in tax year 2024 and continued strong wage growth.

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

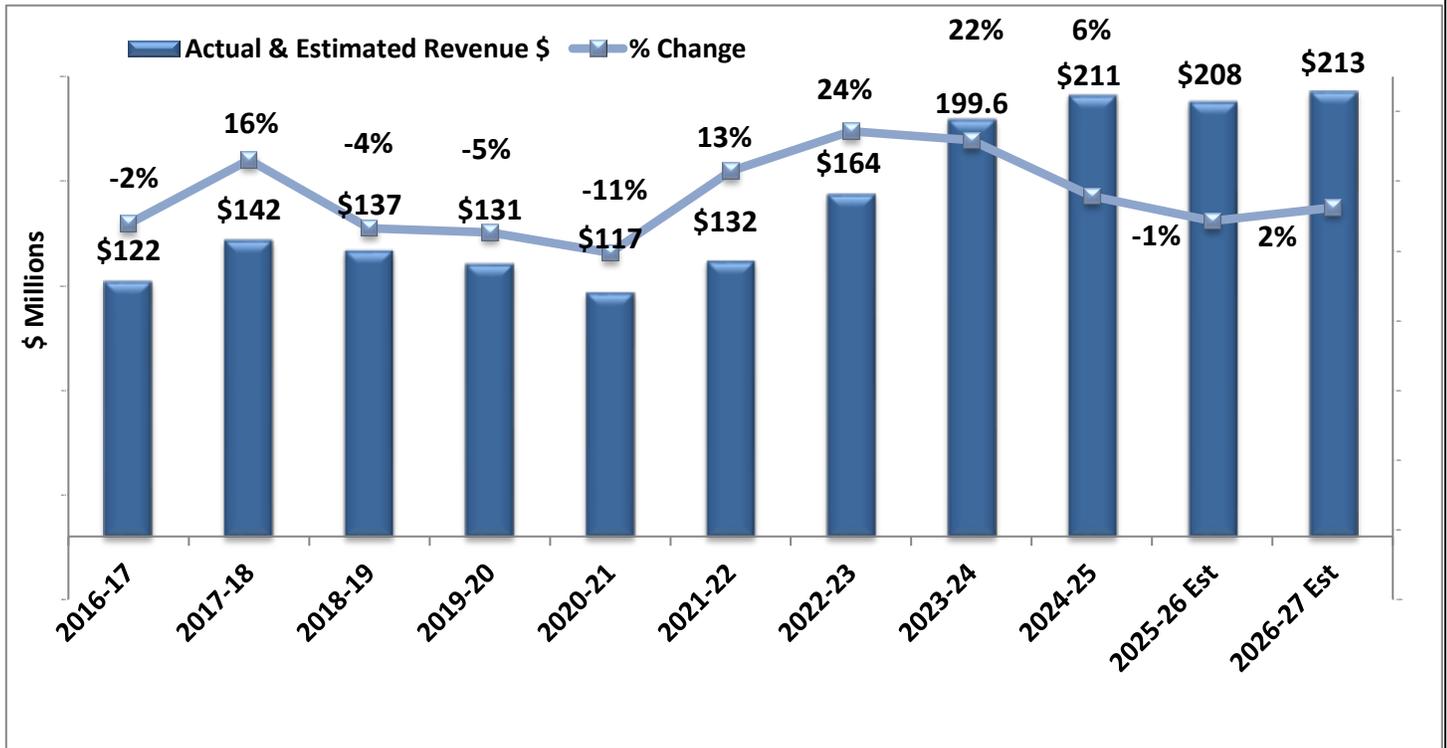


State shared vehicle license tax has been distributed to cities and towns since 1941. The tax is levied per \$100 of a vehicle’s assessed value. For the first 12 months of the vehicle’s life, the assessed value is 60% of the manufacturer’s base retail price. For each subsequent year, the assessed value 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 City of Phoenix population share for 2026-27 is estimated at 38.03%, based on the 2024 Census Bureau Population Estimate. This percentage will be updated annually as new Census Bureau Population Estimates are released.

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 during economic expansion, as illustrated in the graph above. Revenues are estimated by evaluating historical growth patterns, year-to-date cumulative growth, and applying the percentage 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 2026-27 is 3.3%, assuming moderate growth based on the ADOT forecast from September 2025.

User Fees and Non-Tax Revenues, 11% of Total General Fund Revenue



User Fees and Non-Tax Revenues include collections from licenses and permits, fines and forfeitures, cable television fees, and 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. They also include other revenue sources, such as interest income, parking meter revenue, in-lieu property taxes, sales of surplus property, various rental income, parking garage revenues and concessions, and 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 that 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 the reasons for any 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 2.4% growth in 2026-27 was driven primarily by the fee increase for hazardous materials inspections and moderate growth in emergency transportation services, partially offset by declines in interest earnings and cable communications revenue.

