



City Council Budget Decision on the 2021-22 Budget

This report transmits a balanced budget for fiscal year (FY) 2021-22. Following the presentation of the Trial Budget on March 16, 2021, the 14 Virtual Community Budget Hearings held from April 2 - April 20, 2021, and presentation of the City Manager's Proposed Budget on May 4, 2021, staff recommends approval of the FY 2021-22 proposed budget. **The General Fund Budget for action is the same as presented on May 4, 2021.**

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

The 2021-22 Proposed Trial Budget presented to City Council on March 16, 2021 included proposed increases in employee compensation and additions of a variety of City programs and services using the General Fund (GF) projected surplus of \$153M. Staff revised revenue estimates based on 8-month technical revenue reviews and an additional \$1.8M in resources is available for community priorities identified by residents at 14 virtual budget hearings, from the FundPHX tool, and comments received directly to the Budget & Research Department. This feedback from our residents was taken into consideration and changes to the Trial Budget are reflected in this report.

Summary

As presented on May 4, 2021, the GF revised projected surplus for FY 2021-22 is \$154.8M. Due to the leadership of the City Council over the past year, it represents a remarkable turnaround from the budget of 2020-21 when we instituted hiring freezes to prevent COVID-related deficits. The surplus is available for negotiated employee compensation increases and additions to programs and services in several important categories. The surplus is largely made up of \$98M in one-time funds and a newly revised \$56.8M in ongoing resources. One-time funds represent resources from the Council approved transfer of funding from the Coronavirus Relief Fund (CRF) to offset public safety salaries as permitted by the Federal guidelines. Ongoing resources represent primarily anticipated growth in revenues for next fiscal year. Proposed Budget additions, including changes from the Trial Budget as a result of community input, are summarized below and more detailed explanations are provided in **Attachment A** (GF Proposed Additions) and **Attachment B** (Non-GF Proposed

Additions). Community input on the budget is also summarized in this report. Additionally, all resident comments received on the budget and the youtube videos of all 14 virtual budget hearings are available on the Budget & Research website at <https://www.phoenix.gov/budget>. This report also includes explanations of items not included in the proposed budget, but commented on by the public, as well as detailed schedules on the 2021-22 proposed budget for all City funds (**Schedules 1 - 11**).

Additionally, in an effort to improve amenities and activate safe places for the community to play, the Parks & Recreation Department will design and install two splash pads at El Oso and Mariposa Parks using available Capital Improvement Program funds. Staff will also begin to research the availability of vacant land and partnerships with schools in the areas without public parks in Council District 5.

Proposed Changes and Additions to the City Manager's Budget

As presented on May 4, 2021, the City Manager's (CM) Proposed Budget includes several recommendations that continue to move the City forward in addressing critical community priorities and ensuring our most important asset, our employees, are fairly compensated for the outstanding work they do for the community. The 2021-22 Trial Budget presented to City Council and the community on March 16, 2021 has been revised to account for resident feedback. Changes to the Trial Budget are identified in this report as ***NEW*** and are included in **Attachments A and B**. The following is a summary list of the proposed changes:

- Build and set-aside operating funds for three new neighborhood Parks in the Southwest area of Phoenix, which can be built with impact fees.
- Maintenance at the Highline Canal.
- Additional staff for the Pueblo Grande Museum.
- Resources for advancement of Fast Track City initiatives to promote AIDS awareness and prevention.
- A City Navigator for Veterans' services.
- Additional funding for the City's Adaptive Reuse Program.
- Additional staff to properly maintain City cemeteries.
- Additional staff in the Water Department (non-general funded from Water Services) to implement recommendations from the Water Conservation Ad Hoc Committee.

Including the above changes to the proposed budget from community input, GF priorities include the following recommended increases totaling \$154.8M by category and are summarized below:

- Negotiated Employee Compensation Increases (Ongoing and One-time) - \$118.3M

- Public Safety Reform & Responsiveness - \$20.5M
- COVID Relief & Resiliency - \$2.6M
- Climate Change & Heat Readiness - \$2.8M
- Affordable Housing & Homelessness - \$2.8M
- Building Community & Responding to Growth - \$4.7M
- Administrative Accountability - \$3.1M

The proposed Trial Budget also includes additions of \$4.3M for Non-GF Departments including Water, Planning and Development, Solid Waste and Streets Transportation. Information on proposed Non-GF budget additions are summarized in this report and detailed in **Attachment B**.

Proposed General Fund Additions - \$154.8M and 318.2 positions

Below is a summary by category of the proposed GF additions to the 2021-22 City Manager's Budget. Detailed information about each supplemental by department is provided in **Attachment A**.

Employee Compensation - \$118.3M

Current labor contracts expire June 30, 2021, and all five union contracts have been ratified and approved by City Council. Based on available resources, service needs and the Five-Year GF Forecast presented to Council on February 23, 2021, the City is proposing to allocate 76 percent or \$118.3M of the total GF Surplus to address employee compensation.

Public Safety Reform & Responsiveness - \$20.5M and 226.9 positions

The Mayor, City Council and residents have expressed the need for more accountability, responsiveness, transparency and trust from public safety programs. The spending proposals in this category will help to accomplish improved trust and service delivery from our public safety departments. Primary in this category is additional resources for a bold investment of \$15M towards expanding an existing civilian only program for responding to mental and behavioral health calls for service.

