



2022-23 PHOENIX COMMUNITY BUDGET GUIDE

PROGRAMS AND SERVICES
THAT BUILD A BETTER PHOENIX



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Outlook

State and Local Economy

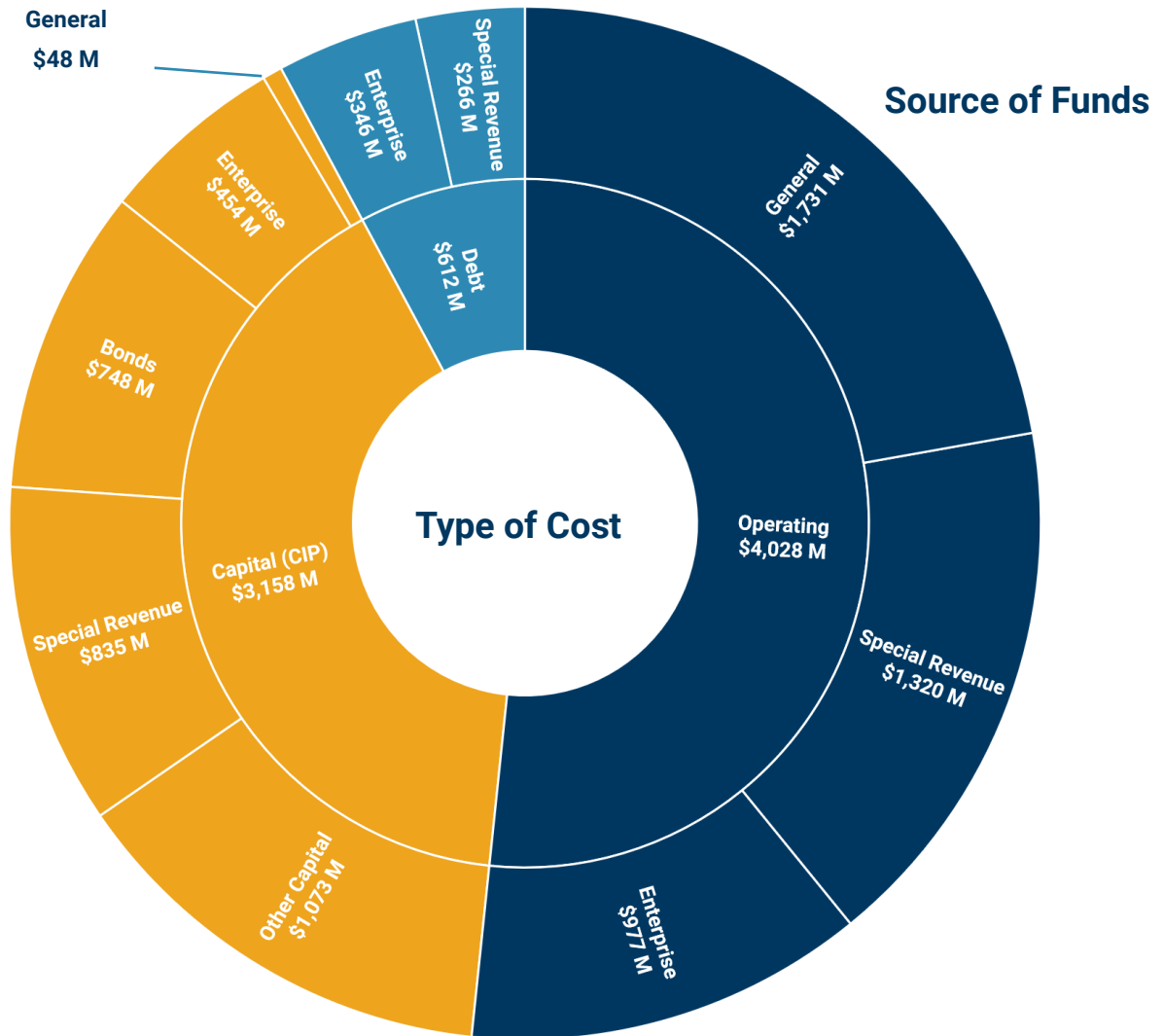
It has been more than two years since COVID-19 began in December 2019 and Phoenix has emerged as an economic leader in the country. City and state-shared sales tax revenues have shown solid growth throughout the COVID-19 crisis. In the past, the growth of internet sales created concern about the erosion of the revenue base. However, as a direct result of a U.S. Supreme Court decision (Wayfair), the State passed H.B. 2757, effective in October 2019, which created an economic nexus standard and required most marketplace facilitators to collect tax on behalf of sellers using the facilitator's platform. This resulted in a much larger portion of internet sales becoming taxable and helped to mitigate the impacts of COVID-19 on city and state sales taxes. Federal assistance from the Coronavirus, Relief, and Economic Security Act (CARES) and the American Rescue Plan Act (ARPA) provided a tremendous amount of one-time stimulus aid to the national, state and local economies, which has temporarily created significant increases in revenue collections. City sales tax, primary property tax, state-shared sales and vehicle license taxes are projected to grow in 2022-23, with growth rates ranging from 1.7 percent to 5.2 percent. Staff will closely monitor revenue activity in order to develop revised revenue estimates for the current year and to prepare a balanced budget for 2023-24.

