



2020-21 City Manager's Trial Budget

This report transmits a balanced fiscal year (FY) 2020-21 Trial Budget for community review and comment.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

General Fund (GF) resources for 2020-21 are projected to be \$1.466 billion. This represents an increase of \$42 million from 2019-20 resources of \$1.424 billion. The growth in GF resources is a result of a healthy economy and assumes no fee increases and no new sources of revenue. The increases for each major revenue category are highlighted below:

- Local Sales Tax (\$21.5 million);
- State Shared Revenue (\$35.7 million);
- Primary Property Tax (\$9.1 million); and
- User Fees (\$2.0 million)

Before accounting for the projected surplus, the 2020-21 GF Trial Budget expenditures are projected to be \$1.438 billion. This compares to the adopted GF expenditure budget of \$1.394 billion for 2019-20. The increase accounts for Council priorities and previous commitments including:

- Negotiated \$27.6 million increase in employee compensation (\$16.6 million on-going and \$11 million one-time);
- Increased civilian (\$2 million) and sworn (\$14 million) pension costs; and
- Increased contingency to maintain a four percent reserve (approximately \$4 million).

Throughout the year, the City Council and City Management made careful preparations for the 2020-21 budget process. As a result, the GF portion of the 2020-21 Trial Budget includes a surplus of approximately \$28 million. **However given the recent impact that the coronavirus has had on the stock market and consumer confidence, we recommend that only essential and/or previously approved items**

(\$12.7 million) be added to the budget at this time and that the remainder of the surplus (\$15.2 million) be set-aside (Attachment A). Even though six month revenue collections are higher than expected, we recommend staying conservative and refraining from increasing revenue estimates. If there is no adverse impact on local revenue collections between now and June 30, 2020 then we would end the current year with a higher than estimated fund balance and begin fiscal year 2020-21 in a stronger position than currently projected.

Moody's Financial has said that the risk of a global recession was rising as the spread of the coronavirus causes a simultaneous supply and demand shock throughout the world economy. Joachim Fels, the chief economist of the world's biggest bond trader, Pimco, said in a note to clients that a recession in the US and Europe was a "distinct possibility". He further stated that "the worst for the economy is yet to come over the next several months". If the economy remains strong then the items included in **Attachment B** are proposed to be funded from the \$15.2 million set-aside reflected on **Attachment A** and could be authorized by City Council after the start of the fiscal year.

As presented, the Trial Budget includes several recommendations that continue to move the City forward in addressing critical community priorities. These priorities include the following:

- Police Transparency
- Homelessness
- Responding to Growth
- Financial Stability
- Community Safety and Justice
- Community Building and Sustainability
- Infrastructure and Administrative Support

The Trial Budget also includes several Non-GF additions for Phoenix Convention Center, planning and development services, public transit, street transportation and water services.

Summary

The Trial Budget is an important step in the City's Zero-Based Budget development process. It provides the Mayor and City Council, the community and our employee groups an opportunity to review a proposed balanced budget, which includes additions in staff and programs, well in advance of the deadlines for making final budget decisions. Between April 2 and April 22, the 2020-21 Trial Budget will be presented to Phoenix residents for input at 19 community budget hearings. A complete list of

hearing dates, locations and times is included in [Attachment D](#). During this time the City also will conduct additional hearings at neighborhood and business organization meetings, increasing transparency and involvement in the budget process. As a result of public input, changes could be made to the Trial Budget when a proposed budget is presented on May 5.

Latest General Fund Budget Status

On March 3, 2020, the Budget and Research Department presented a five-year General Fund forecast to the City Council. The multi-year forecast is a financial management best practice providing the City Council with a tool for long-term planning and strategic decision-making. The report explained economic, resource and expenditure assumptions providing the basis for potential ending balance ranges over the next five fiscal years. The ending balance for 2020-21 projected a surplus of approximately \$28 million. That is, after accounting for the estimated GF revenues and estimated GF expenditures, we estimated that approximately \$28 million would be available to address critical issues previously discussed with the City Council over the last few months during budget discussions. The forecast also illustrated a structurally balanced budget, where ongoing revenues are available to support existing programs. Additional detailed information on GF revenue and economic assumptions used to develop the Trial Budget can be found in [Attachment E](#).

Since 2007-08 pension costs have consumed a growing share of our GF resources. In 2020-21, GF pension costs will be approximately \$328 million, up from just over \$95 million in 2007-08. All our efforts for efficiencies and cost reductions, as well as revenue from a recovering economy, have gone to paying 100 percent of our actuarially required contribution every year. The City Council has taken steps to address long-term pension health through the City of Phoenix Employees Retirement System (COPERS) reforms that will save over \$1 billion over the next 20 years; establishing and funding a \$40.5 million Public Safety Personnel Retirement System (PSPRS) Stabilization Fund, and authorizing the use of Wastewater Funds to pay down COPERS unfunded liability. State voters have also approved some reform to PSPRS. However, we still have a total unfunded pension liability of approximately \$4.8 billion that will require continued diligence and further resource strategies in the coming years. Included in [Attachment B](#) is a plan to allocate \$3 million to the PSPRS or the Public Safety Pension Stabilization Fund and an extra \$1 million payment to COPERS.

As presented, the Trial Budget preserves existing city services and cautiously and strategically provides for modest investments from the General Fund. Additions are also proposed from Enterprise and Restricted Funds for planning and development services, Phoenix Convention Center, public transit, street transportation and water

services. A detailed listing of the general fund and non-general fund budget additions can be found in [Attachments A, B, and C](#).

- **Attachment A** - Proposed Essential General Fund Additions
- **Attachment B** - Other Potential General Fund Additions*
- **Attachment C** - Proposed Non-General Fund Additions
- **Attachment D** - Budget Hearing Schedule
- **Attachment E** - General Fund Revenue Assumptions

*dependent on the continued strength of the local economy

Proposed Essential General Fund Service Additions

Police Transparency (Tier 1 - Attachment A)

In response to community and City Council engagement over the past year, the Trial Budget includes the following Police Transparency related additions:

City Manager's Office - \$2,496,000

The Trial Budget includes funding needed to establish a Community Review Board and an Office of Accountability & Transparency as approved by City Council on February 25, 2020.

Police - \$2,898,000

The Trial Budget reflects the addition of 13 civilian positions needed to support the increasing demand for public records requests and the expansion of the body-worn camera program. These positions will help minimize processing times and backlogs. The Trial Budget also includes a set-aside to continue exploring options for the implementation of an Early Intervention System that will be used to identify and mitigate performance issues. Also included are six positions for the Professional Standards Bureau to provide increased oversight, transparency and assist with the implementation of the National Police Foundation recommendation to collect data on all incidents involving a "Pointed Gun at Person".

Homelessness (Tier 1 - Attachment A)

For many years, the city has invested resources into programs designed to fight chronic homelessness. Since 2013-14, city support of the CASS Homeless Shelter has increased from \$741,000 per year to approximately \$878,000 in 2020-21. The city also provides approximately \$1.3 million in GF and grant funds to UMOM for emergency shelter services for single women and families. The city has also leveraged a number of public housing resources, such as affordable housing and vouchers for veterans, to

provide permanent ongoing housing alternatives for the community. In response to increased demand for alternative solutions to homelessness and transient issues, the city launched Phoenix C.A.R.E.S. in November 2017. The program is a collaborative effort involving several city departments and contracted outreach teams to provide a comprehensive response to homelessness, including transitioning homeless to services and ensuring the remnants of encampments left behind on public and private lands are cleaned up. The Trial Budget proposes the following enhancements to the city's existing homelessness efforts:

Housing - \$275,000

The Trial Budget proposes adding funding to replace at-risk Community Development Block Grant (CDBG) funds used to support Permanent Supportive Housing (PSH). PSH combines affordable housing assistance with other supportive services to help chronically homeless or severely traumatized people.

Human Services - \$225,000

The Trial budget proposes to increase funding used to assist homeless veterans. The proposed budget also includes funding needed for the Phoenix police department to have access to county-wide up-to-date shelter availability information through the Homeless Management Information System.

Neighborhood Services - \$656,000

The Trial Budget includes funding needed to convert four Neighborhood Specialists and two Neighborhood Inspectors from CDBG funding. This conversion will allow the Neighborhood Specialists and Neighborhood Inspectors to work citywide and not be restricted to CDBG eligible areas. By converting these positions to General Funds, approximately \$380,000 will be freed up to help address homelessness issues in neighborhoods.

Public Transit - \$80,000

The Trial Budget includes funding to provide cleanup of debris and/or litter associated with homeless individuals along the light rail corridor.

Solid Waste - \$354,000

The Trial Budget proposes adding funding for two positions to support the Solid Waste Customer Engagement Services division and the Phoenix C.A.R.E.S. program. These positions will manage and coordinate field operations for cleanups of areas impacted by transient activity.

Street Transportation - \$100,000

The Trial Budget includes funding for biohazard cleanup in the public right-of-way. The

areas of focus are coordinated with the Phoenix C.A.R.E.S. program and will also include the neighborhoods surrounding the Human Services Campus and other public areas.

Homelessness Set-Aside - \$1,586,000

At the March 4, 2020 City Council Policy Session City Council and staff discussed options for developing a plan to address chronic homelessness within the city. In addition to the items listed above, the Trial Budget also includes a set-aside to assist with the formulation of a comprehensive homeless strategy. This set-aside increases GF spending on homelessness by \$3 million.

Responding to Growth (Tier 1 - Attachment A)

Phoenix is located in the heart of the fastest growing and most dynamic metropolitan area in the country. Phoenix has a population of over 1.6 million and is the fifth largest city in the United States. The Trial Budget proposes the following additions in response to the city's current and projected growth:

Fire - \$3,676,000

The Trial Budget proposes adding 18 positions for the Fire Regional Dispatch Center. The cost of these positions will be shared with the 26 jurisdictions that Phoenix Fire dispatches for through an intergovernmental agreement. The Trial Budget also includes funding for a new full-time rescue (ambulance) company assigned to Fire Station 5 located at 18th Street and Cambridge Avenue. Also proposed is funding for an additional Medical Response Unit that will enhance service delivery in central and eastern part of the city. The Trial budget also includes five positions for the Energy System inspection program needed to oversee inspections of residential and commercial energy systems.

Parks and Recreation - \$253,000

The Trial Budget includes staff and supplies needed to prepare for the opening of the Cesar Chavez Community Center under construction and scheduled to open in the Fall of 2021.

Street Transportation - \$138,000

The Trial Budget includes additional funding for contractual services to maintain street landscaping along newly developed and renovated streetscapes and the Grand Canal Phase II. This includes maintenance for new landscaping along Broadway Road between 35th and 51st Avenue and the east side of 107th Avenue between Indian School Road and Camelback Road.

The following items included in the Trial Budget are proposed for consideration

only if the economic conditions warrant additions. All of the proposed additions included on Attachment B will be assessed later depending on the status of the local economy.

Responding to Growth (Tier 2 - Attachment B)

Parks and Recreation - \$1,081,000

The Trial Budget proposes two positions to oversee the maintenance, landscaping and operations at Margaret T. Hance Park; additional hours at all major parks, preserves and trailheads (except Camelback, Mountain Echo/Cholla); additional park ranger support at Papago Park; and funding to open three to four flatland parks of 10-12 acres or one larger 30-40 acre regional park, with the locations to be determined by the City Council.

Planning and Development - \$25,000

The Trial Budget proposes increased funding for adaptive reuse incentives by 25 percent. The incentive program offsets plan review and permit fees related to the reuse of under-utilized and vacant buildings.

Community Safety and Justice (Tier 2 - Attachment B)

Community Safety and Justice are fundamental to the health and vitality of strong communities. When communities are safe, neighborhoods and the local economy flourish. The Trial Budget proposes \$4.8 million worth of Community Safety and Justice related additions across seven city departments.

Human Services - \$285,000

The Trial Budget includes funding for staff and equipment for 24-hour weekend victim advocacy coverage at the Family Advocacy Center. The 24-hour coverage would be from Friday through Monday and allow for approximately 624 additional clients annually to receive services.

Library - \$742,000

The Trial Budget proposes to add 12 full-time Municipal Security Guards to ensure continuity of security coverage during all operational hours and to assist with staff training on emergency procedures.

Municipal Court - \$590,000

In September 2019, the Phoenix Municipal Court was the first court in the state to implement the mandated firearm transfer process for defendants that are deemed a credible threat in an Order of Protection case. To assist with this increased workload, the Trial Budget proposes adding staff and resources to the Order of Protection Office.