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 D
City of Phoenix
2026-27 Community Budget Hearings

Date	Time	Council District(s)	Location
Monday, March 30, 2026	6:00 pm	D1	Goelet A. Beuf Community Center Multipurpose 3435 W. Pinnacle Peak Road
Wednesday, April 1, 2026	6:00 pm	D4	Steele Indian School Park Memorial Hall 300 E. Indian School Road
Thursday, April 2, 2026	6:00 pm	D5	Maryvale Community Center Multipurpose 4420 N. 51st Avenue
Monday, April 6, 2026	8:30 am	D6	Devonshire Senior Center Multipurpose 2802 E. Devonshire Avenue
Monday, April 6, 2026	6:00 pm	D7	Desert West Community Center Multipurpose 6501 W. Virginia Avenue
Tuesday, April 7, 2026	6:00 pm	Spanish Language (English interpretation available)	Maryvale Community Center Multipurpose 4420 N. 51st Avenue
Thursday, April 9, 2026	8:30 am	D3	Sunnyslope Community Center Multipurpose 802 E. Vogel Avenue
Thursday, April 9, 2026	6:00 pm	Spanish Language (English interpretation available)	South Mountain Community Center Century Room 212 E. Alta Vista Road
Saturday, April 11, 2026	10:30 am	Communitywide Bilingual Hybrid (virtual/in-person)	City Council Chambers 200 W. Jefferson Street www.phoenix.gov/budget/hearings
Monday, April 13, 2026	6:00 pm	D2/D3	Paradise Valley Community Center Multipurpose 17402 N. 40th Street
Wednesday, April 15, 2026	6:00 pm	D8	South Mountain Community Library 7050 S. 24th Street
Thursday, April 16, 2026	6:00 pm	Communitywide Hybrid (virtual/in-person)	City Council Chambers 200 W. Jefferson Street www.phoenix.gov/budget/hearings



Fiscal Year 2026-31 Preliminary Five-Year Capital Improvement Program

This report transmits the Preliminary Five-Year Capital Improvement Program (CIP) for information and discussion. The City Charter requires the City Manager to submit the Preliminary CIP prior to adoption of the final budget.

The CIP represents investments in the long-term needs of the community through infrastructure development and maintenance. The five-year program totals \$11.4 billion, with a \$2.7 billion program for 2026-27. The full report is available on the Budget and Research website at phoenix.gov/budget.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

Summary

The five-year Preliminary CIP presented totals \$11.4 billion. The first year of the program, totaling \$2.7 billion, will ultimately be updated for carryover and resource availability and presented to the City Council for appropriation. The remainder of the CIP is presented for responsible planning purposes and is dependent upon resource availability.

Sources of five-year Preliminary CIP funding include \$186.6 million in General Funds, \$2,634.3 million in Special Revenue Funds, \$3,422.5 million in Enterprise Funds, \$273.4 million in General Obligation Bond Funds, \$2,094.1 million in Other Bond Funds, and \$2,817.3 million in Other Capital Funds.

The Preliminary CIP reflects the \$500 million voter approved 2023 General Obligation Bond Program, less expenditures projected through the current 2025-26 fiscal year. Projects and funding distribution are consistent with the General Obligation Bond Executive Committee recommendations presented to, and adopted by, the City Council in December 2022. \$250 million in General Obligation bonds have been sold, and the remaining \$250 million is anticipated to be sold this calendar year. Schedule 7 of the Preliminary CIP document provides the allocation of funds by project and fiscal year. As the program progresses and costs are finalized, this schedule will capture any proposed funding reallocations in comparison to the original approved program; however, all allocations currently match the original Council-approved allocations.

The proposed program's \$186.6 million in General Funds and \$192.7 million in General Fund-backed excise tax bonds reflect a commitment to infrastructure and technology investment.

