

FY26 Budget Workshop

May 16, 2025



Annual Council Workshop FY26 Budget

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FY26 Council Budget Process to Date

12/3/24 to 12/4/24	Council Strategic Planning Retreat
02/25/25	FY25 mid-year budget report and FY26 preliminary look
01/09/25 to 03/14/25	Department planning and submission of budget information and requests
03/24/25 to 04/11/25	City Manager and Budget Department review and formation of FY25 proposed budget
05/16/25	Annual Council Budget Workshop
06/10/25	Tentative budget adoption FY26
06/24/25	Final budget adoption FY26

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Budget Presentation Approach

- This budget presentation will focus on the initiatives and service level changes included in the budget and how they relate to the Council's strategic plan.
- The City Manager proposed budget is published on the OpenGov platform <https://prescott-az.gov/budget-and-finance/budget-reports>
 - ✓ Transparency
 - ✓ Efficiency
 - ✓ Access to information
- City staff is available if Council or the public have questions regarding the budget. Contact catherine.boland@prescott-az.gov to setup an appointment. (928 777-1408 ext 4901)

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National / State / Local Economy

- Economy - shadow of possible downturn with shake up of global trade
- Revenues are forecasted conservatively but not with expected decline
- Revenues are monitored monthly and mid-year adjustments will be made if revenues fluctuate significantly from projections
- The proposed budget preserves prudent financial reserves in accordance with City policies

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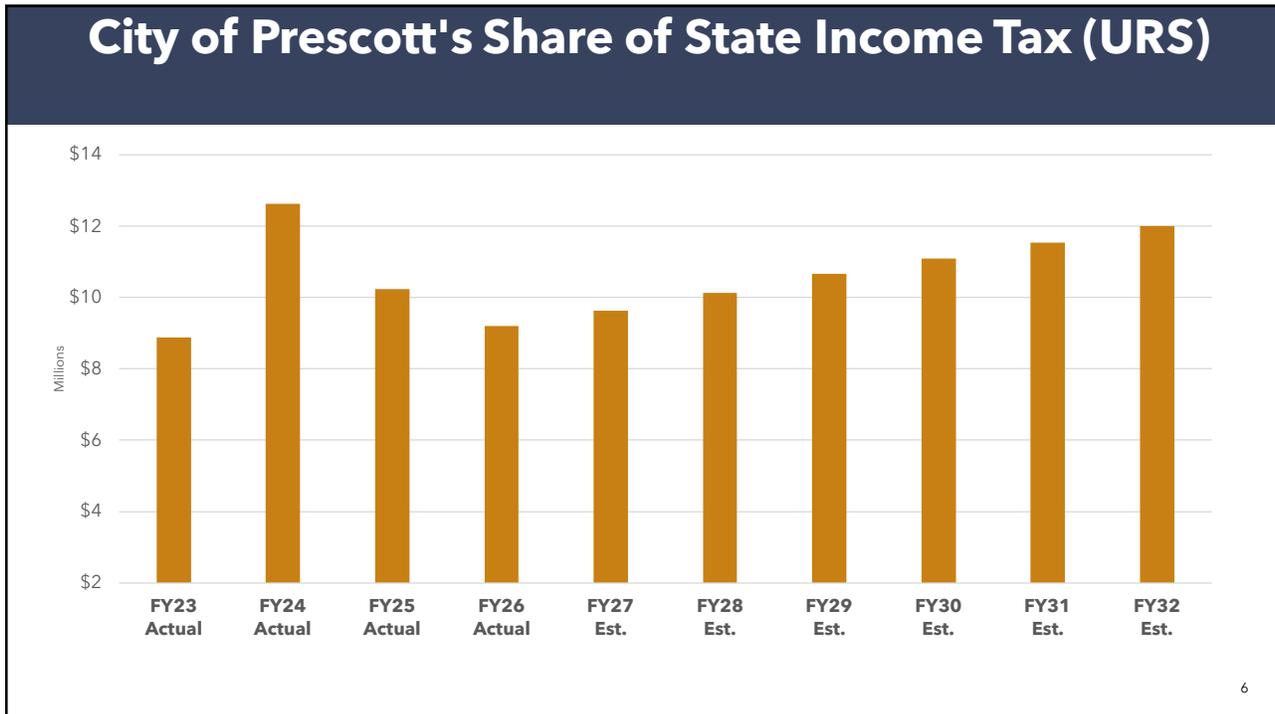
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Taxable Activity Report							
Fiscal Year to Date as of March							
	<u>FY 2025</u>	<u>% Chg</u>	<u>FY 2024</u>	<u>% Chg</u>	<u>FY 2023</u>	<u>% Chg</u>	<u>FY 2022</u>
Retail Sales	\$ 1,110,147,280	0.25%	\$ 1,107,348,421	4.40%	\$ 1,060,644,360	2.36%	\$ 1,036,225,870
Online Retail Sales	89,368,760	9.66%	81,497,634	16.18%	70,146,037	4.20%	67,320,647
Residential Rental	64,098,288	-30.40%	92,093,253	6.17%	86,740,954	13.39%	76,499,211
Commercial Rental	64,560,217	5.82%	61,007,948	6.44%	57,314,510	10.12%	52,046,058
Rental of Personal Prop	36,455,942	10.94%	32,861,113	3.67%	31,696,432	2.32%	30,978,137
Restaurant and Bars	134,439,380	-2.18%	137,435,607	6.94%	128,520,342	11.19%	115,582,206
Hotels and Motels	39,169,488	-3.38%	40,541,193	-1.20%	41,035,061	0.33%	40,901,561
Construction	164,597,100	15.91%	142,009,735	3.63%	137,037,665	14.82%	119,351,099
Utilities	83,322,603	8.39%	76,875,042	3.66%	74,163,409	8.59%	68,296,325
Use Tax	53,218,212	-18.07%	64,958,410	53.90%	42,208,864	10.30%	38,268,216
All Other Businesses	25,300,796	-5.24%	26,698,957	2.12%	26,143,645	2.01%	25,627,816
Total	\$ 1,864,678,065	0.07%	\$ 1,863,327,310	6.13%	\$ 1,755,651,276	5.06%	\$ 1,671,097,143