Police - \$2,926,000

The Trial Budget proposes adding 10 positions to the department's Lab Services Bureau. These positions will help reduce case backlogs and ensure the lab succeeds in its pivotal role in the investigation and adjudication of criminal cases. **Attachment B** also proposes adding 30 civilian support positions to reduce the number of officers performing administrative work allowing sworn personnel to focus on more pressing public safety needs. Civilianization should also decrease overtime usage and increase case clearance rates.

Public Defender - \$143,000

The Trial Budget proposes adding two administrative support positions to the Specialty Court servicing people with mental issues, veterans, and the homeless community.

Neighborhood Services - \$86,000

The Trial Budget proposes converting four Neighborhood Inspector positions from temporary to regular status. These positions are assigned to enforcing regulations related to the Structured Sober Living Home licensing program. **Attachment B** also proposes adding a position to implement the Neighborhood Mediation Pilot Program. The goal of the pilot program is to better equip neighbors to work through issues related to the City Code. This position would also oversee the Gated Alley Pilot Program pending City Council approval for the use of Neighborhood Block Watch funds.

Information Technology - \$99,000

The Trial Budget includes adding a position to support the Regional Wireless Cooperative (RWC). The cost of this position will be shared with all RWC users.

Community-Building and Sustainability (Tier 2 - Attachment B)

Vibrant neighborhoods are the heart of any great city and the need to enhance neighborhoods throughout Phoenix is of great importance. As a result, **Attachment B** proposes approximately \$3.8 million worth of Community Building and Sustainability additions across eight departments.

City Manager's Office - \$150,000

The Trial Budget proposes converting a temporary Administrative Aide to regular status to manage and oversee the volunteer database and to coordinate the Americorps Vista program. Also proposed is \$150,000 for the Youth and Education Office to work with Arizona State University to create and expand the Opportunities for Youth program.

Community and Economic Development - \$424,000

The Trial Budget includes funding to advance the city's economic development activities with multiple international partners to achieve a more robust, diverse and financially stable local economy. This item was approved by City Council at the March 3, 2020 City Council Policy Session.

Human Services - \$277,000

The Trial Budget proposes adding staff and equipment to coordinate pilot Memory Cafe services for those experiencing dementia-related illness and their caregivers at 10 to be determined Senior Centers in support of the city's Dementia Friendly City initiative.

Library - \$1,132,000

The Trial Budget proposes adding funding, staff and resources needed to add an additional eight hours of service to five libraries (Cholla, Cesar Chavez, Yucca, Juniper and Palo Verde). Also proposed is a position to provide coverage to the library warehouse and to transport library materials, equipment and supplies to all 17 library branches citywide.

Office of Arts and Culture - \$110,000

The Trial Budget includes an increase in funding for community arts grants. The additional funding will be prioritized for underserved communities. Also included is funding needed to add eight creative youth development programs and 24 professional development workshop sessions for artists and arts organizations.

Office of Environmental Programs - \$300,000

The Trial Budget proposes adding funding to conduct Greenhouse Gas (GHG) emissions inventories every two years as directed by City Council approved GHG emissions reduction goals in support of air quality and heat-island reduction.

Parks and Recreation - \$636,000

The Trial Budget proposes funding a part-time Recreation Coordinator position to serve as a rover for Cesar Chavez, Playa Margarita, and Manzanita Parks on evenings and weekends. **Attachment B** also proposes adding staff and resources to provide adaptive recreation services to individuals with developmental disabilities at community centers throughout the city. A Forestry field crew is also proposed to support tree planting in parks and to assist with the implementation of the Tree and Shade Master Plan on city-owned property.

Street Transportation - \$734,000

The Trial Budget includes funding to replace trees lost by storms, accidents, and age in the right-of-way. This includes the cost of tree planting and installation of irrigation

systems. This funding will allow the city to replace the estimated 13,000 trees lost over time, but not replaced by 2030.

Infrastructure and Administrative Support (Tier 2 - Attachment B)

Active community participation through the Arts, Library and Parks is an essential component to healthy and vibrant neighborhoods. **Attachment B** proposes the following community services that will enhance the city's quality of life for all:

Information Technology - No Cost

The Trial Budget proposes converting two Deputy Chief Information Officer (CIO) positions to regular status to continue to support the Fire Department and the Office of CIO with critical technology needs.

Government Relations - No Cost

The Trial Budget proposes converting a temporary Special Projects Administrator to regular status to promote city interests and foster effective relationships at the local, regional, and national level.

Human Resources - \$358,000

In an effort to address the employee relations needs of a growing organization including ensuring compliance with applicable laws, managing personnel actions, and advising on HR rules and policy, the Trial Budget proposes adding two Human Resource Officer positions. Also proposed is one full-time position and one part-time position to assist with contract administration and recruiting.

Library - \$172,000

The Trial Budget proposes adding a Lead Information Technology Systems Specialist to provide information and technology security monitoring, regulations and standards compliance, and risk mitigation of the library's public computing environment.

Office of Arts and Culture - \$25,000

The City of Phoenix public art collection includes 203 completed projects that require ongoing maintenance. As a result, **Attachment B** proposes to increase funding for public art maintenance by 25 percent.

Parks and Recreation - \$740,000

The Trial Budget includes five positions to repair irrigation systems, drinking fountains, and restroom plumbing fixtures at parks throughout the city. Also proposed is a Curriculum and Training Coordinator to provide mandated training to 1,100 full-time and 800 part-time employees.

Public Works - \$181,000

The Trial Budget includes funding to restore 10 positions to support citywide fleet maintenance and to decrease downtime and service delays. The cost of this addition is partially offset by reducing external labor contracts.

Street Transportation - No Cost

The Trial Budget proposes converting a temporary Administrative Assistant I position to regular status to support internal staff and outside consultants with contract execution and serve as the primary contact for all procurement process requests.

Proposed Non-General Fund Additions (Attachment C)

The City budget is made up of three separate pieces: the General Fund, Enterprise Funds and Other Restricted Funds. Recommendations for the General Fund were discussed above. Enterprise Funds include Aviation, Water, Wastewater, Solid Waste and the Convention Center. These funds, with the exception of the Convention Center, are funded with user fees. The Convention Center includes fees paid by those who use the facility and Convention Center parking garages and certain earmarked sales tax categories. Enterprise funds can only be used for costs directly associated with delivering enterprise fund services. The Restricted Funds category includes federal and state grants, gas taxes (AHUR), debt service, the Development Services Fund, the Phoenix Parks and Preserve Initiative (PPPI) and the voter-approved Transportation 2050 Fund. These funds can only be used in accordance with grant and other statutory rules. A complete list of each Non-General Fund Trial Budget addition can be found in **Attachment C**. Below, is a summary of the major non-general fund additions:

Development Services Fund

Planning and Development proposes adding several new positions in order to meet the needs of current workload demands and expected increases in development activity. The proposed additions will enhance customer service and ensure a more streamlined experience for the development process.

Convention Center Fund

The Phoenix Convention Center proposes adding several new positions to meet the business and operational demands resulting from increased event activity. This will be monitored closely with the changes in demand as a result of the current economic conditions.

Street Transportation Arizona Highway User Revenue (AHUR) Fund

The Street Transportation department proposes adding funding for contractual landscape maintenance on the additional 476 acres of street landscaping being added

along the new 22-mile loop 202 freeway connection.

Transit 2050 Fund

The Public Transit department proposes adding several new positions to assist with South Central Light Rail and to enhance oversight of technology needs between staff, contractors and vendors.

Water and Wastewater Fund

Water Services proposes adding several new positions in order to meet the needs of current workload demands, the anticipated increase in the number of customer accounts and the increase in the number of capital projects. Also proposed are the staff, equipment and resources needed to implement the Water Conservation Ad Hoc Committee's recommendations.

Like the list of Other Potential General Fund Additions reflected in **Attachment B**, these additions may be dependent on the stability of the local economy. Budget and Research staff will closely monitor the economy between now and the beginning of the next fiscal year. **If the economy adversely impacts these departments, the City Manager and Budget and Research will not include them for City Council approval in the final budget decision on May 19th.**

Next Steps

Staff will publish a tabloid in English and Spanish summarizing the City Manager's Trial Budget and make it available to the public. The tabloid will be available electronically on the City's website, and copies will be available at all senior centers, community centers, libraries, and as always, at all community budget hearings. Electronic document locations will be publicized in the Arizona Republic, the Arizona Informant, La Voz, Prensa Hispana and the Asian American Times.

Next, a series of community budget hearings will be held between April 2 and April 22. A schedule of those hearings is included in the attached document. As is our practice, we will record the comments made at each hearing and transmit them each week in the Council packet. Following the community budget hearing process, the City Manager's Proposed Budget reflecting community input will be presented to City Council on May 5, 2020 and Council action on the budget is scheduled for May 19, 2020. The remaining key dates in this year's budget process are as follows:

<u>Date</u>	<u>Event</u>
May 5, 2020	City Manager's Proposed Budget
May 19, 2020	Council Budget Decision
June 3, 2020	2020-21 Tentative Budget Ordinance Adoption

June 17, 2020 2020-21 Funding Plan and Final Budget Ordinance Adoption
July 1, 2020 2020-21 Property Tax Levy Ordinance Adoption

Responsible Department

This item is submitted by City Manager Ed Zuercher and the Budget and Research Department.

ATTACHMENT A

TIER 1

2020-21

**PROPOSED SUPPLEMENTALS
GENERAL FUND**

Inventory of Programs

<https://www.phoenix.gov/budgetsite/budget-books/2019-20CitywideInventoryOfPrograms.pdf>

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
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POLICE TRANSPARENCY

City Manager's Office

Program: Administration

- | | | | |
|--|-------------|-----|--------------------|
| 1. Add a General Fund set-aside of \$2.2M and two positions for initial start-up activities, an Executive Director and an Administrative Assistant I, to establish a Community Review Board and an Office of Accountability & Transparency as approved by City Council on Feb. 25, 2020. Other positions will be requested and funded from the set-aside | \$2,496,000 | \$- | \$2,496,000
2.0 |
|--|-------------|-----|--------------------|

Total City Manager's Office	\$2,496,000	\$-	\$2,496,000 2.0
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Police

Program: Fiscal Management – Public Records Unit

- | | | | |
|---|-----------|----------|-------------------|
| 1. Add funding for nine Admin. Aides, two Forensic Photo Specialists, two Admin. Assistant I positions, with one to be assigned in the Communications Office, to support public records requests in the Police Public Traffic Records (PRU) Unit and the Body-worn Camera (BWC) Unit. The introduction of a web-based portal to has increased public records requests by more than 50%, while the expansion of the City's body-worn camera program has increased requests for camera data. These positions will help minimize processing times and backlogs. This request also includes funding to reallocate 17 existing Police Records Clerk positions to Administrative Aides. | \$928,000 | \$39,000 | \$967,000
13.0 |
|---|-----------|----------|-------------------|

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Inspections Unit</i>			
2. Add a General Fund set-aside to implement an early intervention system (EIS) to be used to identify at risk personnel and mitigate against factors which may lead to negative performance issues and contact with the community. Through data analytics the EIS will identify personnel who meet certain at-risk criteria, so the department can provide employees with assistance in the areas of training, resources and wellness programs. This system will help employees and the department to continue efforts to improve transparency, trust and accountability with the community.	\$1,200,000	\$-	\$1,200,000 -
<i>Program: Inspections Unit</i>			
3. Add funding for one Assistant Chief, one Sergeant, one Management Assistant II, two Police Research Analysts, and one Secretary III in the Professional Standards Bureau to provide increased oversight, transparency and support for the body worn camera program and the implementation of the National Police Foundation recommendation to collect data on all incidents involving a "Pointed Gun at Person" (PGP). These positions are necessary due to the significant increase in data which must be analyzed and reported accurately and timely.	\$672,000	\$59,000	\$731,000 6.0
Total Police	\$2,800,000	\$98,000	\$2,898,000 19.0
TOTAL POLICE TRANSPARENCY	\$5,296,000	\$98,000	\$5,394,000 21.0

HOMELESSNESS

Homelessness Set-Aside	\$1,586,000	\$-	\$1,586,000 -
At the March 4, 2020 City Council Policy Session, City Council and staff discussed options for developing a plan to address chronic homelessness within the city. This set-aside is intended to assist with that task.			