Substantial investments funded directly through General Funds include:

- \$111.1 million in Facilities Management for facility major maintenance and assessments
- \$31.9 million in Information Technology for enterprise applications and network infrastructure
- \$28.9 million in Street Transportation and Drainage for flood hazard mitigation, cool pavement, and Roadway Safety Action Program projects
- \$2.9 million in Municipal Court for Case Management System replacement
- \$5.0 million in Sustainability for energy and water efficiency projects

Notable projects to be funded with excise tax bond proceeds include:

- \$82.7 million in Fire for new fire stations, new and replacement fire apparatus, and the Fire Computer Aided Dispatch System replacement
- \$48.6 million in Information Technology for enterprise asset management and public safety radio replacements
- \$25.0 million in Economic Development for the Innovation 27 advanced education and workforce development facility
- \$19.2 million in Facilities Management for security access control system replacement

The nearly 1,000 projects within the Preliminary Capital Improvement Program are detailed on the Budget and Research website at phoenix.gov/budget. A summary of sources, uses, and project selection methods by program is provided below.

Arts and Cultural Facilities

The Arts and Cultural Facilities program totals \$25.5 million and is funded by General Obligation Bond funds.

Projects are typically prioritized based on community input obtained during the development of periodic General Obligation Bond programs.

The program provides funding for construction, renovation and expansion of arts and cultural facilities operated primarily by non-profit partner entities.

Aviation

The Aviation program totals \$2,100.0 million and is funded by Aviation, Aviation Bond, Capital Grant, Customer Facility Charge, and Passenger Facility Charge funds.

The Aviation program includes improvements at Phoenix Sky Harbor International, Phoenix Deer Valley and Phoenix Goodyear Airports.

Various divisions of the Aviation Department are responsible for identifying and requesting new CIP projects as they are needed for airport expansion and replacement of existing infrastructure. They work with stakeholders to determine the impact of a project and, where necessary, to develop a business case which includes a scope, schedule, and budget, including a return-on-investment analysis, for the project. As part of the business case, a points-based score is developed for the project. Scoring is based on the project's return-on-investment, cost reduction or net present value; efficiency or productivity improvements; impact on the airport's sustainability goals; regulatory mandates; safety and security risk mitigation; and level of service or community relations needs. The business case is then presented to Aviation's executive team for approval or revision. If approval is received, the project awaits available funding and incorporation into the Aviation CIP.

Major projects include:

- Construction of new Terminal 3 North 2 apron construction of new Crossfield Taxiway U
- Strengthening and reconstruction of Taxiway A (A3-A4)
- Construction of Terminal 3 North 2 Concourse
- Repair and upgrade of Terminal 3 Processor and Baggage Handling System
- Construction of the Facility & Services Tonto Lot Campus Phase 1
- Repair and replacement of Terminal 4 vertical and horizontal transportation
- Repair and replacement of Terminal 4 Central Plant
- Replacement of Rental Car Center fire alarm system and vertical transportation
- Reconstruction and strengthening of Phoenix Deer Valley Airport Runway 7R/25L

Economic Development

The \$78.6 million Economic Development program is funded by Downtown Community Reinvestment, Operating Grant, Other Restricted, Sports Facilities, 2023 General Obligation Bond, and Other Bond funds.

The Community and Economic Development Department identifies new CIP projects by various methods which include: alignment with strategic planning objectives; collaboration with business, government and educational partners; and, engagement

with community groups and business associations. The City commits funds and expertise to partner with private and public entities. These partnerships help to expand the City's economy through the creation of new infrastructure and civic improvements, that trigger regional revitalization, enhance public tax revenues, facilitate the growth of the knowledge workforce, and promote higher education opportunities. Other benefits include achieving affordable and workforce housing objectives, and support of historic preservation and adaptive reuse projects.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council.

Major projects include:

- Downtown Redevelopment Area project facilitation and assistance
- Workforce Training Facility
- ASU Health Technology Center development assistance
- ASU Thunderbird School of Global Management development assistance
- Historic Preservation and Conservation facilitation and assistance
- Arizona Biomedical Corridor project facilitation and assistance

Environmental Programs

The \$2.4 million Environmental Programs CIP is funded by Other Restricted and 2023 General Obligation Bond funds. The program facilitates eligible citywide general stormwater compliance and brownfields redevelopment projects.

Stormwater capital improvement projects are implemented to advance the City's efforts to comply with stormwater management requirements and regulations. Any City department may propose a potential stormwater project, provided that the project meets the criteria outlined in the Stormwater Capital Improvement Project Fund Eligibility and Funding Protocol. The proposed projects are reviewed by the Stormwater Working Group and then the requesting department presents for approval to the Stormwater Executive Committee based on criteria established in the funding protocol, including: risk of regulatory non-compliance, ability for the project to achieve sustained compliance, degradation to the City's Municipal Separate Storm Sewer System, need for remediation, and other associated risks.