Mental and Behavioral Health Calls for Service: Community members, first responders and mental health professionals have all identified the need for enhanced mental health and crisis response support in Phoenix. Vulnerable communities including children and the elderly, individuals experiencing abuse, poverty and homelessness, residents with behavioral and mental health disorders or people with alcohol and drug dependencies all require additional support. In order to bridge this gap and to improve service delivery to individuals contacting 911 experiencing behavioral and mental

health issues or in need of emergency crisis response, the City has proposed adding resources to the Community Assistance Program (CAP).

The plan includes increasing the number of crisis response units to a total of 10 and establishing nine new behavioral health units across the city based on where the highest concentration of calls are received. The concept is to create an effective City of Phoenix behavioral and mental health crisis response program where multiple City departments work alongside non-profit organizations and the behavioral health community to improve the quality of life for residents in need. The proposed model also recommends expanding the existing city contract with IMD medical group to offer telemedicine services to residents who are experiencing comorbidities, where both a mental and behavioral health problem exists along with a medical issue. This on call medical platform would be accessible to the CAP program 24/7 and provide access to licensed medical professionals who can access the Health Information Exchange (HIE). The program would also seek to establish a contract for a public-private partnership with a behavioral healthcare provider to create a comprehensive model where individuals will receive both immediate service from the CAP units and be connected to additional services through the contracted provider.

The proposed solution would accomplish several goals including:

- Increase behavioral health resources to the community by focusing on timely immediate response to individuals in need.
- Crisis de-escalation and appropriate civilian trained response to improve relationships in the community with public safety.
- Prevent criminalizing behavioral health issues and unnecessarily incarcerating and/or hospitalizing individuals with mental illness.
- Provide alternate behavioral health care and connect community members in crisis through a coordinated system-wide collaborative approach.
- Avoid duplicating behavioral health services.
- Outreach and connection to long term case management services to reduce repeat calls to 911.
- Access to licensed medical professionals where needed to improve service outcomes.
- Return PPD and PFD first responders to core public safety emergency incidents.
- Better use of taxpayer resources.

Implementation of a new behavioral and mental health program is a heavy lift. For this reason, the City has proposed leveraging the already successful CAP, which has been in existence since 1995, however has been under-resourced and unable to meet community demands. The program currently responds to mental and behavioral health

calls for service and is managed by licensed civilian professionals in social work and counseling. Full implementation of the enhanced program is anticipated to take 18-24 months, and once fully operational the program is estimated to cost \$15M based on analysis conducted by the Budget & Research Department. Once the program is fully operational, further analysis will be conducted to determine if budgetary savings have been realized to the City. If resources are freed up in the Police and/or Fire Departments which results in budgetary savings, the City Council can allocate those resources as it deems appropriate based on actual data and experience for the program.

A significant number of public comments were given on the proposed model at the virtual budget hearings. It is clear a program that relieves police officers of being first responders to mental and behavioral crisis situations where possible is supported. There were questions and criticisms of the potential structure, including its assignment in the Fire Department; an expressed desire for more money to be allocated and to take that money directly from the Police Department; questions about potential communication with federal ICE officials; and an expressed desire for community involvement in the program design and implementation. In response to this feedback, during the implementation phase the City plans to seek input from the community and mental and behavioral health stakeholders to ensure the program meets the needs of all. Staff also plans to engage independent experts to conduct thorough process mapping, best practices identification, community engagement, performance measures, and the scope of the behavioral health unit Request for Proposal. In terms of ICE, as explained at the budget hearings, civilian employees (like CAP) do not call ICE when providing services. The Police Department only calls ICE when a person is arrested, booked into jail, or given a citation in lieu of detention. If a CAP call turns into a situation requiring police intervention, and there is an arrest, citation or booking, only then would ICE be involved according to current policy and state law.

Other proposed additions in this category include:

- Human Services Department (\$90K) - a new Victim Services Caseworker III (1) to serve as a navigator to services for relatives of decedents and juveniles as a result of officer involved shootings or in custody deaths. This was a recommendation of the Traumatic Incident Ad Hoc Committee.
- Fire Department (\$800K) - In addition to the above CAP expansion for mental health calls for service, staff recommends adding (15) civilian positions for paramedic trainers (3), radio technicians (2) and 911 Dispatchers (10).
- Municipal Court (\$350K) - additional staff (5) to provide operational support at the new Maricopa County Intake, Transfer and Release facility (2) and to properly staff

the Orders of Protection Office (3).

- Police Department (\$3.7M) - proposed funding to add civilian staff (75) to improve accountability, transparency and relationships with the community. The Phoenix Police Department is down over 300 civilian positions since the Great Recession and several functions struggle to meet service demands. The recommended civilian positions will be used to: improve turnaround time for public records requests (15); add staff to ensure data reporting compliance with the National Incident-Based Reporting System (34); funding for positions (4) to manage a new Early Identification & Intervention System (EIS), which was recommended in 2019 by community stakeholders, Arizona State University and City leadership. The system is intended to use data analytics to proactively identify trends and intervene prior to an employee's adverse actions; continue with the plan to civilianize the Central Booking Detail (22) which is a more cost effective way to perform the administrative booking function; and add \$500k for a GF set-aside for Police reform to improve community trust, and provide a comprehensive review of the Phoenix Police department. This review will include a thorough evaluation of practices and policies, actively solicit stakeholder and community feedback and provide recommendations for improvement.
- Street Transportation Department (\$600K) - funding for projects included in the comprehensive Roadway Safety Action Plan approved by Council on March 2.