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Housing</u>			
<i>Program: Housing Supportive Services</i>			
1. Add funding to replace at-risk Community Development Block Grant (CDBG) funds for Permanent Supportive Housing (PSH) support services. PSH combines affordable housing assistance with other supportive services to help the chronically homeless or severely traumatized people. This will support Aeroterra, a mixed-income community serving children who have experienced chronic homelessness, and Phoenix Starfish Place, which provides housing and rehabilitative services for victims of sex trafficking.	\$275,000	\$-	\$275,000 -
Total Housing	\$275,000	\$-	\$275,000 -
<u>Human Services</u>			
<i>Program: Homeless Housing Services</i>			
1. Increase City of Phoenix funding for contract for veteran navigation services to assist homeless veterans. The City of Mesa will no longer be participating in this contract and the additional funding is needed to maintain existing service levels. The navigators work closely with the Veteran Administration, state, county and community resources for housing options, health, mental health benefits, employment and transportation. In FY 2018-19, the Veteran Navigators assisted 177 veterans.	\$25,000	\$-	\$25,000 -
<i>Program: Homeless Housing Services</i>			
2. Add contractual services to enable the Phoenix Police Department to access county-wide up-to-date shelter availability information through the Homeless Management Information Systems (HMIS).	\$200,000	\$-	\$200,000 \$-
Total Human Services	\$225,000	\$-	\$225,000 -

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Neighborhood Services</u>			
<i>Program: Neighborhood Engagement Program, Code Compliance Program</i>			
1. Convert funding from CDBG to General Fund for four Neighborhood Specialist positions and two Neighborhood Inspector I positions. This conversion will allow the Neighborhood Specialists and Neighborhood Inspectors to work citywide and not be restricted to CDBG eligible areas. Approximately \$380,000 of the CDBG funds made available as a result of this conversion will be used to help address homelessness.	\$656,000	\$-	\$656,000 -
Total Neighborhood Services	\$656,000	\$-	\$656,000 -
<u>Public Transit</u>			
<i>Program: Light Rail</i>			
1. Add funding to provide cleanup of debris and/or litter associated with homeless individuals along the light rail corridor.	\$80,000	\$-	\$80,000 -
Total Public Transit	\$80,000	\$-	\$80,000 -
<u>Solid Waste</u>			
<i>Program: Institutional Collection and Special Services</i>			
1. Add funding for two vehicles and a Solid Waste Customer Environmental Specialist and a Project Manager to support the Solid Waste Customer Engagement Services (CES) division and the Phoenix Community Action Response Engagement Services (PHX C.A.R.E.S.) program. These positions will manage and coordinate field operations for cleanups of areas impacted by transient activity.	\$242,000	\$112,000	\$354,000 2.0
Total Solid Waste	\$242,000	\$112,000	\$354,000 2.0

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Street Transportation</u>			
<i>Program: Landscaping Management</i>			
1. Add funding for biohazard services for citywide homeless cleanup in the public right-of-way. The areas of focus are coordinated with the Phoenix C.A.R.E.S. team and will also include the C.A.S.S. Campus, city owned parking lots and structures, natural washes, culverts and drainage easements. Cleanup includes removal of debris, trash, biological waste and hazards.	\$100,000	\$-	\$100,000 -
Total Street Transportation	\$100,000	\$-	\$100,000 -
TOTAL HOMELESSNESS	\$3,164,000	\$112,000	\$3,276,000 2.0

RESPONDING TO GROWTH

Fire

<i>Program: Fire Emergency Medical Services and Hazardous Incident Response</i>			
1. Add funding for 18 new positions consisting of six Fire Communications Supervisor, four Fire Emergency Dispatcher * Lead, and eight Fire Emergency Dispatchers for the Phoenix Fire Regional Dispatch Center (PFDRDC) which provides 9-1-1 fire and medical emergency call-taking and dispatching services for the City of Phoenix and 26 other jurisdictions. Nine positions will be funded in fiscal year 2020-21 and the remaining nine positions will be funded beginning in fiscal year 2021-22. The total cost for all 18 new positions is \$1.4M and will be shared beginning in 2021-22 between the City of Phoenix (50%) and the 26 partner jurisdictions (50%).	\$676,000	\$-	\$676,000 18.0
<i>Program: Emergency Transportation Services</i>			
2. Add funding to place a new full-time rescue company in service by adding seven new sworn Firefighter positions and one new ambulance. This unit will enhance service delivery and reduce response times in high call volume areas based on a semi-annual review.	\$627,000	\$350,000	\$977,000 7.0

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Fire Emergency Medical Services and Hazardous Incident Response</i>			
3. Add funding to enhance the Medical Response Unit program (MRU) by placing one new full-time/peak-time MRU company in service. The funding allows for one new vehicle, equipment, and the following new sworn positions: five Firefighters, two Fire Engineers, and three Fire Captains. The unit will enhance service delivery and reduce response times to the high call volume areas.	\$1,053,000	\$286,000	\$1,339,000 10.0
<i>Program: Fire Prevention General Inspections</i>			
4. Add five positions and vehicles for the Energy System Inspection Program. Positions include one Fire Prevention Supervisor and four Fire Prevention Specialist II (i.e. Fire Inspectors). These positions will inspect both residential and commercial solar photovoltaic and energy storage systems. The operational cost of the inspection program will be funded through the permit fees collected for each system.	\$509,000	\$175,000	\$684,000 5.0
Total Fire	\$2,865,000	\$811,000	\$3,676,000 40.0
<u>Parks and Recreation</u>			
<i>Program: Community Centers</i>			
1. Add staff and supplies to prepare for the opening of the Cesar Chavez Community Center scheduled to open in the fall of 2021. Costs shown are for a partial year. The estimated full year operating cost for staff, utilities, and program supplies is one million dollars.	\$241,000	\$12,000	\$253,000 9.8
Total Parks and Recreation	\$241,000	\$12,000	\$253,000 9.8

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Street Transportation</u>			
1. <i>Program: Landscaping Management</i> Add funding for contractual services to maintain street landscaping along newly developed and renovated streetscapes and the Grand Canal Phase II. This includes maintenance for new landscaping along Broadway Road between 35th and 51st Avenue and the east side of 107th Avenue between Indian School Road and Camelback Road.	\$138,000	\$-	\$138,000 -
Total Street Transportation	\$138,000	\$-	\$138,000 -
TOTAL RESPONDING TO GROWTH	\$3,244,000	\$823,000	\$4,067,000 49.8

FINANCIAL STABILITY

1. Establish a General Fund Set-Aside for a potential economic recession or downtown.	\$15,216,000	\$-	\$15,216,000 -
TOTAL FINANCIAL STABILITY	\$15,216,000	\$-	\$15,216,000 -
<u>TOTAL PROPOSED GENERAL FUND ADDITIONS</u>	\$26,920,000	\$1,033,000	\$27,953,000 72.8

ATTACHMENT B

TIER 2

2020-21

**PROPOSED SUPPLEMENTALS
GENERAL FUND**

Inventory of Programs

<https://www.phoenix.gov/budgetsite/budget-books/2019-20CitywideInventoryOfPrograms.pdf>

The following items included in the Trial Budget are proposed for consideration only if the economic conditions warrant additions. All of the proposed additions included on Attachment B will be assessed later depending on the status of the local economy.

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
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FINANCIAL STABILITY

Pensions Payments

1. Reflects a \$4.0M ongoing allocation towards the unfunded pension liability for the Public Safety Personnel Retirement System (PSPRS) of \$3.0M and the City of Phoenix Employees' Retirement System (COPERS) of \$1.0M.	\$4,000,000	\$-	\$4,000,000 -
Total Pension Payments	\$4,000,000	-	\$4,000,000
TOTAL FINANCIAL STABILITY	\$4,000,000	\$-	\$4,000,000 -

RESPONDING TO GROWTH

Parks and Recreation

Program: General Recreation

1. Add a Park Manager position to oversee the maintenance and recreation operations at Margaret T. Hance Park. The park hosts over 50 special events per year and is home to cultural and historic facilities.	\$100,000	\$-	\$100,000 1.0
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Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Parks Maintenance</i>			
2. Add a Gardener position to support the turf over-seeding and maintenance at Margaret T Hance Park. The park hosts over 50 special events per year which are attended by thousands of people.	\$75,000	\$122,000	\$197,000 1.0
<i>Program: Mountain Parks and Preserves</i>			
3. Add hours of operation at all major desert parks, preserves, and trailheads (except for Camelback Mountain Echo/Cholla). Standard trailhead gate hours will be extended from 7:00 p.m. to 10:00 p.m. by adjusting work hours for current staff which incurs a shift differential in employee pay.	\$56,000	\$-	\$56,000 -
<i>Program: Mountain Parks</i>			
4. Add 1.5 FTE of part-time Park Ranger II positions and vehicles to support increased patrols at Papago Park with an emphasis on weekend coverage.	\$78,000	\$50,000	\$128,000 1.5
<i>Program: Various</i>			
5. Add funding for staff, supplies and equipment to operate and maintain new flatland parks located in impact fee areas provided there are adequate impact fee funds available to fully develop the parks. This funding would be sufficient for three to four flatland parks of 10 to 12 acres in size, or one larger park of 30 to 40 acres in size. A process to determine which parks could be developed would be determined at a later date.	\$600,000	\$-	\$600,000 -
Total Parks and Recreation	\$909,000	\$172,000	\$1,081,000 3.5
<u>Planning and Development</u>			
<i>Program: Office of Customer Advocacy</i>			
1. Increase funding for adaptive reuse incentives by 25 percent. The incentive program offsets plan review and permit fees related to the reuse of under-utilized and vacant buildings.	\$25,000	\$-	\$25,000 -
Total Planning and Development	\$25,000	\$-	\$25,000 -
TOTAL RESPONDING TO GROWTH	\$934,000	\$172,000	\$1,106,000 3.5

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
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COMMUNITY SAFETY & JUSTICE

Human Services

Program: Victim Advocacy Services

1. Convert contractual services for secretarial support to create a Secretary II position for the Family Advocacy Center (FAC). The Secretary II will support the front desk of the FAC, order supplies for victims, process invoices for payments, provide support for the Family Advocacy Director and other administrative support items critical to the center operations.	\$-	\$-	\$- 1.0
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Program: Victim Advocacy Services

2. Add funding for staff and equipment for 24-hour weekend victim advocacy coverage at the Family Advocacy Center (FAC). The 24-hour coverage would be from Friday through Monday and allow for approximately 624 additional clients annually to receive victim advocacy services.	\$246,000	\$39,000	\$285,000 3.0
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Total Human Services	\$246,000	\$39,000	\$285,000 4.0
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Information Technology

1. Add a Senior User Tech Specialist and a vehicle to the Radio Shop to support the Regional Wireless Cooperative (RWC). This position will be utilized as an Emergency Responder Radio Communications System Specialist (ERRCSS) to ensure first responder radio and RWC network operability. The amount represents the General Fund cost of this position, the remaining costs will be paid by City Non-GF department users and Non-City RWC network members.	\$99,000	\$-	\$99,000 1.0
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Total Information Technology	\$99,000	\$-	\$99,000 1.0
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Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Library</u>			
<i>Program: Branch Libraries</i>			
1. Add twelve full-time Municipal Security Guard positions to ensure continuity of security coverage during all operating hours and assist with staff training on emergency procedures.	\$742,000	\$-	\$742,000 12.0
Total Library	\$742,000	\$-	\$742,000 12.0
<u>Municipal Court</u>			
<i>Program: Courtroom Operations</i>			
1. Add staff and resources to support the operations of the Order of Protection Office. In September 2019, the Phoenix Municipal Court was the first court in the state to implement the mandated firearm transfer process for defendants that are deemed a credible threat in an Order of Protection (OOP) case. Additionally, the Arizona Administration Office of the Courts (AOC) now requires the utilization of an on-line public portal where plaintiffs can complete an OOP petition. This has increased administrative workloads for the Court. Staff and resources are needed in a customer service capacity, for administrative documentation and translation services.	\$337,000	\$253,000	\$590,000 5.0
Total Municipal Court	\$337,000	\$253,000	\$590,000 5.0
<u>Neighborhood Services</u>			
<i>Program: Code Compliance Program</i>			
1. Convert four Neighborhood Inspector I position from temporary to regular status assigned to enforcing regulations related to the Structured Sober Living Home licensing program. Eliminate a temporary Neighborhood Inspector II position that is no longer needed for this program.	\$(109,000)	\$-	\$(109,000) (1.0)