Redevelopment of brownfields property results in the elimination of environmental exposures and reuse that can eliminate blight, increase community benefits, jobs, and often serves as a catalyst for revitalization of the area. City brownfields project funding will assist City departments with predevelopment costs associated with

environmentally contaminated properties, such as environmental assessments, asbestos/lead-based paint surveys and abatement, and remediation. Project selection is based on several factors including location, benefit to community and job creation. Additionally, brownfields funding for the Rio Reimagined Land Acquisition program may include environmental assessments and cleanup to prepare economically attractive sites along the Rio Salado.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council.

Facilities Management

The Facilities Management program totals \$143.2 million and is funded by General, Other Restricted, 2023 General Obligation Bond, Other Bond and Other Capital funds.

The Facilities Management program includes various major maintenance projects for City facilities and fuel infrastructure. Additional citywide efforts to be implemented by Facilities Management primarily include: security access control, Glenrosa Fleet Building, energy efficient retrofits, fire and life safety systems, HVAC systems, roofs, parking lots, fuel/oil tanks, plumbing, generators, and electrical systems.

Most Facilities Management capital projects are requested and prioritized under the annual General Fund Facilities Project Prioritization Process. New project requests originate from facility lifecycle replacement plans, facility assessments, engineering studies, testing results, citizen requests, regulatory compliance, and identification of asset deterioration by City facilities staff. Projects are reviewed by a committee of subject matter experts from various departments and are evaluated and prioritized on the basis of human safety, service continuity, damage avoidance, aesthetic deficiency mitigation, regulatory considerations, and potential for increasing efficiency.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council.

Fire Protection

The \$146.4 million Fire Protection program is funded by Other Restricted, 2023 General Obligation Bond, Other Bond, Capital Grant, and Development Impact Fee funds.

The Phoenix Fire Department plans for CIP projects through a prioritized strategic forecasting process. The most significant projects for the department are construction of future fire stations that have been forecasted through the creation of a twenty-year fire station implementation plan. The forecast plan was developed through analysis of a variety of factors such as: existing fire stations' location and capacity, key performance indicators, and planned growth. Additionally, other identified new CIP project needs are presented to the Fire Department executive staff in the form of business cases that are then evaluated based on the potential positive impact on service delivery to the Phoenix community.

Development Impact Fee-funded projects are identified in accordance with state statutes, ensuring capital funding for service levels in planning areas is consistent with service levels in developed areas of the City. Identified projects are incorporated in the City's Infrastructure Financing Plan, which is reviewed by a citizens' committee prior to public hearings and ultimate adoption by the City Council.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council. This Capital Improvement Program includes three stations funded by the bond program, with a fourth - the replacement of Fire Station 15 (new location near 45th Avenue and Camelback Road) - already under construction.

In addition to the General Obligation Bond Program, in April 2025, the City Council approved the sale of excise tax bond obligations that are being used in this Capital Improvement Program to construct two fire stations, acquire new fire apparatus, and replace existing fire apparatus.

Major projects include:

- Implementation of a new Computer Aided Dispatch System and Records Management System
- Acquisition of fire apparatus
- Construction of new Fire Station 51 located near 51st Avenue and SR 303
- Construction of new Fire Station 71 located near 60th Street and Mayo Boulevard
- Construction of new Fire Station 93 located near I-17 and Peoria Avenue
- Replacement of Fire Station 7 (new location near 4th Street and Townley Avenue)
- Replacement of Fire Station 13 (new location near 50th Street and Thomas Road)

Historic Preservation & Planning

The Historic Preservation and Planning program totals \$3.0 million and is funded by 2023 General Obligation Bond funds.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council.

Housing

The Housing program totals \$177.9 million and is funded by Operating Grant, Other Restricted, 2023 General Obligation Bond, and Capital Grant funds.

The program provides funding for the creation and preservation of public and affordable housing units for low-income families, individuals, seniors, and special populations throughout the city. Grant-funded projects are planned based on the availability of these funds.

2023 General Obligation Bond projects will fund the preservation of City-owned affordable housing units and creation of affordable units in the Edison-Eastlake community. Grant funds include the U.S. Department of Housing and Urban Development's (HUD) Choice Neighborhoods development projects, HUD HOME Investment Partnership Program multifamily loan and redevelopment, HUD HOME American Rescue Plan to serve qualifying populations, and the conversion or modernization of existing public housing units through the HUD Capital Fund Program.

Housing Department capital improvement projects are identified based on City management's priority list and the Mayor and Council's Affordable Housing Initiative, in coordination with planned redevelopment programs, feedback from the Public Housing Resident Advisory Board, the Affordable Housing Development Community, and other stakeholders. The department's program and fiscal staff actively participate in prioritizing funding availability and addressing community housing needs and contractual terms of co-developers.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council.

