

2023-2024

PHOENIX

COMMUNITY BUDGET GUIDE



INVESTING IN THE FUTURE OF PHOENIX

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Outlook

State and Local Economy

It has been over three years since the emergence of COVID-19 in December 2019, and Arizona has recovered from the pandemic downturn ahead of most states. 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. Furthermore, the federal assistance provided through the Coronavirus, Relief, and Economic Security Act (CARES) and the American Rescue Plan Act (ARPA) has injected a substantial amount of one-time stimulus aid into 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 2023-24, with growth rates ranging from 2.9 percent to 8.3 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 2024-25.

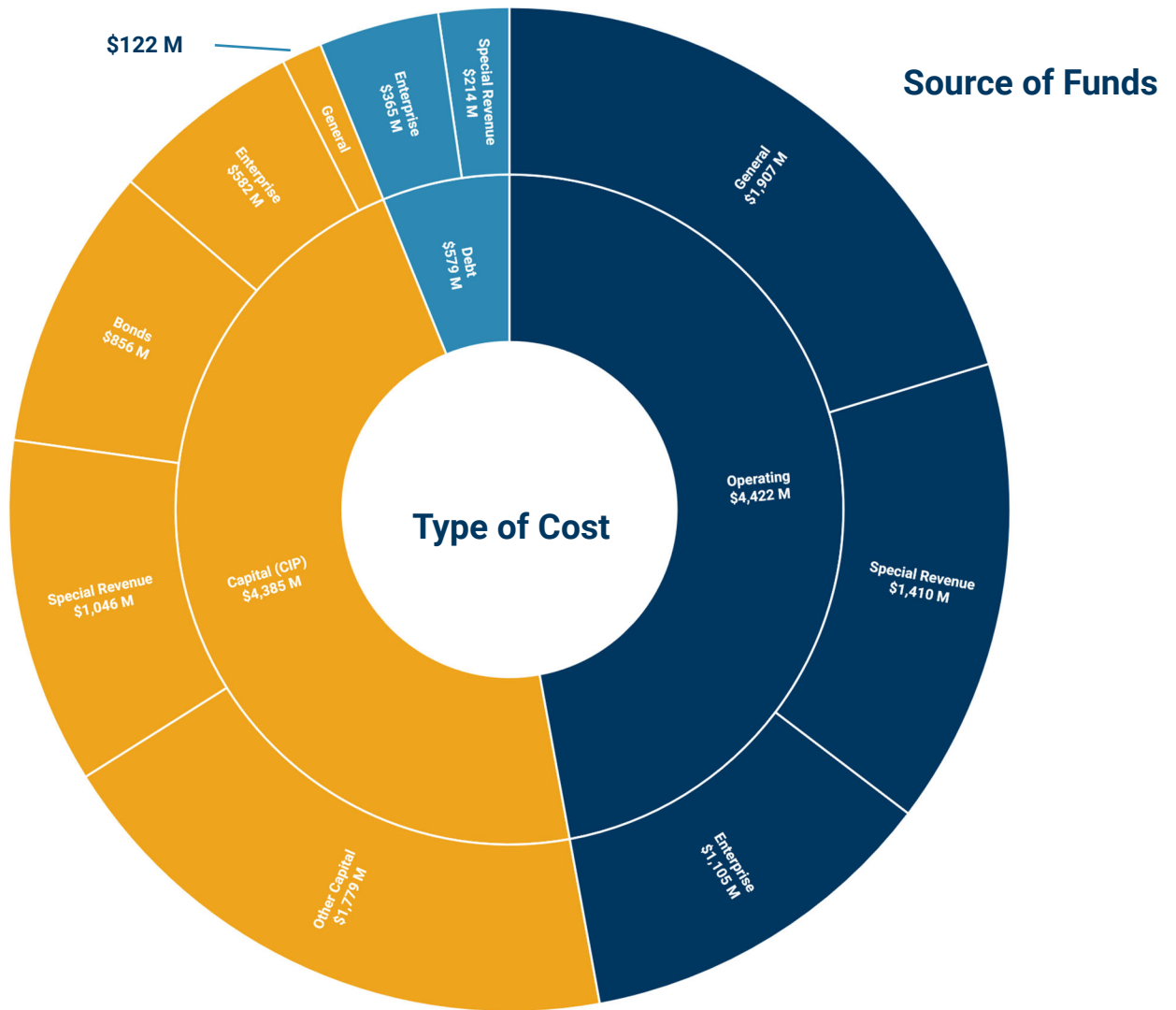
Looking Ahead

The General Fund budget was developed around a projected \$134 million surplus. The City has experienced significant hiring challenges due to the competitive labor market. The 2023-24 General Fund budget invests \$114 million of the surplus in our employees, honoring the City Council approved labor agreements and providing the resources necessary to competitively pay our employees. The investment is crucial to attract and retain the best talent who do the work every day to serve the community. The remaining \$20 million of the surplus is allocated to a variety of programs and services with \$5 million earmarked for the General Fund contingency fund, or "rainy day" fund, to ensure resources are available in the event of an economic downturn in the future. The 2023-24 General Fund Budget includes \$15 million in service additions that will continue to move the City forward in addressing several key priorities.