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Code Compliance Program</i>			
2. Add an Administrative Assistant II position and funding for contractual services to implement the Neighborhood Mediation Pilot Program. The goal of the pilot program is to better equip neighbors to work through issues related to City Code. This position would also oversee the Gated Alley Program Pilot expansion pending City Council approval for the utilization of Neighborhood Block Watch Grant Program funds to reduce crime and other alley-related safety concerns.	\$195,000	\$-	\$195,000 1.0
Total Neighborhood Services	\$86,000	\$-	\$86,000 -
<u>Police</u>			
<i>Program: Laboratory Bureau Crime Scene Response/Crime Suppression and Lab Services</i>			
1. Add funding for eight Forensic Scientist III's and two Crime Scene Specialist III's at the Lab Services Bureau (LSB). While positions added in the FY2019-20 budget helped to begin reducing case backlogs and provided more consistent crime scene support services, ongoing demand remains higher than existing staff can support. These positions will help ensure the LSB succeeds in its pivotal role in the investigation and adjudication of criminal cases.	\$1,003,000	\$88,000	\$1,091,000 10.0
<i>Program: Various</i>			
2. Add funding for 18 Detention Officers, two Detention Supervisors, nine Police Assistants, and one Administrative Assistant II to civilianize functions currently performed by sworn staff. By civilianizing these functions, 28 officers and two sergeants will be able to be deployed to pressing public safety needs in the Investigations Division, increasing coverage in the Night Detective, Homicide, and Crimes Against Children Units. Civilianization should also decrease overtime usage and increase case clearance rates.	\$1,835,000	\$-	\$1,835,000 30.0
Total Police	\$2,838,000	\$88,000	\$2,926,000 40.0

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Public Defender</u>			
<i>Program: Legal Services</i>			
1. Add two positions to provide administrative and clerical services to the Specialty Court servicing people with mental health issues, veterans, and the homeless community.	\$139,000	\$4,000	\$143,000 2.0
Total Public Defender	\$139,000	\$4,000	\$143,000 2.0
TOTAL COMMUNITY SAFETY & JUSTICE	\$4,487,000	\$384,000	\$4,871,000 64.0

COMMUNITY BUILDING & SUSTAINABILITY

Community and Economic Development

<i>Program: Business Development</i>			
1. Add funding for two Economic Development Program Manager positions and program resources for the International Trade Strategy approved by Council on March 3, 2020. This strategy will advance the City's economic development activities with multiple international partners to achieve a more robust, diverse and financially stable economy for the City of Phoenix.	\$409,000	\$15,000	\$424,000 2.0
Total Community and Economic Development	\$409,000	\$15,000	\$424,000 2.0

City Manager's Office

<i>Program: Citywide Volunteer Program</i>			
1. Convert an Administrative Aide U7 position from temporary to regular status. This position manages the volunteer database, coordinates the AmeriCorps VISTA program, and ensures compliance with the requirements of the Corporation for National and Community Service.	\$-	\$-	\$- -

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Youth and Education Coordination</i>			
2. Add funding in the Youth and Education Office to continue the Opportunities for Youth program (OFY) contracted through Arizona State University. The grant funds for this program are expiring. OFY engages Phoenix youth between the ages of 16-24 who are not in school or employed in vocational training, supportive services, secondary and post-secondary education, and/or employment, to help remove existing barriers and connect them to an educational or career pathway. OFY launched 18 reengagement centers in Phoenix and engages over 3,000 youth.	\$150,000	\$-	\$150,000 -
Total City Manager's Office	\$150,000	\$-	\$150,000 -

Human Services

<i>Program: Senior Centers</i>			
1. Add staff and equipment to coordinate pilot Memory Café services at 10 to be determined Senior Centers in support of the City of Phoenix becoming designated a Dementia Friendly City. With support from community partners and external subject matter experts, staff will facilitate the delivery of programming to residents and their caregivers affected by dementia and Alzheimer's disease.	\$265,000	\$12,000	\$277,000 3.0
Total Human Services	\$265,000	\$12,000	\$277,000 3.0

Library

<i>Program: Branch Libraries</i>			
1. Add an additional eight hours of service on Fridays at Cholla Library (10050 Metro Parkway East). This addition will restore the branch to being open seven days a week and increase total operating hours to 58 hours per week.	\$327,000	\$-	\$327,000 4.5

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Branch Libraries</i>			
2. Add an additional eight hours of service on Fridays at Cesar Chavez Library (3635 West Baseline Road). This addition will restore the branch to being open seven days a week and increase total operating hours to 58 hours per week.	\$188,000	\$-	\$188,000 2.9
<i>Program: Branch Libraries</i>			
3. Add an additional eight hours of service on Mondays at Yucca Library (5648 North 15th Avenue). This addition will restore the branch to being open seven days a week and increase total operating hours to 58 hours per week.	\$178,000	\$-	\$178,000 2.8
<i>Program: Branch Libraries</i>			
4. Add an additional eight hours of service on Fridays at Juniper Library (1825 West Union Hills Drive). This addition will restore the branch to being open seven days a week and increase total operating hours to 58 hours per week.	\$181,000	\$-	\$181,000 2.9
<i>Program: Branch Libraries</i>			
5. Add an additional eight hours of service on Fridays at Palo Verde Library (4402 N. 51 st Avenue). This addition will restore the branch to being open seven days a week and increase total operating hours to 58 hours per week.	\$201,000	\$-	\$201,000 2.8
<i>Program: Administration</i>			
6. Add a Supplies Clerk I position to provide coverage to the library warehouse and transport library materials, equipment, and supplies to all 17 library branches citywide which is needed to support the additional days of operation.	\$57,000	\$-	\$57,000 1.0
Total Library	\$1,132,000	\$-	\$1,132,000 16.9

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Office of Arts and Culture</u>			
<i>Program: Community Investments and Engagement Program</i>			
1. Increase funding for community arts grants. Additional funding would be prioritized for applicants who are arts and cultural organizations that have not previously received funding from the arts grants program, are based in council districts that historically have had less investment from the arts grants program, and organizations that primarily work with underserved communities and populations.	\$85,000	\$-	\$85,000 -
<i>Program: Community Investments and Engagement Program</i>			
2. Increase funding to add eight creative youth development programs and 24 professional development workshop sessions for artists and arts organization administrators.	\$25,000	\$-	\$25,000 -
Total Office of Arts and Culture	\$110,000	\$-	\$110,000 -
<u>Office of Environmental Programs</u>			
1. <i>Program: Air Quality</i> Add funding to support existing and future needs relating to climate and air quality programs. Funds will be used to conduct greenhouse gas (GHG) emissions inventories every two years and support efforts to reduce emissions as directed by City Council approved GHG emissions reduction goals.	\$300,000	\$-	\$300,000 -
Total Office of Environmental Programs	\$300,000	\$-	\$300,000 -
<u>Parks and Recreation</u>			
<i>Program: General Recreation</i>			
1. Add 1.0 FTE of part-time Recreation Leader and vehicle to serve as a rover for Cesar Chavez, Playa Margarita, and Manzanita parks on evenings and weekends to monitor athletic field reservations, special activity requests, secure park facilities, and educate the community on codes of conduct.	\$47,000	\$29,000	\$76,000 1.0

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: General Recreation</i>			
2. Add one Recreation Coordinator II position, 1.9 FTE of part-time staff, and supplies to provide adaptive recreation services to individuals with developmental disabilities at multiple large community centers throughout the city. Adaptive recreation programming will be offered year-round for a minimum of two days per week, for a minimum of two-hour sessions each day per center.	\$170,000	\$-	\$170,000 2.9
<i>Program: Specialized Maintenance-Skilled Trades</i>			
3. Add a Forestry field crew and vehicle to support tree planting in parks and citywide tree maintenance in support of the implementation of the Tree and Shade Master Plan on city-owned property.	\$350,000	\$40,000	\$390,000 5.0
Total Parks and Recreation	\$567,000	\$69,000	\$636,000 8.9
<u>Street Transportation</u>			
1. <i>Program: Landscaping Management</i> Add funding to replace trees lost to storms, accidents and age in the right-of-way. This includes the cost of tree planting and installation/repair of irrigation systems. These funds will allow the City to replace the estimated 13,000 trees lost over-time, but not replaced, by 2030. This will support the implementation of the Tree and Shade Master Plan on city-owned property.	\$734,000	\$-	\$734,000 -
Total Street Transportation	\$734,000	\$-	\$734,000 -
TOTAL COMMUNITY BUILDING & SUSTAINABILITY	\$3,667,000	\$96,000	\$3,763,000 30.8

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
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INFRASTRUCTURE & ADMINISTRATIVE SUPPORT

Government Relations

Program: Federal, State, Regional and Tribal Programs

1. Convert a temporary Special Projects Administrator to regular status to promote City interests and foster effective relationships at the local, regional, and national level.	\$-	\$-	\$- -
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Total Government Relations	\$-	\$-	\$- -
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Human Resources

Program: Employee Relations

1. Add two Human Resources Officer positions to address the employee relations needs of a growing organization including ensuring compliance with applicable laws, managing personnel actions, and advising on HR rules and policy application to support employees and limit liability.	\$215,000	\$-	\$215,000 2.0
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Program: Administration

2. Add one Contracts Specialist II position to assist with managing the day to day contract administration, developing of scopes of work and ensuring satisfactory contractor performance.	\$104,000	\$-	\$104,000 1.0
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Program: Recruiting & Selection

3. Funding to upgrade a Senior Human Resources Clerk from a part-time to a full-time position. The position is needed to support police officer recruitment and testing, and perform administrative work such as advertising, scheduling and selection processes for executives and middle managers.	\$39,000	\$-	\$39,000 0.3
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Total Human Resources	\$358,000	\$-	\$358,000 3.3
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Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Information Technology</u>			
<i>Program: Administration</i>			
1. Convert two temporary Deputy Chief Information Officer positions to regular status to continue to support the Fire Department and the Office of the CIO with critical technology needs.	\$-	\$-	\$- -
Total Information Technology	\$-	\$-	\$- -
<u>Library</u>			
<i>Program: Administration</i>			
1. Add a Lead Information Technology Systems Specialist position to provide information and technology security monitoring, regulations and standards compliance, and risk mitigation for the Library's public computing environment.	\$172,000	\$-	\$172,000 1.0
Total Library	\$172,000	\$-	\$172,000 1.0
<u>Office of Arts and Culture</u>			
<i>Program: Public Art</i>			
1. Increase funding for public art maintenance by 25 percent. The City of Phoenix public art collection includes 203 completed projects to maintain.	\$25,000	\$-	\$25,000 -
Total Office of Arts and Culture	\$25,000	\$-	\$25,000 -
<u>Parks and Recreation</u>			
<i>Program: Parks Maintenance</i>			
1. Add four Parks Maintenance Mechanic Plumber positions, a Parks Equipment Mechanic position, and vehicles to repair irrigation systems, drinking fountains, and restroom plumbing fixtures at parks throughout the city.	\$401,000	\$238,000	\$639,000 5.0
2. <i>Program: Administration</i> Add a Curriculum and Training Coordinator position to provide mandated training to 1,100 full-time employees and 800 part-time employees.	\$96,000	\$5,000	\$101,000 1.0

Department/Program	2020-21 Ongoing	2020-21 One-time	2020-21 Total
Total Parks and Recreation	\$497,000	\$243,000	\$740,000 6.0

Public Works

1. <i>Program: Equipment Maintenance Repair and Related Parts Service Support</i> Restore 10 positions to support citywide fleet maintenance and to decrease downtime and service delays. Includes two Equipment Service Worker II's, five Heavy Equipment Mechanics, one Auto Technician, one Auto Parts Clerk II and one Support Services Aide.	\$181,000	\$-	\$181,000 10.0
2. <i>Program: Facilities Management and Maintenance</i> Convert CIP major maintenance funding to add two Electronic Systems Specialist positions and vehicles to support the PW Fire and Security Systems Unit. These positions will coordinate testing, inspections, maintenance and programming of new and existing fire and life safety systems.	\$-	\$-	\$- 2.0
Total Public Works	\$181,000	\$-	\$181,000 12.0

Streets Transportation

1. <i>Program: Design & Construction Procurement</i> Convert a temporary Administrative Assistant I position to regular status to support internal staff and outside consultants with contract execution, and serve as the primary point-of-contact for all procurement process requests.	\$-	\$-	\$- -
Total Streets Transportation	\$-	\$-	\$- -

TOTAL INFRASTRUCTURE AND ADMINISTRATIVE SUPPORT	\$1,233,000	\$243,000	\$1,476,000 22.3
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<u>TOTAL PROPOSED GENERAL FUND ADDITIONS</u>	\$14,321,000	\$895,000	\$15,216,000 120.6
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ATTACHMENT C

2020-21

PROPOSED SUPPLEMENTALS NON-GENERAL FUND

Inventory of Programs

<https://www.phoenix.gov/budgetsite/budget-books/2019-20CitywideInventoryOfPrograms.pdf>

The following items included in the Trial Budget are proposed for consideration only if the economic conditions warrant additions. If the economy adversely impacts these departments, the City Manager and Budget and Research will not include them for City Council approval in the final budget decision on May 19th.