Looking Ahead

The 2022-23 City of Phoenix Budget reflects broad Council and community priorities. As a result of the strong Phoenix economy, strategic actions taken by City Council and City Management, along with the commitments of City employees to provide services and control spending through the pandemic, the budget remains balanced and provides enhanced city services for the community. The budget addresses many issues raised by Council members and the community over the past year without over-committing current and projected resources. Balancing available resources with the community's desire for expanded service, and the organization's needs for staff and infrastructure required to provide those services is no easy task. This is especially true at this time amid the current economic climate including high inflation, tight labor markets, supply chain challenges, and the economic turmoil prompted by the Russian declaration of war against Ukraine. Given the additional economic uncertainty, the budget strategically uses available resources in a way that provides maximum flexibility should we need budget balancing actions in the upcoming fiscal year.



City Budget Structure & Sources: Operating, Capital and Debt Service



Operating

Operations and maintenance costs. These include costs like the salaries of police officers and firefighters and costs of repairing City streets.

Debt Service

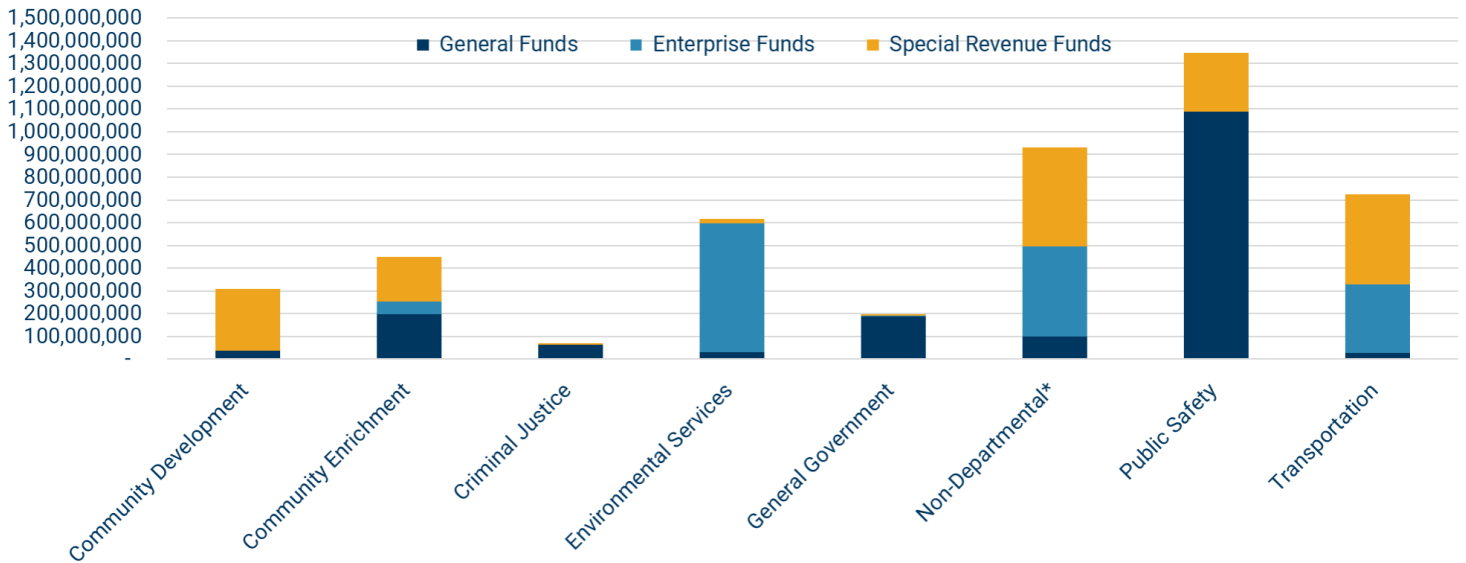
Principal and interest payments on bonds issued by the City for projects like water treatment plants.