COVID Response & Resiliency - \$2.6M and 7 positions

The COVID-19 pandemic has presented numerous challenges for the City concerning protecting the public and employees during the pandemic. These efforts have included consultation with medical experts to guide decision making in how to navigate the pandemic, continuing service delivery remotely and/or implementing spatial distancing measures, providing food assistance, providing mobile outreach and wifi services to the community and quickly moving to virtual information technology platforms to accommodate teleworking and video conferencing. Proposed additions are included in the budget to provide services and to add staff to ensure the City not only continues to responsibly navigate the pandemic, but also to provide these service enhancements and information technology benefits going forward. Additions include:

- City Manager's Office (\$150K) - add funding to continue the contract for expert medical and public health consultation.
- Office of Environmental Programs (\$300K) - add a Program Manager (1) and funding to continue the Emergency Food Assistance Program and to achieve the goals of the Council approved 2025 Phoenix Food Action Plan.
- Information Technology Department (\$1.7M) - Add staff (3) and managed contract services to support the technology deployed due to the pandemic for teleworking,

new wifi locations, and video conferencing. Funds are also requested to ensure IT security for projects arising from the pandemic including the new PHX 311 and Learning Management Systems.

- Library Department (\$200K) - add funding to continue mobile service for the "Mifi" hotspot program, online programming and remote outreach, and laptop support.
- Public Works Department (\$200K) - add positions (3) to staff the appointment counter in City Hall and Calvin C. Goode. This counter has been well received by the public and offers a streamlined way to make appointments with various City departments.

Climate Change & Heat Readiness - \$2.8M and 14.0 positions

Negative impacts from climate change and increasing Phoenix temperatures call for strategies to address negative impacts to air quality from pollutants and carbon emissions. The growing hazard of urban heat to the public, particularly vulnerable populations such as the homeless, require a forward thinking approach to provide for a sustainable environment for City residents. Proposed additions in this category include establishing a new Office of Heat Response and Mitigation, provide additional resources and staff to achieve the goals of the 2010 Tree and Shade Master Plan, increase staff for the Energy System Inspection Program in the Fire Department and add funding for conducting greenhouse gas emissions inventories and to assist with implementing the City's newly created Climate Action Plan. Additions include:

- City Manager's Office (\$500K) - add staff (4) to create a new Office of Heat Response and Mitigation. This includes a Tree and Shade Administrator recommended by the Environmental Quality and Sustainability Commission.
- Fire Department (\$0) - add civilian staff (5) and equipment to support the Solar Energy Inspection Program. Costs of this addition are offset by increased revenues receive by the City for solar energy system inspections resulting in a net-zero increase to the GF.
- Office of Environmental Programs (\$200K) - add funding to conduct green house gas emissions inventories and provide modeling and analysis regarding air quality.
- Parks Department (\$600K) - add an additional Forestry crew (5) to plant additional trees in City parks, and provide funding to update the tree inventory and database. The City Council approved the Tree and Shade Master Plan in 2010 with the goal to double the shade canopy by 2030. The additional staff and an accurate tree inventory and database will help to accomplish this goal.
- Streets Transportation Department (\$1.5M) - add funding to the Cool Corridors Program, which was developed to align with the Tree and Shade Master Plan to assist with planting 200 trees per mile for a total of 1,800 new trees planted across nine project areas, one in each Council district and citywide.

***NEW* Affordable Housing & Homelessness - \$2.8M and 4.0 positions**

The City of Phoenix has a lack of affordable housing and a growing homeless population in need of assistance. The City Council approved a Housing Phoenix Plan in 2020 and recently the Homeless Strategies Plan to find solutions specifically to identify funding to increase and improve affordable housing units as well as to leverage federal funding and work with community partners to help the homeless. Additionally, the COVID-19 pandemic has increased the homeless population in the downtown area and the Hatcher Road area of Sunnyslope, requiring additional cleanings in these areas for waste removal, trash pickup and sanitization. The proposed additions listed below will assist with achieving the critical mission of increasing affordable housing and helping the homeless. Additions in this category include:

- Housing Department (\$1.6M) - ***NEW*** add a Special Projects Administrator (1) (this position was previously a Project Manager in the Trial Budget) to coordinate the RFP process and contract management for development of affordable or mixed income housing on City-owned land and to conduct community outreach. Add one-time funding of \$1.4M for infrastructure improvements at Santa Fe Springs affordable apartment homes.
- Human Services Department (\$175K) - add positions (2) to create a homeless advocate workforce specialist and administrative support to help the homeless find employment to achieve self sufficiency and to ensure compliance with federal regulations for \$33M in Emergency Solutions Grants and Community Development Block Grants.
- Neighborhood Services (\$100K) - add a Neighborhood Specialist (1) focused on serving the Human Services Campus area neighborhoods and businesses.
- Public Works Department (\$800K) - add funding for positions (3) and equipment to support the Human Services Campus downtown area clean-ups. Positions will be in the Solid Waste Division and charged to the GF.
- Streets Transportation Department (\$130K) - add funding for contracted services to provide sidewalk and right-of-way cleanups at the Human Services Campus in the downtown area and the Hatcher Road area of Sunnyslope.