Department	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Planning and Development</u>			
<i>Program: Administration</i>			
1. Add a User Technology Specialist position to provide support in responding to Development Center and inspections services requests.	\$94,000	\$-	\$94,000 1.0
<i>Program: Administration</i>			
2. Add a Records Clerk II position to support the scanning of planning, zoning, and historical preservation files due to increased activity. Cost is partially offset by savings from contractual services.	\$55,000	\$-	\$55,000 1.0
<i>Program: Commercial Plan Review and Inspections</i>			
3. Add an Elevator Inspector II position to keep up with development activities and perform inspections in compliance with the Phoenix Construction Code.	\$84,000	\$30,000	\$114,000 1.0
<i>Program: Residential Plan Review and Inspections</i>			
4. Add a General Inspector II position in the Remote Inspections pilot program. This position will also support Residential field inspections.	\$84,000	\$30,000	\$114,000 1.0

Department	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Civil Plan Review and Inspections</i>			
5. Add a Principal Engineering Technician position to assist with field inspections in floodplain or flood hazard areas and add funding for contractual services to complete surveys and determine datum for elevation certificates to be completed for structures located in floodplain or flood hazard areas.	\$94,000	\$130,000	\$224,000 1.0
<i>Program: Non-Permitted Construction</i>			
6. Add an Administrative Assistant I position and an Engineering Technician position to support efforts to address increased incidents of non-permitted construction.	\$134,000	\$-	\$134,000 2.0
<i>Program: Residential Plan Review and Inspections</i>			
7. Add staff and vehicles to implement a residential permit by inspector program for photovoltaic installations. It is estimated that this addition will reduce the 20-calendar day average to process each application down to an average of five days.	\$423,000	\$90,000	\$513,000 5.0
Total Planning and Development	\$968,000	\$280,000	\$1,248,000 12.0
<u>Phoenix Convention Center</u>			
<i>Program: Convention Center/Orpheum Theater/Symphony Hall</i>			
1. Add 8.1 FTE of part-time Event Services Worker positions and 4.8 FTE of part-time Events Representative positions to meet the business and operational demands resulting from increased event activity. Event Services Workers provide event support including set up and take down of chairs, tables, stages and equipment. The function is a 24/7 operation. Events Representatives work directly with the meeting planners and show managers, and coordinate service delivery with staff and service partners.	\$490,000	\$-	\$490,000 12.9
Total Phoenix Convention Center	\$490,000	\$-	\$490,000 12.9

Department	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<u>Public Transit</u>			
<i>Program: Regional Fixed Route Support</i>			
1. Add a Project Manager position to have primary oversight of critical onboard bus technology and coordinate with the staff, technology vendors and transit operations contractors.	\$104,000	\$-	\$104,000 1.0
<i>Program: Regional Fixed Route Support</i>			
2. Add a Lead User Technology Specialist to provide support for multiple technology systems. This position will also provide regional support for the upgraded CAD/AVL system.	\$119,000	\$-	\$119,000 1.0
<i>Program: Light Rail</i>			
3. Convert a temporary Management Assistant II position to regular status. The position will assist with executing the Federal Transit Administration Transit Oriented Development grant for future South Central Light Rail Extension work and lead proactive land-use effort to prepare for future high-capacity investments.	\$-	\$-	\$- -
Total Public Transit	\$223,000	\$-	\$223,000 2.0

Street Transportation

<i>Program: Administration</i>			
1. Convert a Senior Construction Inspector and Chief Construction Inspector position from temporary to regular status and add funding for vehicles. These positions support the right-of-way specialist program. Each right-of-way specialist is assigned to two City Council districts and is responsible for proactively identifying right-of-way issues.	\$2,000	\$64,000	\$66,000 -
<i>Program: Transportation and Drainage Design & Construction</i>			
2. Convert a Special Projects Administrator position from temporary to regular status. This position manages the design and construction staff, inspections, the Materials Testing Lab and survey areas for the Horizontal Program Management Section.	\$-	\$-	\$- -

Department	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Landscape Management</i>			
3. Add funding for contractual landscape maintenance services on the additional 476 acres of street landscaping being added adjacent to the new 22-mile Loop 202 freeway connection.	\$500,000	\$-	\$500,000 -
Total Street Transportation	\$502,000	\$64,000	\$566,000 -

Water Services

<i>Program: Water Distribution and Wastewater Collection</i>			
1. Add two Utility Specialty Technicians and vehicles for locating water, sewer, and reclaimed infrastructure for contractors and other companies in accordance with AZ Blue Stake laws in response to an increase in demand for these services.	\$108,000	\$70,000	\$178,000 2.0
<i>Program: Administration</i>			
2. Add a Lead Business Systems Analyst. The position will handle approximately 100+ projects annually for the administrative and operations areas of the department. The position will provide support in improving and defining processes, reporting, training and documentation of new business systems.	\$84,000	\$-	\$84,000 1.0
<i>Program: Water Production</i>			
3. Add two Water System Operator* Lead positions and operating costs for the Phase 1 Well Program. The positions and other costs are needed for the operation of two new production wells and eight Aquifer Storage and Recovery wells coming into service by 2021.	\$746,000	\$-	\$746,000 2.0
<i>Program: Administration</i>			
4. Add four Safety Analyst I positions and vehicles to improve employee health, safety and environmental compliance in the Water Services Distribution, Collection and Water Meters divisions, as well as North and South Remote facilities. These positions will conduct training, safety inspections, and accident investigations, as well as update safety standards and procedures. They will also assist with the oversight of federally mandated safety, health, and environmental programs.	\$256,000	\$60,000	\$316,000 4.0

Department	2020-21 Ongoing	2020-21 One-time	2020-21 Total
<i>Program: Water Resource Management and Development Planning</i>			
5. Add staff and vehicles to expand water conservation outreach in the City of Phoenix as recommended by the Water Conservation Ad Hoc Committee on Dec. 10, 2019.	\$1,247,000	\$160,000	\$1,407,000 5.0
<i>Program: Water Meter Operations</i>			
6. Add staff and vehicles to maintain service level standards for new customer accounts. Between June 2018 and June 2019, approximately 3,450 water accounts were added to the customer base. These positions will conduct monthly meter readings, conduct water service turn on/off actions, increase investigations of water theft, and provide administrative and supervisory oversight for various Water Meter Division activities, including the small meter replacement program, meter reading, the meter shop operations, and water theft investigations.	\$288,000	\$140,000	\$428,000 5.0
<i>Program: Various</i>			
7. Add staff and vehicles to provide water and wastewater infrastructure maintenance. These positions will coordinate infrastructure asset data collection and preventative maintenance information, manage infrastructure repair projects, conduct financial planning and accounting for maintenance projects, and enhance the small meter replacement program which ensures small water meters are measuring consumption accurately and functioning properly.	\$634,000	\$131,000	\$765,000 8.0
Total Water Services	\$3,363,000	\$561,000	\$3,924,000 27.0
TOTAL PROPOSED NON-GENERAL FUND ADDITIONS	\$5,546,000	\$905,000	\$6,451,000 53.9

ATTACHMENT D
City of Phoenix
Locations for 2020-21 Community Budget Hearings

Date/Time	Council District(s)	Location Information
Thursday, April 2, 2020 8:00 am	D6	Pecos Community Center 17010 S. 48th Street
Thursday, April 2, 2020 10:30 am	D6	Devonshire Community Center Auditorium 2802 E. Devonshire Avenue
Thursday, April 2, 2020 6:00 pm	D7/D8	South Mountain Community Center Century Room 212 E. Alta Vista Road
Thursday, April 2, 2020 6:00 pm	D5	Pendergast Community Center Multipurpose Room 10550 W. Mariposa Street
Monday, April 6, 2020 6:00 pm	D7	Burton Barr Central Library Pulliam Auditorium 1221 N. Central Avenue
Monday, April 6, 2020 6:00 pm	D1/D2	Goelet A.C. Beuf Community Center Multipurpose Room 3435 W. Pinnacle Peak Road
Monday, April 6, 2020 6:00 pm	D4	Steele Indian School Park Memorial Hall 300 E. Indian School Road
Tuesday, April 7, 2020 6:00 pm	D8	Neighborhood Resource Center 2405 E. Broadway Road
Tuesday, April 7, 2020 6:00 pm	D2/D3	Paradise Valley Community Center Multipurpose Room 17402 N. 40th Street
Wednesday, April 8, 2020 6:00 pm	D7/D8	Cesar Chavez High School Cafeteria 3921 W. Baseline Road
Wednesday, April 8, 2020 6:00 pm	D4	Phoenix Children's Hospital Conference Center Bldg., Rm 103-104 2632 N. 20th Street
Thursday, April 9, 2020 8:30 am	D1/D5	Helen Drake Senior Center 7600 N. 27th Avenue
Monday, April 13, 2020 6:00 pm	D7	Country Place Leadership Academy Cafeteria 10207 W. Country Place Blvd
Monday, April 13, 2020 6:00 pm	D3	North Mountain Visitor Center 12950 N. 7th Street
Tuesday, April 14, 2020 6:00 pm	Citywide Spanish/ English	Maryvale Community Center Multipurpose Room 4420 N. 51st Avenue
Thursday, April 16, 2020 8:00 am	D3	Shadow Mountain Senior Center 3546 E. Sweetwater Avenue
Thursday, April 16, 2020 6:00 pm	Citywide Youth	Metro Tech High School Banquet Hall 1900 W. Thomas Road
Wednesday, April 22, 2020 6:00 pm	D4	Encanto Park Clubhouse Ballroom 2605 N. 15th Avenue
Wednesday, April 22, 2020 6:00 pm	D3/D5	Sunnyslope Community Center Multipurpose Room 802 E. Vogel Avenue



City of Phoenix

BUDGET AND RESEARCH DEPARTMENT REPORT	B.R.D. NUMBER 2020-07
SUBJECT General Fund Revenue Estimates	DATE ISSUED March 17, 2020

This report provides additional detail on 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 in order 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. General Fund revenues are comprised of several categories all of which are unique and require separate analysis. The primary revenue categories include: local taxes and related fees, primary property taxes, state shared sales, income and vehicle license taxes, and user fees and non-tax revenues.

Included in this report is an explanation of how GF revenue is projected, the sources relied upon to assist in developing estimates, economic assumptions and the methods used to analyze revenues. Also included are historical revenue actuals and growth rates, the recommended revenue estimates for 2019-20 and 2020-21 and an explanation of the influencing factors used by staff in conducting analysis for each major revenue category. The below table summarizes the 2019-20 and 2020-21 estimated GF revenues and the primary reason for the variance:

GF Revenue Category (millions)	2019-20 Estimate	2020-21 Estimate	Amount Change	Percent Change	Primary Reason for Difference
Local Taxes	\$511.9	\$533.4	\$21.5	4.2%	Continued solid growth in sales tax collections expected through FY 20/21.
Primary Property Tax	170.9	180.0	9.1	5.3%	Increase in assessed property valuation.
State Shared Sales Tax	173.6	181.1	7.5	4.3%	Continued solid growth expected through FY 20/21.
State Shared Income Tax	214.7	241.1	26.4	12.3%	Already known collections (based on FY 18/19 collections).
State Shared Vehicle License Tax	72.1	73.9	1.8	2.5%	Continued increases in vehicle sales expected through FY 20/21, albeit with a slower pace.
User Fees & Non-Taxes	138.8	140.8	2.0	1.4%	Increase in several user fees and non-tax revenues, offset by expected decreases in some user fees and non-tax revenues.
Total	\$1,282.0	\$1,350.3	\$68.3	5.3%	

Revenue Projections & Trusted Sources

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

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 attends quarterly meetings, participates in discussions with other local government and private enterprise members, and receives quarterly economic reports. In the fall of 2014, B&R consulted with the UofA 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 staff to develop an enhanced econometric forecasting model for sales tax. In the summer of 2017, staff worked with EBRC to update the tax forecasting model. The additional consulting with Drs. Hammond and Charney 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 2020-21 projected growth rates for city and state sales tax are based on estimates developed using the enhanced econometric forecasting model.