Capital Improvement Program

Investments in infrastructure and similar assets. The construction of new light rail extensions, for example, is included in the Capital Improvement Program.



The Operating Expenditure Budget



* Debt service, contingency funds, coronavirus relief funds; net unassigned budgeted vacancy savings

General Funds

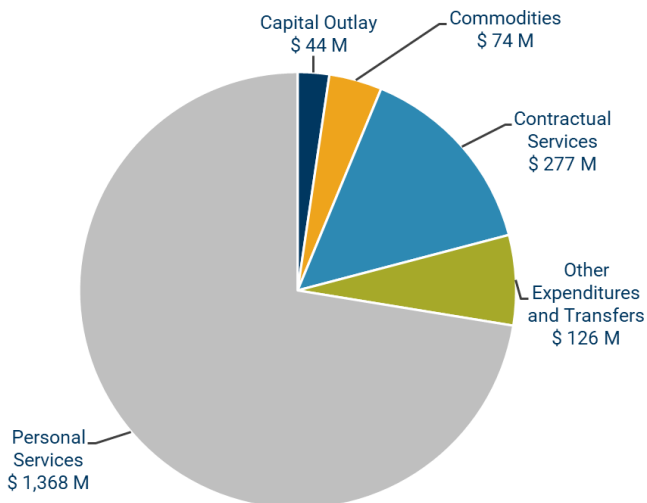
Money from taxes and fees that have an unrestricted use.

Enterprise Funds

Money generated from fees for goods or services that the City provides, like water and trash pick-up, that operate like a business. This money is only used to offset the City's cost of providing these services.

Special Revenue Funds

Funds for specific activities that may be governed by state law, provided under grant agreements, or earmarked by voters.



General Fund by Character

The chart to the left represents the General Fund operating expenditure budget by character of spending, illustrating that expenditures are predominantly related to personal services costs: salaries and benefits of City employees. The costs shown are partially offset by \$158 million in charges out to other funds, making the net General Fund operating budget \$1,731 million.



General Fund Revenue Sources



Local Taxes & Related Fees \$632 million (40%)

Includes local sales taxes, use taxes on purchases where no sales tax are paid, annual tax license fees, and jail and general excise taxes on municipal service bills.

Property Taxes \$199 million (12%)

The primary portion of the City's property tax serves as a General Fund resource.

State Shared Revenues \$621 million (39%)

Includes the City's population-based share of state sales taxes, state income taxes, and vehicle license taxes.

User Fees & Other Revenue \$135 million (9%)

Licenses and permits, cable television fees, fines and forfeitures, parks and libraries fees, various cost recovery-based user fees, and miscellaneous General Fund revenue sources.