Human Services

The Human Services program totals \$6.9 million and is funded by Other Restricted and 2023 General Obligation Bond funds.

The Human Services program includes acquisition, design, and

renovation/construction of shelters and senior centers.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council.

Major projects include:

- Senior Center in Laveen
- Renovation of the McDowell Senior Center

Information Technology

The \$119.1 million Information Technology program is funded by General, Arizona Highway User Revenue, Development Services, Other Restricted, Transportation 2050, Aviation, Convention Center, Solid Waste, Wastewater, Water, Other Bond, Solid Waste Bond, Wastewater Bond, Water Bond, and Development Impact Fee funds.

Information Technology CIP projects typically go through a review process and are managed by IT project managers. The review process provides City leadership visibility into information technology spending across the organization and helps ensure technology purchases are in alignment with current and future technology needs. Projects are evaluated and approved by various Information Technology Services divisions for security, application, and infrastructure considerations.

Development Impact Fee-funded projects are identified in accordance with state statutes, ensuring capital funding for service levels in planning areas is consistent with service levels in developed areas of the City. Identified projects are incorporated in the City's Infrastructure Financing Plan, which is reviewed by a citizens' committee prior to public hearings and ultimate adoption by the City Council.

Major projects include:

- Implementation of an enterprise time and labor system
- Replacement of public safety radios that are at end-of-life
- Data network infrastructure modernization

Libraries

The Libraries program totals \$34.2 million and is funded by General, Development Impact Fee, and 2023 General Obligation Bond funds.

Improvement and renovation projects are requested and prioritized under the annual

General Fund Facilities Project Prioritization Process. New project requests originate from facility lifecycle replacement plans, facility assessments, engineering studies, testing results, citizen requests, regulatory compliance, and identification of asset deterioration by City facilities staff. Projects are reviewed by a committee of subject matter experts from various departments and are evaluated and prioritized on the basis of human safety, service continuity, damage avoidance, aesthetic deficiency mitigation, regulatory considerations and potential for increasing efficiency.

Development Impact Fee-funded projects are identified in accordance with state statutes, ensuring capital funding for service levels in planning areas is consistent with service levels in developed areas of the City. Identified projects are incorporated in the City's Infrastructure Financing Plan, which is reviewed by a citizens' committee prior to public hearings and ultimate adoption by the City Council.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council.

Major projects include:

- Expansion of the Yucca Branch Library
- Construction of a new Estrella Civic Space Library at 99th Avenue and Lower Buckeye Road
- Construction of a new Desert View Civic Space Library at Deer Valley Drive and Tatum Boulevard

Municipal Court

The Municipal Court program totals \$2.9 million and is funded by General funds.

The program includes the Court Case Management System replacement project which targets the Phoenix Municipal Court's primary business application. This multi-year project envisions replacing the existing almost 27-year-old system which is no longer sustainable with a modern application. The new application will increase efficiency, expand self-service options for the public, enhance the Court's ability to offer remote contact and participation, reduce existing technical debt, and enable the Court's ability to move to real-time paperless processing.

Neighborhood Services

The Neighborhood Services program totals \$4.8 million and is funded by Operating Grant funds.

The Neighborhood Services program seeks to stabilize neighborhoods and improve infrastructure by acquiring properties for revitalization. By partnering with City departments, projects such as landscaping, sidewalks, lighting and other infrastructure improvements provide enhancements to City neighborhoods.

The Neighborhood Services Department considers new CIP projects through the efforts of their Neighborhood Enhancement and Infrastructure Team, which works closely with program staff, to identify potential CIP projects. Projects may also be proposed by the City Council or City management and evaluated based on availability of funding, eligibility of project area and scope which meets a HUD National Objective. Additionally, qualitative feedback is collected through community workshops, stakeholder consultations, and public requests, for projects such as: facility renovations, improvements to community centers, playgrounds, and other enhancements to community public infrastructure. Large projects, like acquisition of strategic or blighted properties, may be identified through other City programs and initiatives to expand the impact and/or better address the needs of the community such as providing affordable housing or creating Safe Routes to Schools.

Non-Departmental Capital

The non-departmental capital program totals \$656.6 million and is funded by General, Aviation Bond, Other Bond, Solid Waste Bond, Wastewater Bond, Water Bond, Capital Grant, Capital Reserve, Customer Facility Charge, Federal, State and Other Participation, and Passenger Facility Charge funds.

The non-departmental capital program consists of existing and anticipated future capital debt service, including payments of principal, interest, issuance costs and related expenditures such as trustee fees for bonds issued. The capital debt program reflects debt service for capital projects funded in other capital improvement programs.