Economic Assumptions

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

The overall consensus from these trusted sources is Arizona and the Phoenix Metro area are on pace to post another year of solid growth. Despite political and policy uncertainties, they predict the state's economy will continue to expand albeit at a slower pace. It is worth noting that since 1945, the average length of a U.S. economic expansion has been approximately 5 years and the longest has been 10 years. The current expansion has broken the record and become the longest one in U.S. history since the global financial crisis. With sustained job gains, low unemployment rate, and high consumer confidence, the concerns of recession are easing. However, there are still some notable risks (the coronavirus outbreak, trade disputes, an inverted yield curve, and slow growth in China and Europe) that may end the U.S. economic expansion at some point.

Arizona remains among the leading growth states and the growth is expected to continue in 2020. State job growth hit 2.6% over-the-year in the fourth quarter of 2019, which comfortably outpaced the nation at 1.4%. Arizona is a leader in diverse industrials ranging from education to construction

to manufacturing to health care and professional services. Although economic performance in Arizona is forecast to decelerate, the pace of state gains is projected to far exceed the national average (Economic Outlook, 2020 1st Quarter Report).

Revenue Forecasting Methods

Several forecasting methods and practices are used to estimate city revenues and will vary depending on the type of revenue being analyzed. Evaluating historical growth patterns and current actuals is an important component to 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 current and subsequent year 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 which is needed 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 recommended estimates. The most common methods of revenue estimation used are: averages of actual revenue experience by varying time periods, annualization of year-to-date actuals, and most often a percent 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 seven months, represented as a percentage of the total collections for the entire fiscal year and then applying that percentage 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 averages or annualizing approach. Additionally, the growth rate needed to reach the budgeted or estimated revenue is considered. If the percentage growth needed for the remaining months of the fiscal year is substantially higher or lower than the current growth rate, adjustments are made to arrive at a new estimated revenue amount for the fiscal year.

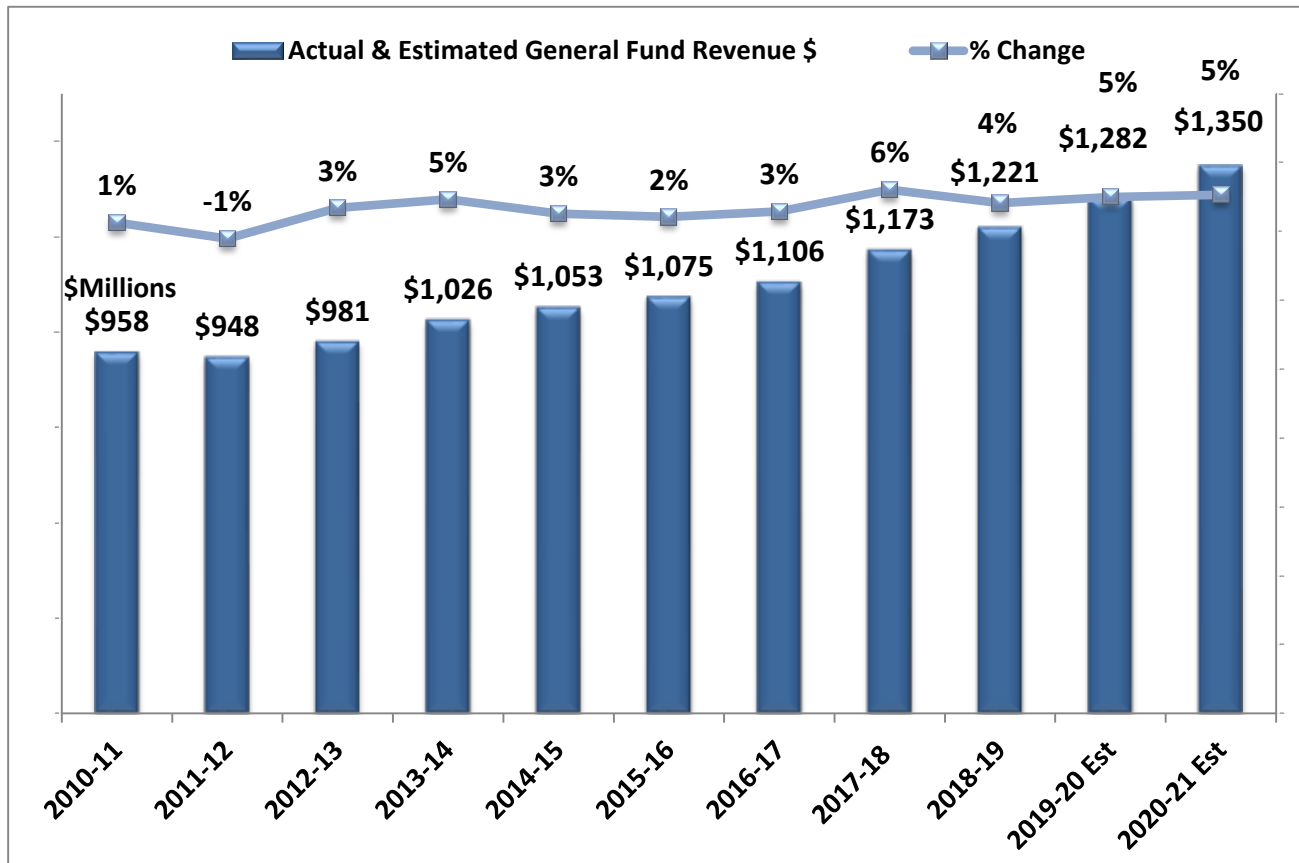
Once the current fiscal year estimate is developed, assumed growth rates are then applied to this amount to arrive at a projected revenue amount for the following fiscal year. These assumed growth rates take into account historical and recent trends in revenue data, one-time revenue adjustments, and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

Finally, as part of the annual budget development process each year, revenue estimates are presented to the City Manager's Office, the City Council and the community as part of the Trial and recommended budgets 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 2019-20 and 2020-21 fiscal years are provided graphically, along with a description of the revenue category and the methodology used to develop recommended revenue estimates beginning with total GF revenue.

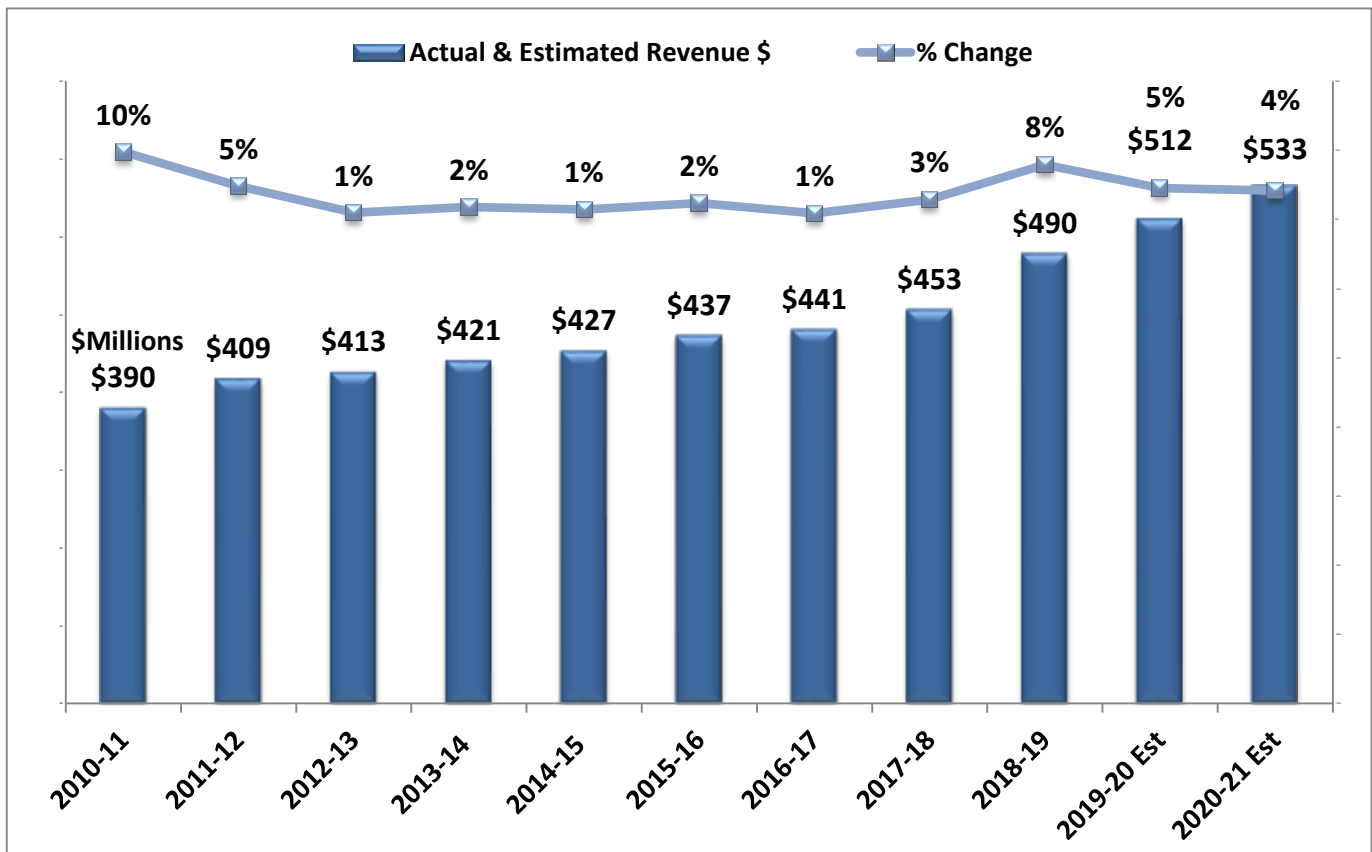
Total General Fund Revenue



**Projections for 2019-20 and 2020-21 assume no fee increases, changes to state shared revenue formulas or legislative changes that have recently been proposed or discussed during the current legislative session.*

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 of these categories is conducted separately to more accurately predict the amount of revenues for the current and following fiscal year. 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 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, 40% of Total General Fund Revenue



Local taxes and related fees consist of city sales taxes, privilege license fees and other excise taxes. The majority of revenue is derived from city sales taxes which is comprised of 15 general categories collected based on a percentage of business income accruing in each category. The chart on the following page provides the current local sales tax rates by category and the percentage allocated to each fund. 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.

Sales tax can be volatile and typically correlates to the local economy. Increases in sales tax collections are expected when the local economy expands due to underlying fundamentals such as increases in population, discretionary income, business expansion, jobs and real estate growth. The opposite holds true during times of economic contraction or recession as evidenced in 2008-09 and 2009-10. 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.