- Continuity of Services for Vulnerable Populations - \$7.6 million
- Enhanced Public Safety Responsiveness and Criminal Justice Support - \$3.8 million
- Healthy Neighborhoods and Community Enrichment - \$3.6 million



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

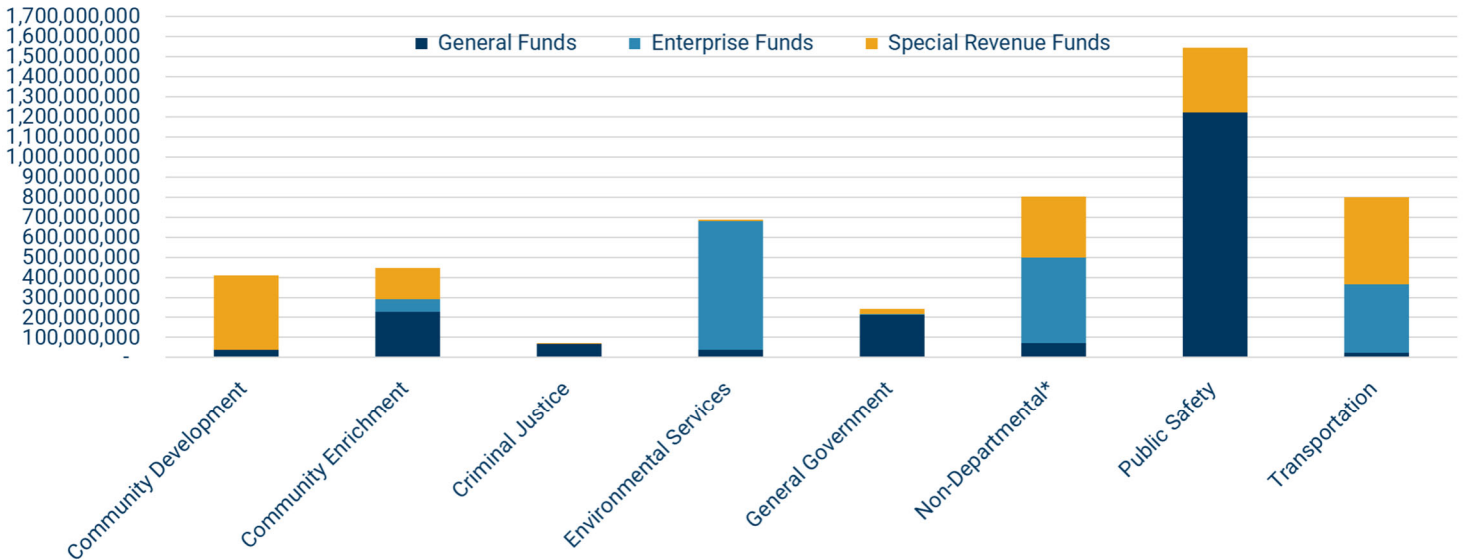
Principal and interest payments on bonds issued by the City for projects like water treatment plants.

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

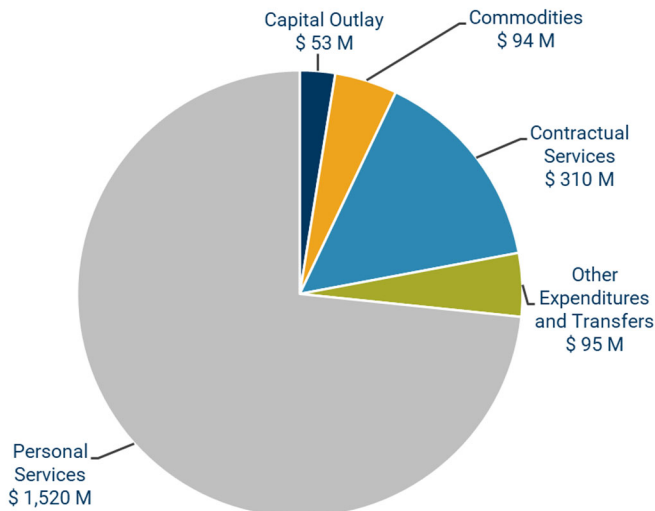
Money from taxes and fees that have an unrestricted use.