***NEW* Building Community & Responding to Growth - \$4.7M and 39.3 positions**

This category proposes multiple additions across several City departments with the intent to provide targeted economic development opportunities for the West region of the City, to expand the successful College Depot Program for our younger residents, increase funding for the Arts and Historic Preservation, provide for adequate floodplain management, add funding for landscape management due to recently completed

capital projects, and address the need for more resources due to growth and demand for city amenities and services. ***NEW*** resident feedback included a desire for more parks in the Southwest region of the city, a dedicated Veterans Advocate position, resources for maintenance of the Highline Canal, staff for Pueblo Grande Museum, additional funding for the successful Adaptive Reuse Program and for Fast Track City initiatives.

- Community and Economic Development Department (\$300K) - add positions (2) for the Small Business and Community Retail Redevelopment Program.
- Human Services Department (\$345K) - ***NEW*** add funding for Fast Track Cities initiatives to increase engagement and connection to treatment for residents with HIV/AIDS. Add a Veterans Advocate position (1) to serve as a navigator for connection to services for our residents who are veterans of the military.
- Library Department (\$200K) - add positions (2) to expand the College Depot Program to provide increased outreach and more assistance to prepare students for high school equivalency testing and college entrance exam testing. The additional resources would also increase the number of high school students who can be assigned to an advisor in the program to ensure a successful transition to college.
- Office of Arts & Culture (\$200K) - add funding for additional community arts grants, increase opportunities to engage youth in arts programs, provide training to art professionals through skill workshops. Funding will also be used to provide "pop-up" art programming around the city at libraries, community centers and cultural centers.
- Parks and Recreation Department (\$2.9M) - add full-time and part-time positions (29.3) to support growing needs at various parks and recreation centers, including the new Cesar Chavez Community Center scheduled to open in the Fall 2021, Margaret T. Hance Park and Deem Hills (13.3). Funding is also requested to add positions for urban park and facility management (2) and to continue the successful Adaptive Inclusion Recreation Program (3) started during the pandemic via a partnership with the Phoenix Suns. ***NEW*** add a GF set-aside of (\$945K) for (6) new positions and operating and maintenance costs for three new parks located at 55th Avenue & Samantha Way in District 8, 71st Avenue & Meadows and 87th Ave & Lower Buckeye Rd in District 7. Costs for design and construction of the three new parks in the Southwest region is included in the proposed Capital Improvement Program for FY 2021-22 using resources from available impact fees. Funding is also included for (1) position for Pueblo Grande Museum, and (4) positions to properly maintain the Highline Canal and city cemeteries.
- Planning and Development Department (\$600K) - add positions (3) to support Council and community-initiated projects and priorities. The team will devote significant time to Rio Reimagined, leading the development of a plan with the

vision, goals, policies and strategies that guide the future growth, redevelopment and preservation along the banks of the Salt River. The Planning team will work with the Mayor and Council and community, along with multiple City departments, consultants and other partners to establish a Rio Reimagined Plan that provides a foundation for future actions and investments, including sustainable land use, heat mitigation, diverse housing options, economic development and other important programs. Funding is also included for historic preservation grants to assist homeowners with maintaining their historic properties. ***NEW*** increase funding from \$25K to \$30K for the successful Adaptive Reuse Program to revitalize existing buildings, and help small businesses and neighborhoods.

- Public Works Department (\$100K) - add a position for Floodplain Management (1) to ensure compliance with the National Flood Insurance Program and the Community Rating System, which provides discounts to residents for the rising cost of flood insurance.
- Streets Transportation Department (\$150K) - add contracted services to provide for increased landscape management and litter removal along the Grand Canal Phase II and the Avenida Rio Salado areas, and add a position in the Central Records Division (1) to assist with the increasing number of requests for public records relating to the City's right-of-way, street infrastructure, traffic services and storm drains. The cost of this position is assessed to capital projects and non-GF departments resulting in a net zero cost addition to the GF.

Administrative Accountability - \$3.1M and 27.0 positions

As the City continues to become more diverse and grow in both population and demand for services, additional resources are needed for a variety of departments for operational and administration purposes. It is also important the City foster and promote a diverse, equitable and inclusive environment to both live and work for residents and employees. Proposed additions will provide for timely, effective and high quality service delivery in areas concerning city elections, public records requests, contract management, information technology, human resources, legal services, fiscal support, and to increase funding for maintenance of the City's aging fleet of vehicles. Resources will also be used to develop a new Office of Diversity, Equity and Inclusion.

- City Manager's Office (\$270K) - add positions (2) to establish the Office of Diversity Equity and Inclusion (DEI) to ensure the City is both a place to work and live which promotes equitable and respectful treatment of all people.
- City Clerk Department (\$300K) - provide funding for contracted services to develop an implementation plan for upgrading, enhancing and creating new platforms for election services to ensure continued transparency and engagement in City elections.