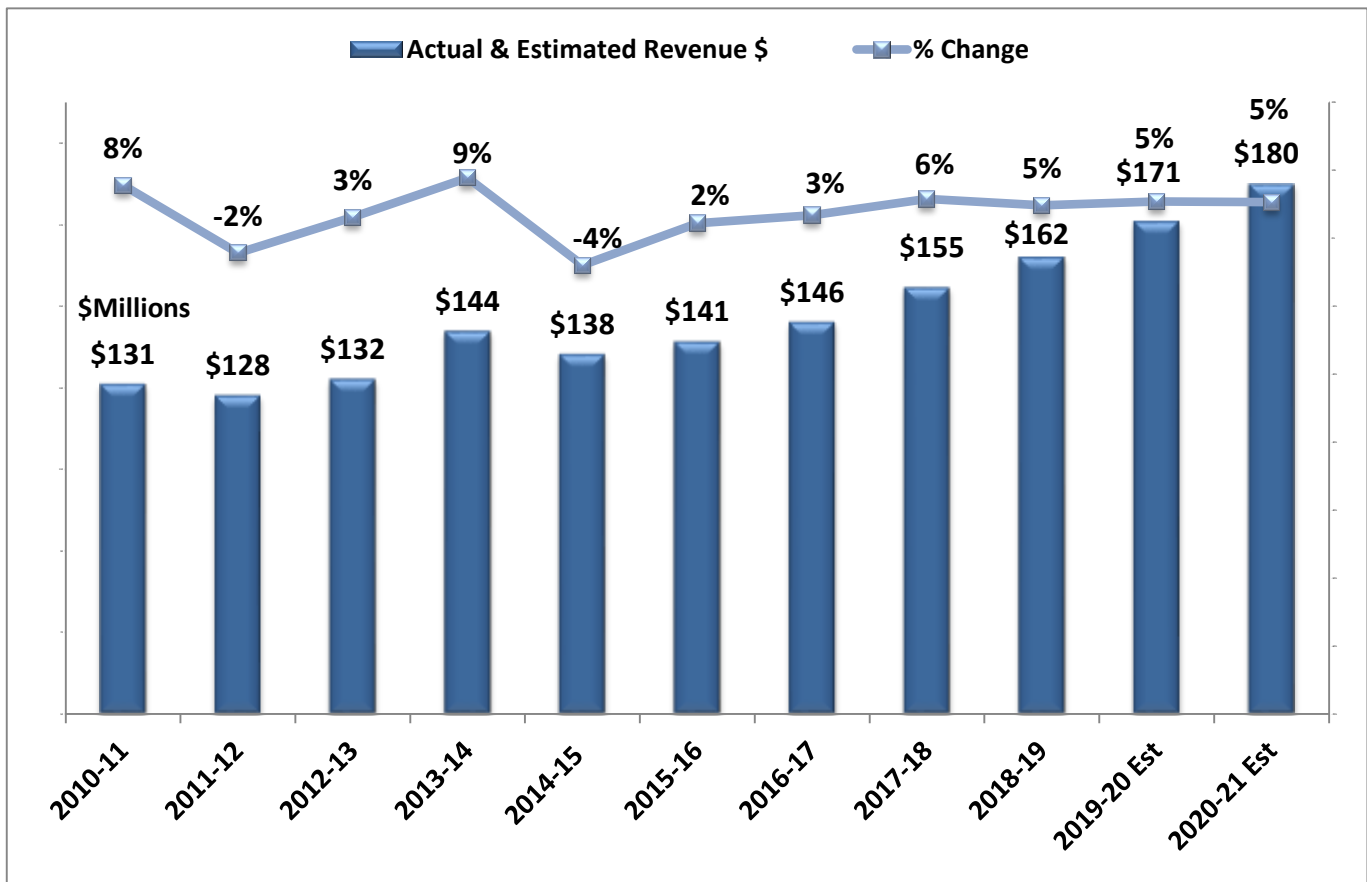
The growth estimated in 2020-21 of 4% assumes continuous growth over 2019-20 and accounts for current trends in actual collections and is based on projections provided by the UofA for city sales taxes. Privilege license fees and other excise tax projections are developed using the existing fee structures, assumptions about historical trends, averages, recent collection experience and use of the percent of prior year method to account for seasonal influences in revenue activity. Privilege license fees in 2020-21 are estimated to be flat. The growth estimated in 2020-21 for other excise taxes assumes conservative growth and continuation of current year-to-date experience.

Current Local Sales Tax Rates by Category

	General Fund	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	0.7%	0.1%	0.2%	–	0.1%	0.7%	0.5%	–	–	2.3%
Job Printing	0.7%	0.1%	0.2%	–	0.1%	0.7%	0.5%	–	–	2.3%
Publishing	0.7%	0.1%	0.2%	–	0.1%	0.7%	0.5%	–	–	2.3%
Transportation/Towing	0.7%	0.1%	0.2%	–	0.1%	0.7%	0.5%	–	–	2.3%
Restaurants/Bars	0.7%	0.1%	0.2%	–	0.1%	0.7%	0.5%	–	–	2.3%
Leases/Rentals/ Personal Property	1.2%	0.1%	0.2%	–	0.1%	0.7%	–	–	–	2.3%
Short-Term Motor Vehicle Rental	1.2%	0.1%	0.2%	–	0.1%	0.7%	–	2.0%	–	4.3%
Commercial Rentals	1.3%	0.1%	0.2%	–	0.1%	0.7%	–	–	–	2.4%
Lodging Rentals Under 30 Days	1.2%	0.1%	0.2%	–	0.1%	0.7%	2.0%	1.0%	–	5.3%
Lodging Rentals 30 Days and Over	1.2%	0.1%	0.2%	–	0.1%	0.7%	–	–	–	2.3%
Retail (Level 1 – amounts = < \$10,968 for a single item) ****	1.2%	0.1%	0.2%	–	0.1%	0.7%	–	–	–	2.3%
Retail (Level 2 – amounts > \$10,968 for a single item) ****	1.2%	0.1%	0.2%	–	0.1%	0.4%	–	–	–	2.0%
Amusements	1.2%	0.1%	0.2%	–	0.1%	0.7%	–	–	–	2.3%
Utilities	2.7%*	–	–	2.0%**	–	–	–	–	–	4.7%
Telecommunications	2.7%	–	–	–	–	–	–	–	2.0%	4.7%

*The General Fund portion of the utilities category includes the 2.0 percent franchise fee paid by utilities with a franchise agreement.
 **The Public Safety Enhancement designated 2.0 percent sales tax applies only to those utilities with a franchise agreement.
 ***The Transportation 2050 Fund (Proposition 104) was established by the voters effective January 1, 2016 and replaced the Transit 2000 Fund (Proposition 2000) to fund a comprehensive transportation plan with a 35-year sunset date. The Proposition increased the transaction privilege (sales) tax rates by 0.3% for various business activities.
 **** Proposition 104 also established a two-tier tax rate structure applicable to retail sales of single items in excess of \$10,000, to be adjusted biennially for inflation. Effective January 1, 2018, the first \$10,303 (Level 1) is subject to the 2.3% tax rate, while transactions over \$10,303 (Level 2) are subject to the 2.0% tax rate. The criteria for Level 1 and Level 2 was adjusted again on January 1, 2020, and the new threshold is \$10,968.

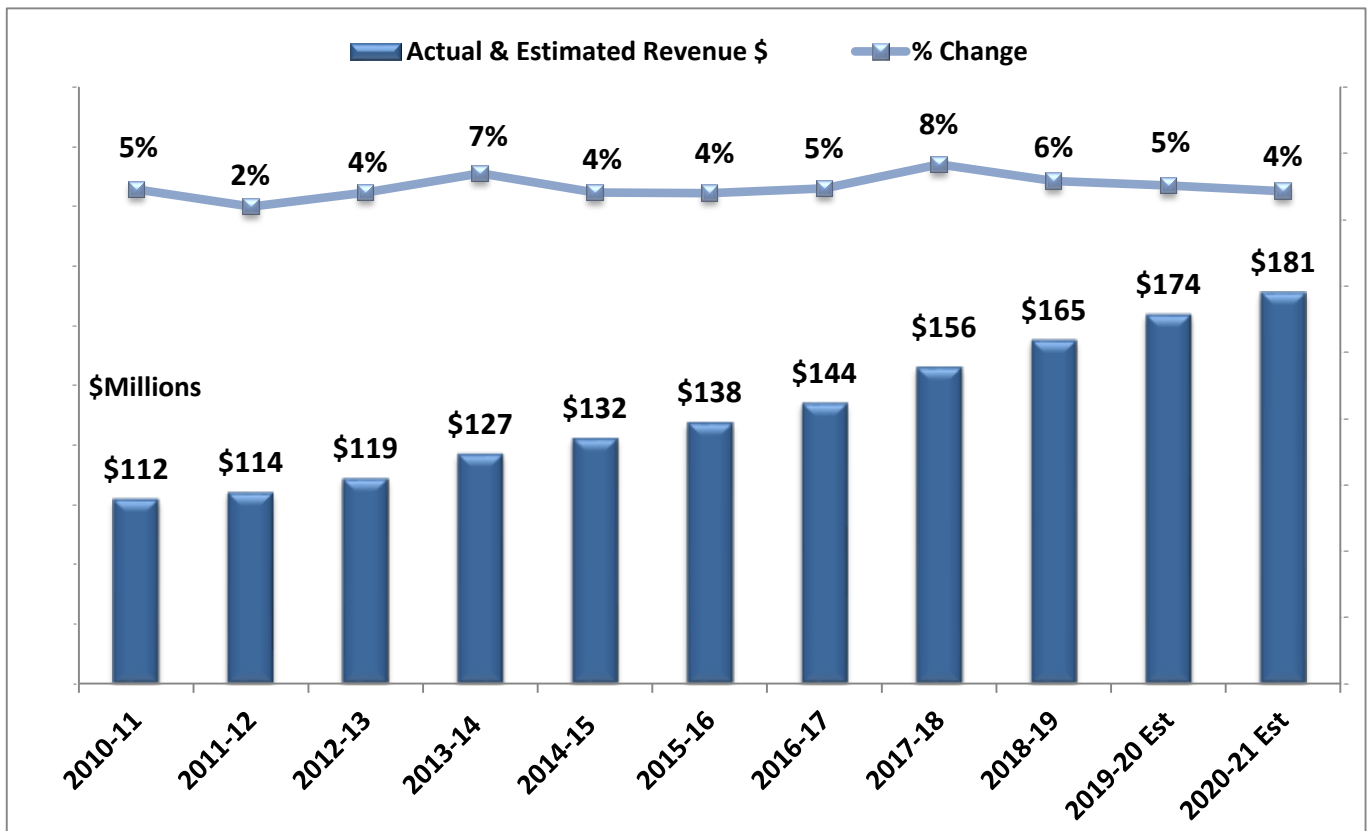
Primary Property Tax, 13% of Total General Fund Revenue



Arizona property tax law provides for 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 2020-21 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 total proposed 2020-21 primary property tax rate is \$1.3055 per \$100 of assessed valuation.

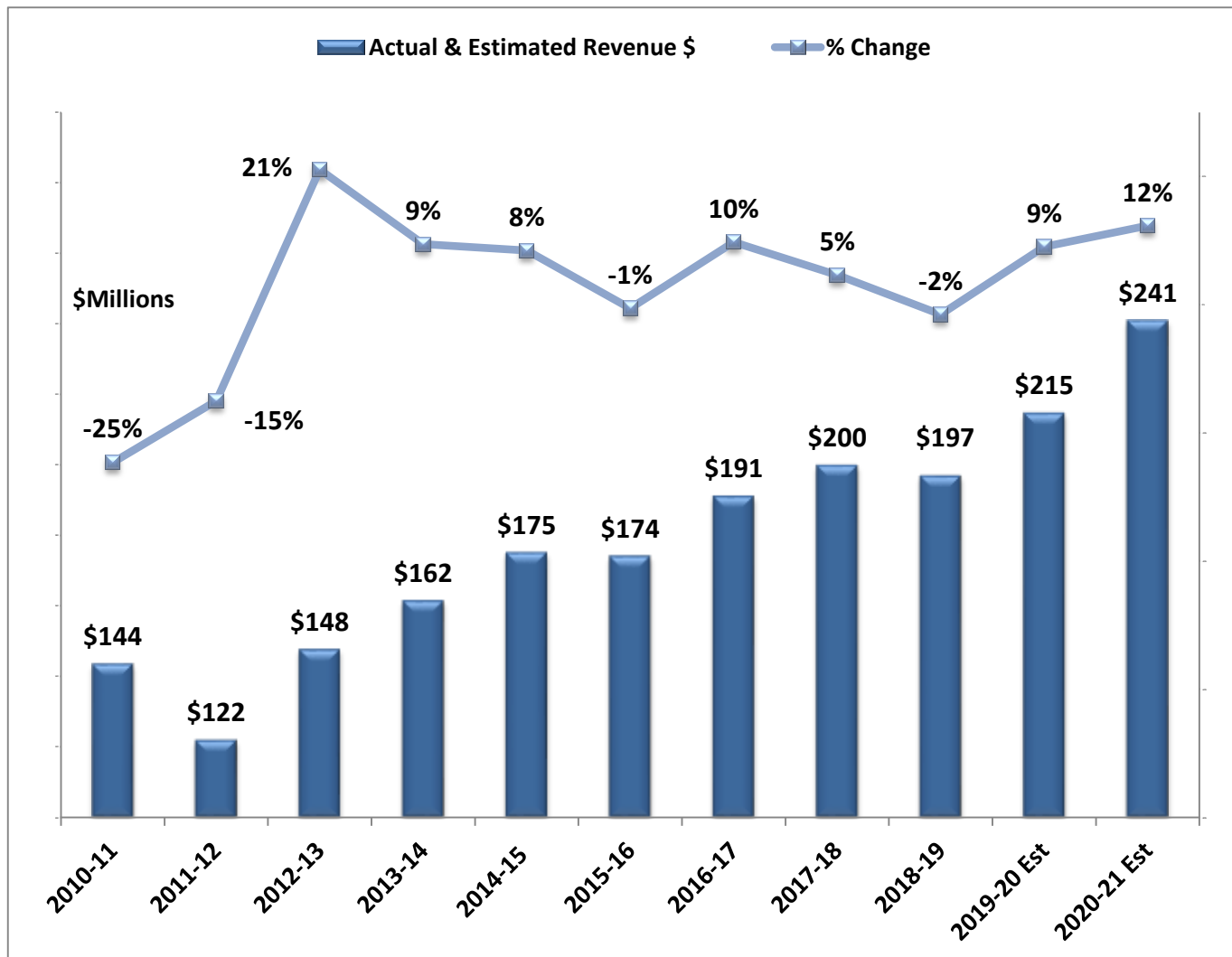
State Shared Sales Tax, 13% of Total General Fund Revenue



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, 50, or 80 percent of collections depending on the tax category. State statute §42-5029 stipulates of the monies designated in the distribution base the Arizona Department of Revenue shall pay 25 percent to incorporated cities on the basis of relative population percentages. The population share changes annually based on Census Bureau Population Estimates. The 2020-21 City of Phoenix population share is estimated to remain flat at 29.1 percent and is based on the 2018 Census Bureau Population Estimate.