The non-departmental capital program additionally includes a contingency budget for future capital grant awards, a set-aside to support operating costs on future capital projects, and reserves to provide local matching funds for potential federal capital grants.

Parks, Recreation & Mountain Preserves

The Parks, Recreation and Mountain Preserves program totals \$321.6 million and is funded by Parks and Preserves Initiative, Golf, 2023 General Obligation Bond, and Development Impact Fee funds.

The program includes land acquisition; improvement and rehabilitation of city parks, trails, sports fields, and pools; installation and replacement of security and sports field lighting; parking lot improvements; construction of ADA accessible amenities; and other citywide park infrastructure improvements.

Projects in the Parks and Recreation Department's CIP are prioritized within the five-year planning window based primarily on park needs and priority criteria. This process includes a three-tiered rating system that takes into account the life span of amenities. The rating identifies amenities that are new, at half-life or ready for replacement. Ratings are updated annually. Further, when a need is identified at a park facility, a holistic look is used to evaluate if other needs can also be addressed at the same time. This approach results in cost effectiveness, efficiencies and reduces redundancy of services to the same site and minimizes impact to the community. Also, a consideration for new park projects and preserve land acquisitions is population growth, creating the need for parks expansion.

Development Impact Fee-funded projects are identified in accordance with state statutes, ensuring capital funding for service levels in planning areas is consistent with service levels in developed areas of the City. Identified projects are incorporated in the City's Infrastructure Financing Plan, which is reviewed by a citizens' committee prior to public and ultimate adoption by the City Council.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council and passed by voters on the November 2023 ballot.

Major projects with various funding sources include development, improvements and/or repairs to Cortez Park, Encanto Park Lake, Estrella Civic Space, Granada Park, Highline Park, Lone Mountain Park, Maryvale Park Regional Pool and Two Splash Pad Sites, and North Mountain Park.

Phoenix Convention Center

The Phoenix Convention Center program totals \$43.6 million and is funded by Sports Facilities, Biosciences, and Tourism, Convention Center and Other Bond funds.

In addition to the Convention Center, this program includes projects and improvements for the Herberger Theater Center and Orpheum Theatre, Symphony Hall, and the Heritage and Convention Center parking garages. General Fund-supported excise tax bonds are programmed for renovations of the 100 West Washington building.

The Phoenix Convention Center has a multi-discipline CIP committee comprised of members of the department including management, facility and capital project managers, fiscal, as well as subject matter experts. The committee meets monthly to identify and discuss potential CIP projects. CIP projects are initially submitted, and subsequently modified, through a project request form. The projects are then reviewed and ranked by staff for inclusion to a perpetual 10-year CIP forecast that is constantly evaluated and updated. Project considerations include life safety, revenue generation, facility enhancement, and business and customer impact.

Major projects include:

- Symphony Hall Theatrical Venue Improvements
- Herberger Theater Center Theatrical Improvements
- 100 West Washington Renovations
- Roof Repairs for the South Building
- Replace the Digital Audio Distribution System at the South Building
- North and West Buildings Heating, Ventilation, and Air Conditioning and Fire Alarm System Replacement
- North and West Buildings Security Systems Replacement
- Orpheum Theatre Improvements
- Pit Lift Replacements at the Herberger Theater, Orpheum Theatre, and Symphony Hall

Police Protection

The \$46.5 million Police Protection program is funded by Capital Reserve, Development Impact Fee, and 2023 General Obligation Bond funds.

Development Impact Fee-funded projects are identified in accordance with state statutes, ensuring capital funding for service levels in planning areas is consistent with service levels in developed areas of the City. Identified projects are incorporated in the City's Infrastructure Financing Plan, which is reviewed by a citizens' committee prior to public hearings and ultimate adoption by the City Council.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council.

Major projects include:

- Replacement of the Cactus Park Precinct
- Renovation of the Police Property Management Warehouse

- Replacement of Aerial Fleet Assets

Public Art Program

The Public Art Program totals \$15.8 million and is funded by Percent-for-Art funds. Established in 1986, the Public Art Program allocates one percent of eligible Capital Improvement Program funding for the acquisition of temporary and permanent artwork for public buildings, infrastructure, and spaces. The program maintains more than 200 permanent artworks and manages and exhibits the City's 1,200 portable works in multiple public buildings.

The program works closely with all capital departments, City Council offices and the Phoenix Arts and Culture Commission to determine and approve projects to be included in the annual Public Art Plan. Public art projects included in the Plan are prioritized based on opportunities to integrate artwork into individual Capital Improvement Program projects and their potential impact on the neighborhood and the broader arts community.