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State Shared Revenue

			Per	
	FY25	FY26	Resident	Per Home
General Fund				
State Income Tax	\$ 10,223,268	\$ 9,502,734	\$ 199	\$ 420
State Sales Tax	7,263,032	7,361,497	154	325
Vehicle License Tax	3,922,399	4,097,757	86	181
Total General Fund	21,408,699	20,961,988	439	926
Streets Fund				
HURF (Gas Tax)	4,868,238	5,063,868	106	224
Total State Shared Revenues	\$ 26,276,937	\$ 26,025,856	\$ 545	\$ 1,150

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FY26 Budget Summary and Overall Changes

- **Balanced Budget:** The FY26 Budget is balanced,
 - Operational expenditures are fully funded by ongoing revenue
- **Strategic capital funding:** One-time capital expenditures are funded through a mix of accumulated fund balance, debt issues, dedicated revenues, and grants
- **Employee Compensation:** continued funding of the Market Compensation Pay Plan is included in the budget
 - Cost-of-Living Adjustment of 2.2% based on the Phoenix Metro CPI and up to 3% merit based on evaluations for a total of up to 5.2%.
- **Operational Cost Increases:**
 - Health Insurance premiums up 7%
 - Internal Cost allocations for liability insurance and facilities increasing.
 - Facilities square footage rates increasing by 10% to address growing needs, with similar increases expected in the coming years.

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Budget Requests FY26

- Operating Budget Requests:

Type of Request	Total Requested	Proposed Budget		Total
	All Funds	General Fund	Other Funds or PSTI	All Funds
Recurring	8,788,000	707,000	4,858,000	5,565,000
One-time	5,956,000	1,243,000	3,368,000	4,611,000
Total	14,744,000	1,950,000	8,226,000	10,176,000

- Capital Requests have been aligned with projected available funding

PSTI =Public Safety Tax Initiative

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Proposed Total City Budget

	FY25	FY26	
	Revised	Proposed	
	Budget	Budget	% Chg
Operating Budget	\$ 136,325,133	\$ 145,732,441	6.9%
Capital Budget	122,088,210	148,013,721	21.2%
Subtotal	258,413,343	293,746,162	13.7%
Contingency	20,200,000	10,000,000	-50.5%
Total	\$ 278,613,343	\$ 303,746,162	9.0%

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Total Revenues (All Funds)

	<u>FY25</u>	<u>FY26</u>	
	<u>Budget</u>	<u>Budget</u>	<u>% Change</u>
Operating Revenues			
Tax Revenue	\$ 57,901,710	\$ 75,109,514	
Intergovernmental	26,697,536	26,375,856	
Licenses and Permits	226,100	229,800	
Charges for Services	71,483,072	79,871,375	
Fines and Forfeitures	323,800	350,800	
Investment Income	388,500	699,000	
Miscellaneous	188,516	164,517	
Internal Service	8,687,515	9,717,143	
Subtotal Operating Revenues	\$ 165,896,749	\$ 192,518,005	16.0%
Non-Operating Revenues			
Intergovernmental	21,771,014	36,585,300	
Gifts and Donations	666,740	653,628	
Proceeds from Debt	50,887,224	38,264,175	
Total	\$ 239,221,727	\$ 268,021,108	12.0%