State sales tax is estimated similar to how city sales tax is forecasted. Staff analyzes historical and recent trends in sales tax data by category and evaluates cumulative growth when developing revised estimates. Projections provided by the UofA EBRC, using an econometric sales tax model, were used to develop 2020-21 estimates; and information from the FAC and JLBC were considered to ensure current fiscal year estimates are reasonable and in-line with what these experts are projecting.

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

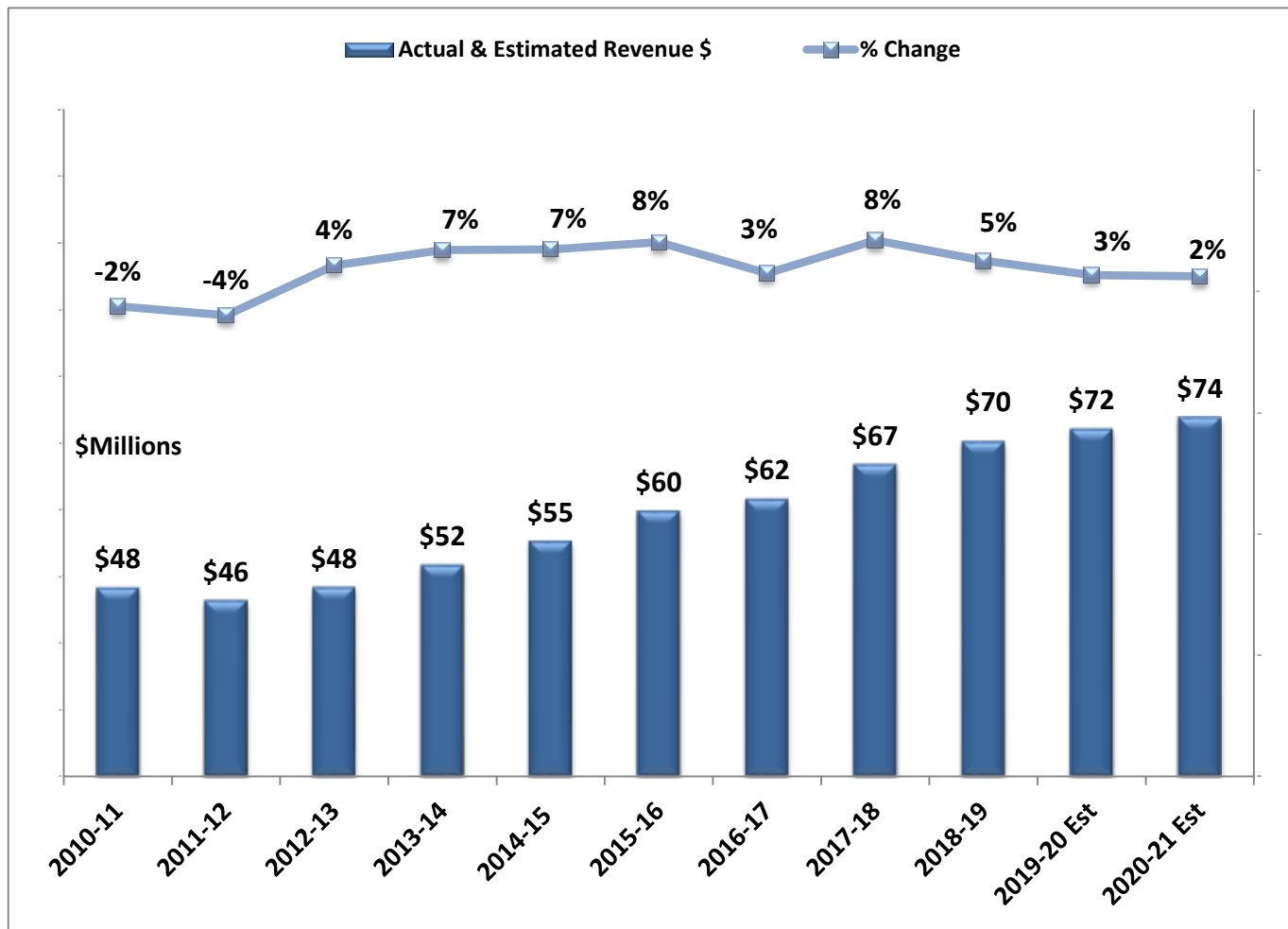


State shared income tax revenue, also known as the Urban Revenue Sharing Fund, was established by voter initiative in 1972 and is governed by Arizona Revised Statute §43-206. The statute stipulates that 15 percent of the net proceeds of state individual and corporate income tax collected two years preceding the current fiscal year be distributed to incorporated cities and towns. Individual cities receive their portion based on the cities' share of the state population. The 2020-21 City of Phoenix population share is estimated to remain flat at 29.1 percent and is based on the 2018 Census Bureau Population Estimate. This rate will change annually based on Census Bureau Population Estimates.

As a result of the initiative, Arizona Revised Statute §43-201 stipulates the area of income taxation is preempted by the state and a county, city, town or other political subdivision shall not levy an income tax as long as the Urban Revenue Sharing Fund is maintained as provided in §43-206.

Since state shared income tax revenue is based on actual collections from two years preceding the current fiscal year, the 2019-20 and 2020-21 projected revenue is known and is based on actual collections received in 2017-18 and 2018-19, respectively. The state shared income tax reduction in 2018-19 is due to declining Corporate Income Tax collections in 2016-17. The state shared income tax increase in 2019-20 and 2020-21 is due to significant growth in the Individual Income Tax collections in 2017-18 and both Individual and Corporate Income Tax collections in 2018-19.

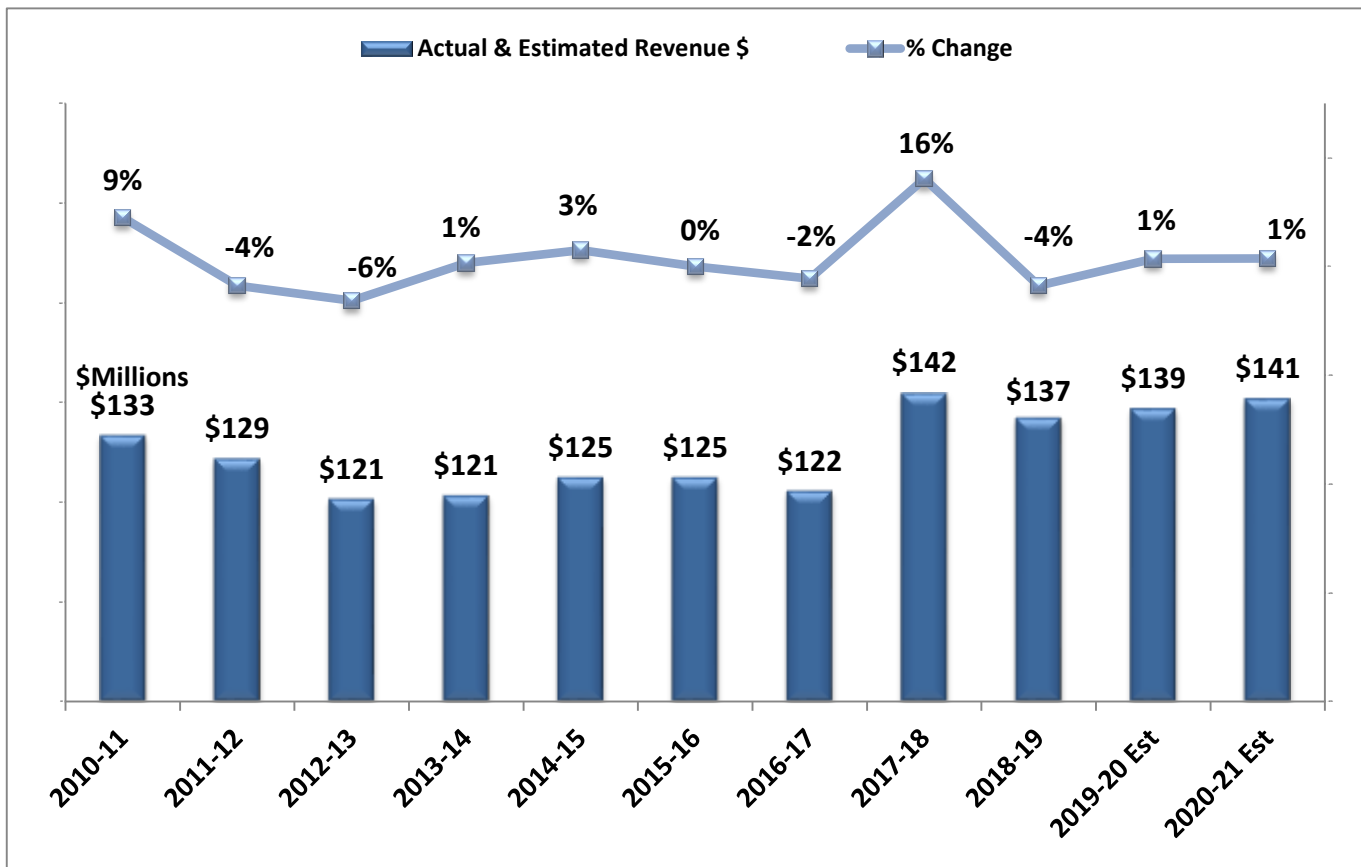
State Shared Vehicle License Tax, 6% of Total General Fund Revenue



State shared vehicle license taxes have been distributed to cities and towns since 1941. The tax is assessed on the basis of an ad valorem rate on each \$100 in value. The value is equal to a percent of the manufacturer's retail price at the time of initial registration. During each succeeding year, this value is decreased until the established minimum amount is reached. The Arizona Department of Transportation 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 2020-21 City of Phoenix population share is estimated at 40.6 percent and is based on the 2018 Census Bureau Population Estimate. This rate will change annually based on Census Bureau Population Estimates.

Vehicle License Tax revenues are often correlated to the overall strength of the economy. Similar to sales tax revenues when the economy is growing this revenue category will also exhibit growth, as illustrated in the above graph. Revenues are estimated by evaluating historical growth patterns, year-to-date cumulative growth and applying the percent of prior year method to year-to-date actuals, which accounts for the seasonality in collections. Staff will also consider projections provided by the Arizona Department of Transportation, 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 growth estimated in 2020-21 of 2% assumes this category will continue to grow but at a slower pace than in 2019-20.

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



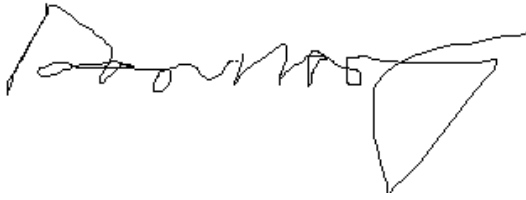
User Fees and Non-Tax Revenues include collections from licenses and permits, fines and forfeitures, cable television fees, user fees from several city departments designed to recover the costs of providing specific city services including Parks and Recreation, Library, Planning, Police, Fire, and Streets;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

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

The growth estimated in 2020-21 of 1% accounts for increases in several user fees and non-tax revenues, offset by expected decreases in some user fees and non-tax revenues. The decline in 2018-19 of -4% is due to one-time insurance proceeds for the Burton Barr Central Library that were received in 2017-18.

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

A handwritten signature in black ink, appearing to read 'Dan Wang', with a stylized flourish extending to the right.

Dan Wang, Ph.D.
Central Revenue Coordinator