Public Transit

The Public Transit program totals \$1,438.1 million and is funded by Operating Grant, Regional Transit, and Transportation 2050 funds.

Public Transit staff and management identify project needs by utilizing several planning documents - the Transportation 2050 Plan, the fleet replacement plan, the Maricopa Association of Governments Transportation Improvement Program, and the Transit Life Cycle Program element of the Regional Transportation Plan. Additionally, public assets are considered for potential refurbishment, upgrade, or replacement. Staff from each division submit project requests to Public Transit management for review, prioritization, and funding consideration.

Major projects include:

- Purchase of new and replacement buses, Dial-A-Ride vehicles and commuter vans
- Bus Rapid Transit program development
- Construction of bus stop improvements, lighting and shade structures
- Design and construction of the North Transit Facility Operations and Maintenance Garage
- Design and construction of the West Phoenix Maryvale light rail extension is not reflected but is planned to be incorporated in the final Capital Improvement Program

Regional Wireless Cooperative

The Regional Wireless Cooperative (RWC) program totals \$89.6 million and is funded through the contributions of RWC member agencies.

The RWC capital program's objective is to develop and assist member agencies with projects necessary to procure, install and upgrade major components of the radio systems over which the RWC has responsibility - for example, major system expansions to enhance capabilities, functions, or redundancy, or to incorporate technologies or functions required through legal mandates or vendor-driven changes.

The RWC identifies capital improvement projects via a governance and policy process. Projects and inventory are tracked, prioritized, and scheduled by the RWC Network Manager, the City of Phoenix Information Technology Services Department, which presents the projects' explanations and expected budgetary needs to RWC Administration. The costs are then distributed based on the number of radios in use by each agency, or by special assessments, and are then presented by the RWC Executive Director to the RWC Board of Directors for action. Specific RWC Working Groups may also be asked to consider and draft large-scale CIP projects as needed.

Solid Waste Disposal

The \$112.3 million Solid Waste Disposal program is funded by Solid Waste, Solid Waste Bond, and Solid Waste Remediation funds.

The Solid Waste Disposal program includes various projects at the City's landfills and transfer stations to ensure environmental compliance and support infrastructure upgrades.

New Solid Waste Disposal CIP projects are evaluated and prioritized using an annual project evaluation process. Staff submit a business case to provide information about the new program or project request. The evaluation report describes the project scope and identifies the essential needs criteria for the successful operation of the utility. The Public Works Director and Assistant Directors review the requests and evaluate and prioritize the projects in the following areas: customer service, system benefits and efficiency, project benefits and impact, system reliability, operational flexibility, system security, system replacement and rehabilitation, regulatory compliance, and system growth. In addition to staff reviews, a Citizens Solid Waste Rate Advisory Committee performs an advisory role in reviewing the Solid Waste Utility Financial Plan and advising on the operating and capital program expenses and projects.

Major projects include:

- 27th Avenue Materials Recovery Facility, Transfer Station, and Composting Facility Infrastructure Improvements and Expansion
- 27th Avenue Resource Innovation Campus Water, Sewer, and Electrical Infrastructure Improvements
- North Gateway Materials Recovery Facility and Transfer Station Infrastructure Improvements and Expansion
- SR 85 Landfill Infrastructure Improvements and Expansion
- Maintenance and monitoring of open and closed landfill gas systems
- Vehicle replacements

Street Transportation & Drainage

The Street Transportation and Drainage program totals \$1,198.1 million and is funded by General, Arizona Highway User Revenue, Capital Construction, Transportation 2050, Wastewater, 2023 General Obligation Bond, Capital Reserve, Development Impact Fee, and partner agency contribution funds.

The program includes ongoing major maintenance of streets and bridges, new and expanded streets, mobility improvements, pedestrian traffic safety improvements including the Roadway Safety Action Plan, technology enhancements and storm water improvements, and prioritizes an accelerated citywide pavement maintenance program.

The Street Transportation Department maintains an ongoing annual project identification and prioritization process. The process begins with the collection of “Call for Projects” forms submitted by staff. These forms require various quantitative data on the projects such as: relative traffic volume, speeds, collision history, existing pre-design efforts or studies, and ADA requirements. The requests are gathered and evaluated. Immediate funding needs for existing funded projects and programs, and local funding matches required to leverage outside funding, are prioritized. Prioritization of new project and program proposals considers immediate life safety needs; the existence of completed pre-design studies with economical, feasible and publicly supported recommendations; and equity in project distribution. Project prioritization outcomes are presented to department management for review.