- Communications Office (\$100K) - add a position to the Public Records Request Division (1) to process increasing requests for public information.
- Human Resources Department (\$400K) - add positions (3) for human resource related procurement activities, data analytics to provide more robust reporting to foster business process improvements and data driven decision making, and conduct internal investigations into employee misconduct.
- Information Technology Department (\$1.3M) - add positions (3) and funding for managed services to sustain technology infrastructure and remediate vulnerabilities to protect City systems and applications from ever evolving security threats.
- Law Department (\$0) - add positions (2) by converting existing funding for contracted paralegal services for civil litigation support. The department expects insourcing of paralegal services to result in a higher quality of legal research, writing and investigations. This is a net-zero cost to the GF.
- Library Department (\$400K) - add positions (3) for information technology support of library applications and systems and for accounting and fiscal support. The increase in virtual programming and applications requires appropriate technology support and the department does not currently have enough resources for accounting and fiscal related duties.
- Parks and Recreation Department (\$200K) - add positions (2) for information technology desktop and application support. The number of computers, applications and systems has grown and requires additional positions to ensure functionality.
- Public Works Department (\$130K) - restore and add positions (11) for the Fleet Services Division (10) and human resources support for the Solid Waste Division (1). Fleet Services is in need of additional positions to adequately maintain the City's fleet of vehicles. The division is responsible for maintaining 7,000+ units and assists City departments with procurement of new vehicles. The division is currently under resourced and is not capable of providing the needed maintenance on the City's aging and diverse fleet. The cost estimate of \$130K for the GF accounts for savings from reducing outside labor and charges to non-general fund customer departments. This addition also adds one new human resources position to be paid for by the Non-GF Solid Waste Division of Public Works (identified under the Non-GF proposed additions listed below).

Position Conversions to Maintain Services - \$0 and 29.5 positions

The Trial Budget includes converting 29.5 GF temporary positions to ongoing status. Funding for these positions has been identified in each respective department's existing operating budget and therefore represent a no-cost addition to the GF. The position conversions are requested because the duties of each position are no longer temporary in nature and are necessary to maintain existing service levels. A list of GF position conversions by department is detailed in **Attachment A**.

Proposed Non-General Fund Additions - \$4.3M and 28.0 positions

The City budget is made up of three fund sources: 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 services. The Restricted Funds category includes federal and state grants, gas taxes (AHUR), debt service, the Development Services Fund, the Public Safety Specialty Funds, 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.

Total Non-GF proposed additions are summarized below by category. Detailed information about each supplemental by department is provided in **Attachment B**. Below, is a summary of the Non-GF additions:

***NEW* Climate Change & Heat Readiness - \$724K and 5.0 positions**

- Water (\$724K) - add positions (5) and contractual services to achieve recommendations made by the Water Conservation Ad Hoc Committee, which includes implementing a total of 13 water conservation programs.

Affordable Housing & Homelessness - \$0 and 3.0 positions

- Solid Waste (\$0) - add positions (3) and equipment to support the Human Services Campus downtown area clean-ups. Positions will be in the Solid Waste Division and charged to the GF (identified earlier in this report under the GF section for proposed additions).

Building Community & Responding to Growth - \$3.5M and 20.0 positions

Proposed Non GF additions are included to add resources to support growth in Development Services, Solid Waste and Street Transportation. These additions are necessary for plan reviews, inspections, information technology and human resource needs, records management, solid waste refuse and disposal management, street cleaning and GIS services.

- Planning and Development Department (\$950K) - add positions (10) for residential and commercial plan reviews necessary due to significant increases experienced caused by moving to electronic plan reviews (6), new positions for accounting and

technology support are required due to the new KIVA permitting system and to adequately maintain the departments IT assets (2), higher incidents of non-permitted construction activity requires more resources for processing citations and preparing court documents (1), the new Remote Inspections Program implemented in the spring of 2020 has been successful and requires a dedicated staff member to adequately maintain the program (1).

- Solid Waste (\$2.1M) - add positions (5) for residential refuse and recycling collection necessary due to household growth (4), increased funding for a position at the SR85 Landfill needed due to citywide growth in solid waste tonnage and to maintain adequate staffing levels (1).
- Streets Transportation Department (\$400K) - add positions (5) to be funded by the Arizona Highway User Revenue Fund (AHUR) for geographic information systems (GIS) support necessary for the accelerated pavement maintenance program and to support the workload necessary for the land base system due to growth in development activity (2), restore supervisory positions for preventative street maintenance and cleaning (2), and add a position for the Field Operations Administration section to manage incoming requests from the public for street services (1).

Administrative Accountability - \$100K and 0 positions

- Solid Waste (\$100K) - add funding for a position to reside in the GF for human resources support necessary for recruitment and employee training and discipline. The position will be in the Public Works Department (identified earlier in this report under the GF section for proposed additions) and charged to the Solid Waste Fund.

Position Conversions to Maintain Services - \$0 and 21.0 positions

The Trial Budget includes converting 21.0 Non-GF temporary positions to ongoing status. Funding for these positions has been identified in each respective department's existing operating budget and therefore represent a no-cost addition. The position conversions are requested because the duties of each position are no longer temporary in nature and are necessary to maintain existing service levels. A list of Non-GF position conversions by department is detailed in **Attachment B**.