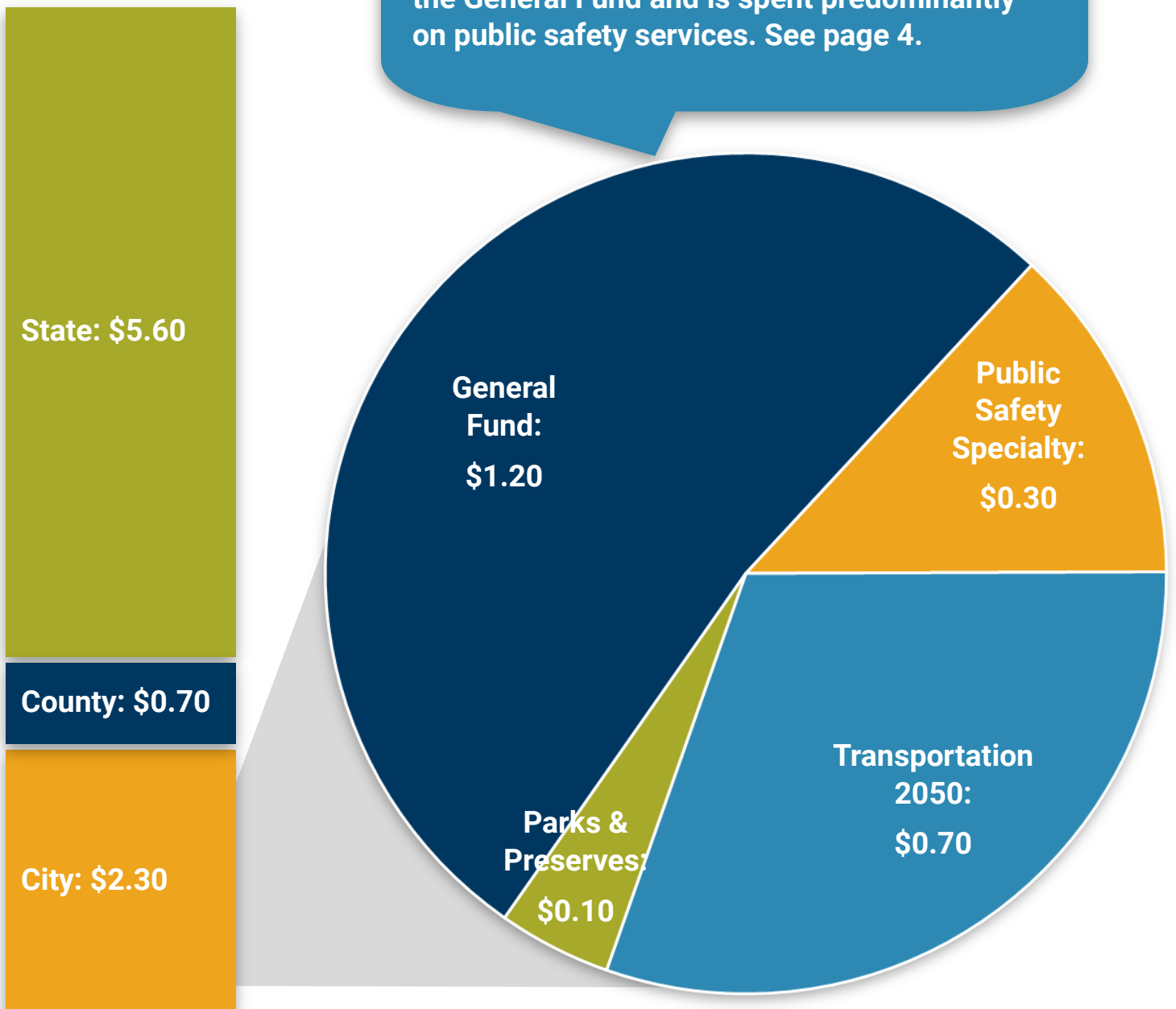


Distribution of Local Sales Tax Dollars

Example: \$100 Retail Purchase

**Total Sales Tax:
\$8.60**

While City voters have approved several initiatives to set aside portions of the City's sales tax for specific purposes, most goes to the General Fund and is spent predominantly on public safety services. See page 4.



City Budget Process

August – February. Staff update revenue and expenditure estimates for the current year, prepare baseline budget requests for the coming year that assume current levels of service, and prepare proposed service level changes.

March. Staff present the Trial Budget and Preliminary Capital Improvement Program to Council.

April. Public budget hearings are held to gather residents' input on the Trial Budget; comments are compiled and reviewed by City management and Council.

May. Reflecting public input, staff present the City Manager's Budget to Council; Council reviews the presented budget and provides policy guidance.

June. Reflecting Council input, staff present the Tentative and Final budgets to Council, and the 5-year CIP is adopted.

July. Council adopts the property tax rates and property tax levies specified in the budget.

This budget process is longer than many other cities' processes to give our residents and the City Council many opportunities to shape the budget. How do residents participate?

Through a new interactive online tool "FundPHX". The tool gives residents an opportunity to try their hand at balancing the city's \$1.7 billion General Fund operating budget, provide feedback on current funding levels and share community priorities with staff. The tool is available on the Budget and Research Department website, www.phoenix.gov/budget.

At community budget hearings each April: posted on www.phoenix.gov/budget.

Through social media, email or phone:

#PhoenixBudget

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