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Total Expenditures (All Funds)

	<u>FY25 Revised</u>	<u>FY26 Proposed</u>	
	<u>Budget</u>	<u>Budget</u>	<u>% Change</u>
Operating Expenditures			
General Government	\$ 5,999,018	\$ 6,681,464	
Airport	2,981,212	3,315,578	
Community Development	5,926,276	6,942,972	
Fire	16,498,317	17,951,497	
Library	3,238,359	3,410,042	
Police	19,613,530	21,466,205	
Public Works	63,419,830	66,898,639	
Recreation Services & Facilities	15,083,049	15,405,316	
Regional Communications	2,316,402	2,798,786	
Non-Departmental	1,249,140	861,942	
Subtotal Operations	136,325,133	145,732,441	6.9%
Non-Operating Expenditures			
Airport Capital	17,161,602	24,928,136	
Public Safety Capital	16,788,676	38,785,546	
Public Works Capital	80,817,085	77,594,526	
Other Capital	7,320,847	6,705,513	
Contingency	20,200,000	10,000,000	
Subtotal Non-operating	142,288,210	158,013,721	11.1%
Total Expenditures	\$ 278,613,343	\$ 303,746,162	9.0%

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Budgeted Fund Balances FY26

	General Fund	Streets Fund	Special Revenue Funds (Bed Tax, Grants, Trust Funds)	Capital Projects Funds (Impact Fees)	Enterprise Funds (Water, Waste Water, Solid Waste, Golf, Airport)	Internal Service Funds
Beginning Projected Fund Balance	\$ 55,286,720	\$ 26,525,301	\$ 2,612,065	\$ 6,554,617	\$ 38,832,625	\$ 3,556,555
Net Change in Fund Balance	(13,957,036)	(11,366,338)	(637,128)	1,102,500	(10,350,509)	(516,543)
Ending Estimated Funding Balance	\$ 41,329,684	\$ 15,158,963	\$ 1,974,937	\$ 7,657,117	\$ 28,482,116	\$ 3,040,012

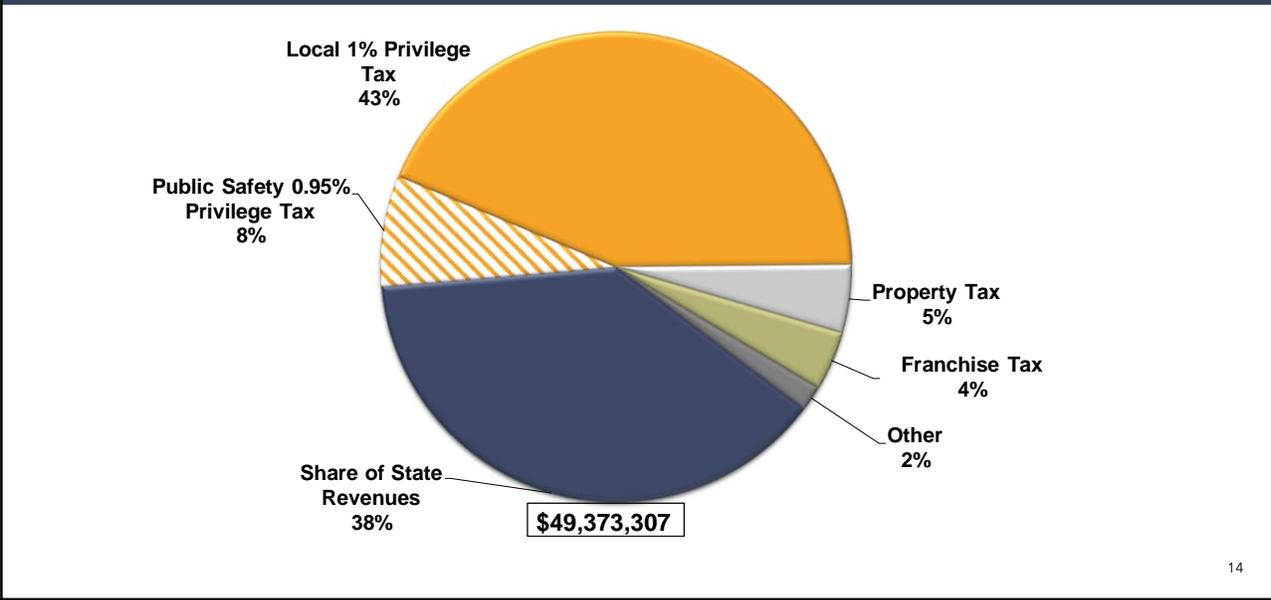
Ending Fund Balance Detail

Reserved for:

Operating (Policy)	\$ 15,747,667	\$ 2,962,887	\$ 167,930	\$ -	\$ 6,732,472	\$ -
Internal Loans	2,373,139	-	-	-	416,978	-
Long-term Obligations	3,500,000	-	-	-	1,215,981	-
Specific Programs / Projects	-	12,196,076	1,807,007	7,657,117	20,533,663	3,040,012
Unassigned / Future Projects	19,708,878	-	-	-	-	-
Ending Fund Balance	\$ 41,329,684	\$ 15,158,963	\$ 1,974,937	\$ 7,657,117	\$ 28,899,094	\$ 3,040,012

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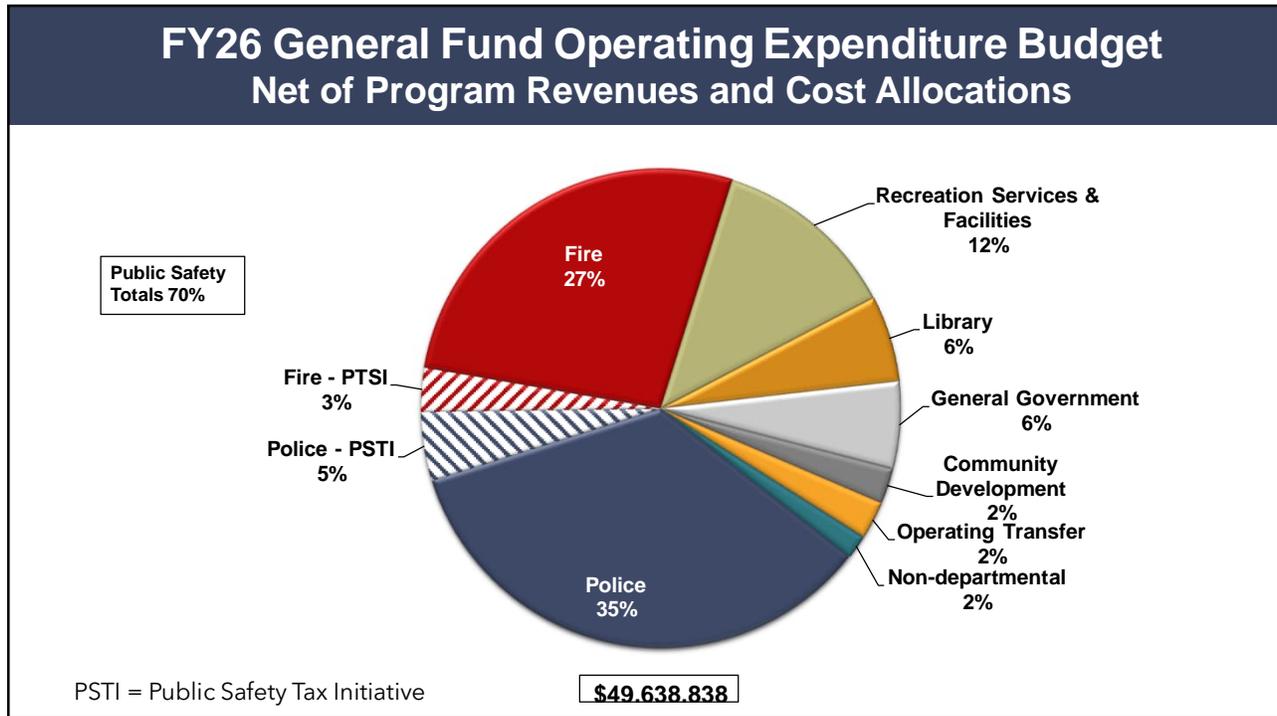
FY26 General Fund Operating Revenues Less Program Revenues



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General Fund Expenditure Budget