Community Feedback

Resident input was solicited at 14 virtual community budget hearings held between April 2, 2021 and April 20, 2021. Residents also provided feedback online using the FundPHX tool and comments were received directly to the Budget & Research Department via email and voicemail. In total between March 8, 2021 and May 4, 2021, we received 2,094 comments from 1,464 individuals on the proposed Budget. Several residents commented multiple times on the same topic. A summary of the number of

resident comments by topic is listed below. The public can access all comments received on the budget including the written minutes and video recordings of completed budget hearings at <https://www.phoenix.gov/budget/hearings>.

Resident Comments for additional funding/support of the proposed budget:

- (223) additional funding for a civilian-only response for mental health and crisis response calls for service, and/or for it to be an independent function from Public Safety, and to have community involvement in the proposed model.
- (121) additional funding for affordable housing, rental assistance, and veterans housing.
- (86) additional funding for green spaces, cool corridors, heat readiness, climate resiliency, the Tree and Shade Master Plan, water conservation, and the Office of Heat Response and Mitigation.
- (83) additional funding for programs assisting individuals experiencing homelessness.
- (63) additional funding for Human Services, workforce development, childcare and senior programs.
- (53) additional funding for Parks and Recreation parks and community centers.
- (48) additional funding for the park on 55th Avenue and Samantha.
- (47) additional funding for expanded Public Transit services, dedicated bus lanes, shaded bus stops, and neighborhood circulators.
- (39) additional funding for Arts and Culture and public art maintenance.
- (33) additional funding for HUUB/Phx Biz Connect.
- (32) additional funding for Street Transportation maintenance, cleaning, and repair.
- (30) in support of the budget.
- (27) additional funding for Police officer, 911 operator and civilian hiring and training.
- (23) additional funding for youth programs, housing, and sports.
- (16) additional funding for historic preservation.
- (15) additional funding for street improvements at 3rd and 5th Avenue in the Willo neighborhood.
- (10) additional funding for Libraries and College Depot.
- (9) additional funding for Environmental Programs.
- (7) additional funding for HAWK signals, bicyclist and pedestrian safety.
- (6) additional funding for gated alleys and alley clean-ups.
- (5) additional funding for Police reparations.
- (5) additional funding for public records.
- (4) additional funding for Fast-Track Cities initiative to end HIV/AIDS in Phoenix.

- (3) additional funding for Carnegie Library.
- (3) additional funding for Planning and Development.
- (3) additional funding for universal basic income pilot program.
- (2) additional funding for landscape and neighborhood support near 19th Avenue and Southern.
- (2) additional funding for Neighborhood Services.
- (2) additional funding for public WiFi and technology programs.
- (1) additional funding for Budget and Research.
- (1) additional funding for City employee education, health and wellness.
- (1) additional funding for Economic Development.
- (1) additional funding for elections.
- (1) additional funding for improvements and maintenance of the bike trails at 6th Avenue and 12th Street.
- (1) additional funding for LGBTQ+ programming and education.
- (1) additional funding for Municipal Court.
- (1) additional funding for Office of Accountability and Transparency.
- (1) additional funding for Public Defender.
- (1) additional funding for Public Health.
- (1) additional funding for Public Works.
- (1) additional funding for Pueblo Grande.
- (1) additional funding for Solid Waste.
- (1) additional funding for street lighting.
- (1) in support of increasing reserves.
- (1) in support of increasing taxes.

Resident Comments for reduced funding/opposition of the budget:

- (387) in opposition of additional funding for Police and/or reducing the Police budget, including (302) for the reallocation of Police funding to addiction and substance abuse programs, rehabilitation services and centers in West Phoenix, and elimination of Public Transit Fares.
- (33) in opposition of the budget.
- (4) in opposition of increased funding for Street Transportation.
- (3) in opposition of increased funding for Fire.
- (3) in opposition of increased funding for historic preservation.
- (3) in opposition of increased funding for Public Works.
- (2) in opposition of increased funding for Environmental Programs.
- (2) in opposition of increased funding for Human Services.
- (2) in opposition of increased funding for Information Technology Services.

- (2) in opposition of increased funding for Parks and Recreation.
- (2) in opposition of increased funding for Public Health.
- (1) in opposition of increased funding for Housing.
- (1) in opposition of increased funding for Human Resources.
- (1) in opposition of increased funding for Municipal Court.
- (1) in opposition of increased funding for Park Rangers.
- (1) in opposition of increased funding for Sustainability.

In addition, the following social media statistics were recorded from March 16, 2021 - May 4, 2021:

Facebook Posts - 35

- 62,000 Users Reached
- 213 Reactions

Twitter - 176 City of Phoenix Tweets (across three City accounts, including the City's bilingual account)

- 308 Replies
- 177 "Likes"
- 81 Retweets

YouTube

2,401 Views

Residents also provided feedback on several topics not included as proposed increases to the 2021-22 budget. For the below topics, residents spoke either in favor of additional resources to develop, expand or continue the items or requested more information be provided by City staff, below is an explanation of each item:

PHXBizConnect by HUUB

Due to COVID-19, City Council approved allocating \$500K from the Coronavirus Relief Funds for PHXBizConnect to serve as a resource for small businesses impacted by the pandemic. The platform has been very successful and hundreds of small businesses in the community have used it to connect to resources and networking opportunities. Several residents expressed a desire to continue funding this successful program. As a result, staff plans to request Council approval to include this program in the American Rescue Plan Act (ARPA) Strategic Plan under the "Phoenix Business and Employee Assistance Programs" category.