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 \$165 million in charges out to other funds, making the net General Fund operating budget \$1,907 million.



General Fund Revenue Sources



State Shared Revenues \$770 million (42%)

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

Property Taxes \$207 million (11%)

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

Local Taxes & Related Fees \$699 million (38%)

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.

User Fees & Other Revenue \$155 million (8%)

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.

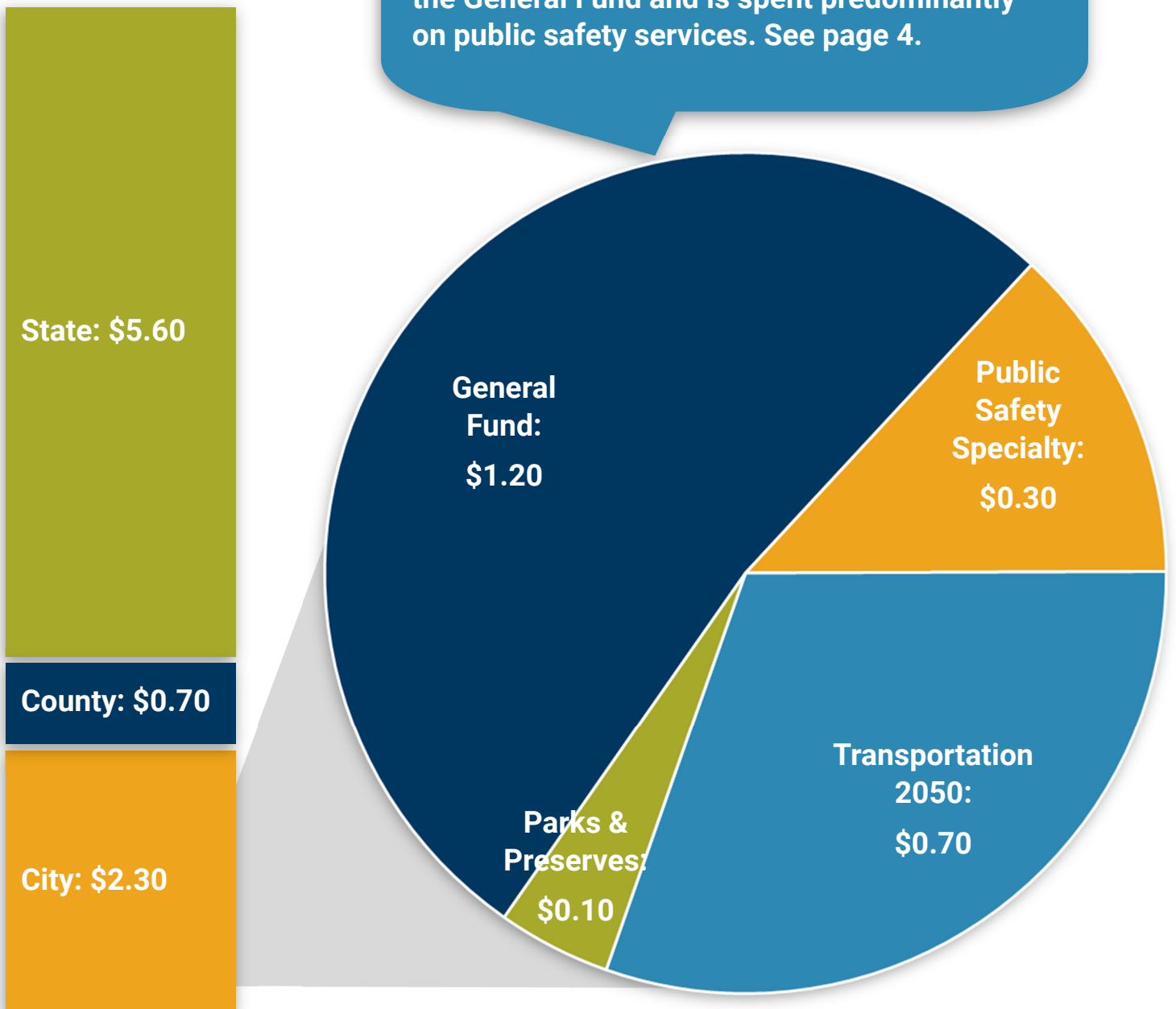


Distribution of Local Sales Tax Dollars

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 the interactive online tool "FundPHX". The tool gives residents an opportunity to try their hand at balancing the city's \$1.9 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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