Development Impact Fee-funded projects are identified in accordance with state statutes, ensuring capital funding for service levels in planning areas is consistent with service levels in developed areas of the City. Identified projects are incorporated in the City’s Infrastructure Financing Plan, which is reviewed by a citizens’ committee prior to public hearings and ultimate adoption by the City Council.

Projects funded by the 2023 General Obligation Bond Program were reviewed and prioritized by a citizens' General Obligation Bond Committee prior to approval by the City Council. They include the Hohokam Drainage and Laveen Flood Mitigation Programs, Residential Overlay, and Vision Zero Program Implementation.

Major projects planned include improvements to the following locations:

- Paradise Ridge Drainage Improvements
- Indian School Road: 39th Avenue to 91st Avenue
- Rio Salado River Bicycle/Pedestrian Bridge at 3rd Street
- Southern Avenue: 51st Avenue to 37th Drive
- Dobbins Road: SR 303 to 27th Avenue
- North Valley Parkway Bridge over the Sonoran Wash

Sustainability

The \$5.0 million Sustainability program is funded by General funds.

The Sustainability program provides funding for various citywide energy and water efficiency projects that reduce energy and water usage, while also decreasing ongoing operational costs. Cost savings realized from implementation of these projects may be used to replenish this fund for additional future projects.

Wastewater

The Wastewater program totals \$1,880.9 million and is funded by Wastewater, Wastewater Bond, Development Impact Fee, and Other Cities' Share in Joint Venture funds.

The Wastewater program includes infrastructure, safety, maintenance, technology and efficiency enhancements for the 91st Avenue and 23rd Avenue wastewater treatment plants, Cave Creek Water Reclamation Plant, North Gateway Advanced Water Reclamation Plant, multi-city and Phoenix sewer line systems, lift stations, support facilities and other related initiatives.

The need for a new water or wastewater CIP project is identified by various means such as: an identifiable operational issue, the result of a study, a condition assessment, age of equipment or infrastructure, new technology, growth, increased number of pipe breaks, developer requests, City Council requests, and neighborhood requests. Once it has been determined a project has merit, staff submit a project request form, and the proposed project is included in the department's annual Project Charter Process. The department's deputy directors of water and wastewater

engineering then determine optimal timing, the approach for lowest cost, and coordinate with the affected operational division. All current and new CIP projects are presented to department executive staff and prioritized based on factors including risk of failure, criticality, timing and funding availability. Staff recommendations are reviewed by the Water and Wastewater Rates and Advisory Citizens' Committee, and then by the City Council's Transportation, Infrastructure and Planning Subcommittee.

Development Impact Fee-funded projects are identified in accordance with state statutes, ensuring capital funding for service levels in planning areas is consistent with service levels in developed areas of the City. Identified projects are incorporated in the City's Infrastructure Financing Plan, which is reviewed by a citizens' committee prior to public hearings and ultimate adoption by the City Council.

Water

The Water program totals \$2,775.0 million and is funded by Water, Wastewater, Water Bond, Solid Waste Bond, Capital Grant, Development Impact Fee, and Other Cities' Share in Joint Venture funds.

The Water program includes a new North Gateway Advanced Water Purification Plant, infrastructure improvements, technology and efficiency enhancements for water treatment plants, water storage facilities, wells, pressure reducing valve stations, booster pump stations, water and transmission mains and other water related initiatives. Investments in power redundancy and water resiliency programs ensure stable water delivery for customers.

The need for a new water or wastewater CIP project is identified by various means such as: an identifiable operational issue, the result of a study, a condition assessment, age of equipment or infrastructure, new technology, growth, increased number of pipe breaks, developer requests, City Council requests, and neighborhood requests. Once it has been determined a project has merit, staff submit a project request form, and the proposed project is included in the department's annual Project Charter Process. The department's deputy directors of water and wastewater engineering then determine optimal timing, the approach for lowest cost, and coordinate with the affected operational division. All current and new CIP projects are presented to department executive staff and prioritized based on factors including risk of failure, criticality, timing and funding availability. Staff recommendations are reviewed by the Water and Wastewater rates and advisory citizens' committee, and then by the City Council's Transportation, Infrastructure and Planning Subcommittee.

Development Impact Fee-funded projects are identified in accordance with state statutes, ensuring capital funding for service levels in planning areas is consistent with service levels in developed areas of the City. Identified projects are incorporated in the City's Infrastructure Financing Plan, which is reviewed by a citizens' committee prior to public hearings and ultimate adoption by the City Council.

Responsible Department

This item is submitted by City Manager Ed Zuercher, Deputy City Manager Amber Williamson, and the Budget and Research Department.