Streets Projects - 3rd & 5th Avenues and Hidalgo & 19th Avenue

The Street Transportation Department's 3rd and 5th Avenues North project is a bicycle and pedestrian improvement project located along 3rd Avenue between McDowell Road and Muhammad Ali Way (just north of Thomas Road) and along 5th Avenue between McDowell Road and Thomas Road. Project improvements will include two-way protected bicycle lanes along 3rd Avenue, a bicycle lane on 5th Avenue, curb ramps, streetlights, traffic signals, pedestrian improvements, and pavement mill and overlay. The project design is currently at 60 percent, and is anticipated to be completed in Fall 2021. There is anticipated right-of-way and easement acquisition required for the new improvements and the earliest time-frame for construction is summer of 2022. The current estimated construction cost is \$5.5M. Based on the current design schedule, Streets will review this project for inclusion in the Department's Capital Improvement Program (CIP) in the Fall 2021. It should be noted that during the annual CIP update process in late 2020, due to COVID related impacts to Department revenue forecasts, the Street Transportation Department reduced its five-year CIP by nearly \$40 million. Due to these reductions, existing budgeted projects were delayed and annual programs were reduced; therefore, there was no capacity to add new projects to the CIP.

The Street Transportation Department will also replace missing trees and install an irrigation system in the medians on Hidalgo Avenue between 20th Avenue and Southern Avenue. The work will include installing a new water meter, underground directional boring to connect the medians with irrigation sleeving, installing a new irrigation system, and planting 30 trees. This project is anticipated to take approximately two months to complete and will cost approximately \$60K. The funding is already included in the department's budget.

Transit Services in the Southwest Phoenix Area

In the Southwest Phoenix area bus service improvements have included extending service hours on weekdays, Saturdays, and Sundays. Future transit improvement plans for the Southwest Phoenix area include extending routes on 43rd Avenue, 67th Avenue, 75th Avenue, 83rd Avenue, Lower Buckeye Road, Broadway Road, and Southern Avenue and the addition of new routes on 91st Avenue, 99th Avenue, and Dobbins Road. In response to public input seeking to address transit service needs in the area south of Interstate 10 to Van Buren Street, between 59th and 67th Avenues, the Public Transit Department will study potential expansion of the existing free MARY neighborhood circulator into this area. Staff will develop cost estimates, explore routing options and work with local community stakeholders on a potentially revised route that enhances service to this community.

Phoenix's four neighborhood circulator routes operate as free services. All other transit services (local bus, RAPID, Express, light rail, Dial-a-Ride) require a fare to help fund transit services. As Phoenix partners with the Regional Public Transportation Authority (RPTA) and its member cities and the county to provide Valley Metro-branded bus service across the region, consistent fares are charged by both Phoenix and RPTA to provide a seamless customer experience. Additionally, in a typical year, total regional transit fare revenues amount to approximately \$65 million, with Phoenix's share at nearly \$40 million. Without this operating revenue source, other sources of revenue would be needed, or transit service would need to be reduced a commensurate amount.

Carnegie Library

The Carnegie Library and Park, located at the southwest corner of 10th Avenue and Washington Street, was placed on the National Register of Historic Places in 1974, and designated by the City Council as an historic Landmark (HP-L Overlay Zoning) in 2004. The library itself was constructed in 1907 and was the first library in Phoenix, continuing as the City's main library for 44 years. In 1984 the City of Phoenix agreed to lease the site to the State of Arizona, through the Arizona Legislative Council of the Arizona State Legislature, on condition that the State renovate, maintain, and operate the building and grounds in a manner that preserves the historical qualities and design features, at the State's sole expense. The State's use of the site must be for library or museum-related public purposes. The lease term was an initial 50 years, ending August 31, 2034, with two 25-year renewal options. The State has used the site for various library or museum-related purposes, but the library building is presently vacant. Numerous organizations have expressed interest in the library building, and any use by a third party requires an agreement with the State consistent with the lease provisions, as well as written consent from the City. The State and City could conduct a competitive process to determine the proposer and use that best fulfills the lease terms and historical significance of the site. Alternatively, the City and State could agree to terminate the lease and the City could conduct its own competitive process. In that case, the City would take back responsibility for the library and funding would need to be identified for a thorough facility assessment, to make any required repairs and for ongoing operating costs of the library.

Community Center at 75th Ave & Van Buren

Currently, there are no plans or funding for a new community or recreation center in the area of 75th Ave and Van Buren. This area however is currently served by approximately five City of Phoenix parks within a three mile radius, and a multi-generational community center at Desert West Park located at 67th Avenue & Encanto is 3.9 miles away. Desert West Community Center offers programming for youth,

teens, adults and seniors. It is the hub of the award winning PHXteens program and includes an indoor gym and classrooms. It features outdoor tennis, mini pitch soccer, basketball, hard court volleyball, sand volleyball, racquetball and bike polo courts. The park itself features an urban fishing lake, soccer complex, softball complex, a fitPHX walking path and the Desert West Skatepark. In addition, the following five parks are within three miles of 75th Ave and Van Buren:

- 2.7 miles El Oso Park 75th Ave & Osborn
- 2.9 miles Desert Star Park 85th Ave & Encanto
- 2.9 miles Starlight Park 78th Ave & Osborn
- 2.9 miles Santa Maria Park 71st Ave & Lower Buckeye
- 3.0 miles Sun Ridge Park 63rd & Roosevelt

Staff estimates the cost to build a new community center at this location would be approximately \$2.0M to \$2.5M and ongoing operating expenses are estimated at \$300K - \$400K per year. Resources are not currently available in the budget and would need to be identified for both the design and construction of the community center as well as ongoing operating expenses.

Drug Addiction Rehabilitation Center

The City does not currently provide drug rehabilitation services or centers in the community. The City may look into the possibility of providing this service in the future to determine if providing these services would be legally permissible, including any licensing requirements, and financially feasible.

Additional Information

The proposed balanced 2021-22 GF budget is \$1,607.6M. This is a \$182M increase or 12.8% from the adopted 2020-21 GF Budget of \$1,425.6M. The increase accounts for the additions mentioned earlier in this report and increases in capital pay-as-you-go projects, employee pension costs, and an increase in the contingency fund to maintain 4% of GF operating expenditures. Projected GF revenue in 2021-22 is estimated to be \$1,355.8M and represents an increase of \$32.9M or 2.5% over the 2020-21 Revised Estimate of \$1,322.9M, excluding one-time revenues of \$109.2M from the Council approved transfer from the Coronavirus Relief Fund to offset public safety salaries as permitted by the Federal guidelines. Growth in 2021-22 reflects anticipated increases in city and state sales taxes and state-shared vehicle license taxes, this growth is offset by estimated declines in state-shared income tax revenues, which is based on collections from two years prior. This decline is due to the State's action to delay income tax filings in the last quarter of FY2019-20 in response to the COVID-19 pandemic. **Schedule 2** included in this report provides more information on City

revenue estimates and additional information can be found on the Budget and Research website at <https://www.phoenix.gov/budgetphoenix.gov/budget>. Total GF resources for FY 2021-22 are estimated at \$1,607.6M and includes the estimated beginning fund balance of \$244.7M (largely made up of one-time funds discussed earlier in this report), estimated revenue of \$1,355.8M and fund transfers and recoveries estimated at \$7.1M.

For all funds, which includes General, Enterprise and Special Revenue funds such as grants, and all debt service and pay-as-you-go capital costs, the proposed 2021-22 budget is \$5,626.5M. Included in this proposed budget amount is \$416M allocated to the City by the Federal government in the American Rescue Plan Act (ARPA). Details on the 2021-22 proposed budget for all City funds is attached to this report in **Schedules 1-11** and include:

- Resources and expenditures by Fund for 2019-20 actual; 2020-21 estimate; and 2021-22 proposed budget.
- Proposed revenues for all City funds by major source.
- Proposed operating expenditures by department, including fund source.
- Proposed debt service by program, source of funds, and expense type.
- Preliminary 2021-22 Capital Improvement Program budget financed by operating funds.
- Proposed interfund transfers.
- Proposed full-time equivalent (FTE) positions by department.
- Preliminary 2021-22 Capital Improvement Program resources and expenditures by capital fund, program and fund source.
- Summary of proposed property tax levy and rate information. The levy is anticipated to grow due to growth in assessed property valuations, however as described below in this report the combined property tax rate is proposed to drop by \$0.01 from \$2.13 to \$2.12.

Next Steps

The City Manager's Proposed Budget was presented for information and discussion at the May 4, 2021 City Council meeting for review and comment. Following the Council's budget action on May 18, both the City Charter and State law require subsequent public notification, advertising, and City Council actions. The May 18 Council action provides staff with direction and sufficient time to prepare the required legal publications for the following actions:

Date	Event
June 2, 2021	2021-22 Tentative Budget Ordinance Adoption

June 16, 2021	2021-22 Funding Plan and Final Budget Ordinance Adoption
July 1, 2021	2021-22 Property Tax Levy Ordinance Adoption

On July 1, 2021 City Council is scheduled to adopt property tax as the last step in the legally required budget adoption process. Primary property tax revenues support operating costs for General Fund programs and services, while secondary property taxes pay the bonded debt service for facilities like libraries, police and fire stations, storm drains and parks. The total combined primary and secondary property tax rate for FY2021-22 of \$2.12 represents a one-cent (or 0.6%) reduction from the 2020-21 combined rate of \$2.13. The proposed primary property tax rate for FY2021-22 of \$1.31 will remain unchanged and is consistent with City Council policy to maximize the primary rate within City Charter Limits. If approved, the secondary property tax rate will drop one-cent from \$0.82 to \$0.81. Although the primary property tax rate remains constant, the primary property tax levy increases for FY 2021-22 to \$191.3M, which is \$11.4M or 6.3% more than the FY 2020-21 revenue estimate of \$179.9M due to increasing net assessed valuations (property values) and new construction. Additionally, State law requires a Truth in Taxation hearing notice to property owners, which requires notification any time the average primary property tax bill increases, even if the tax rate is not increased. The law does not require notice on the City's secondary property tax. The hearing is scheduled to take place at the City Council Formal meeting on June 16, 2021.

Responsible Department

This item is submitted by City Manager Ed Zuercher, Assistant City Manager Jeff Barton and the Budget and Research Department.