	FY25 Revised Budget	FY26 Proposed Budget	% Change
Operating Expenditures			
General Government	\$ 2,379,201	\$ 2,537,932	
Community Development	2,449,422	2,957,167	
Economic Development	282,538	528,578	
Fire	13,680,965	14,086,437	
Fire - Public Safety Tax	950,590	1,460,438	
Library	3,142,351	3,274,034	
Police	17,186,734	17,523,276	
Police - Public Safety Tax	798,134	2,295,367	
Recreation Services & Facilities	6,207,972	7,037,276	
Regional Communications	2,316,402	2,798,786	
Non-Departmental	2,174,140	786,942	
Subtotal Operations	51,568,449	55,286,233	7.2%
Non-Operating Expenditures			
Public Safety Capital	16,453,676	38,671,576	
Recreation Services & Facilities	5,033,756	4,684,513	
Other Capital	12,000	205,000	
Capital Contingency	15,000,000	5,000,000	
Subtotal Non-operating	36,499,432	48,561,089	33.0%
Total Expenditures	\$ 88,067,881	\$ 103,847,322	17.9%

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Public Safety Tax Initiative (Prop 478)

	FY26 Proposed Budget
Revenue	
Tax Revenue	\$ 22,300,000
Proceeds from Debt	14,912,305
Total Revenue	<u>\$ 37,212,305</u>
Operating Expenditures	
Police - Public Safety Tax	\$ 2,295,367
Fire - Public Safety Tax	1,460,438
Subtotal Operations	<u>3,755,805</u>
Public Safety Tax Capital	
Police - Public Safety Tax	10,630,000
Fire - Public Safety Tax	22,826,500
Subtotal Capital	<u>33,456,500</u>
Total Expenditures	<u>\$ 37,212,305</u>

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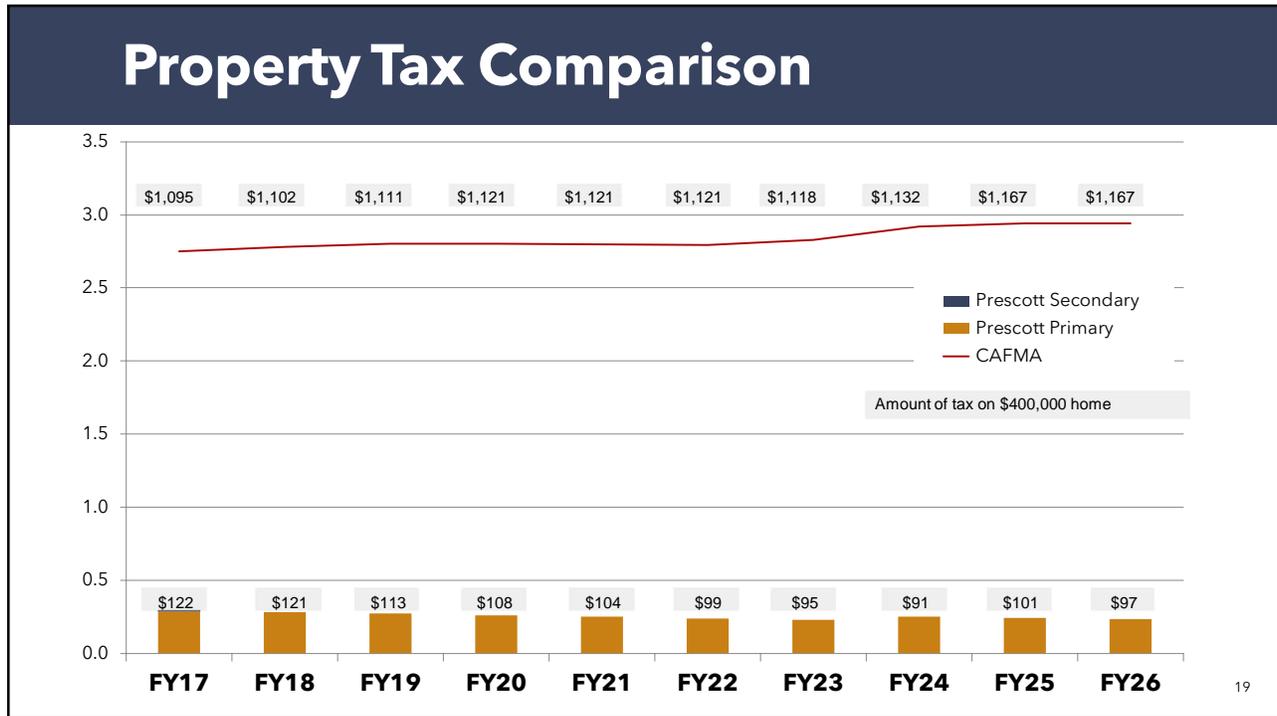
Property Tax

	FY2025 Adopted	FY2026 Proposed
Levy	\$2,267,210	\$2,304,514
Rate	0.2423 per \$100 assessed	0.2329 per \$100 assessed

- Increased based on the value of new construction only \$37,304
- No other increase proposed -
 - Maximum allowable levy limit is \$2,397,526
 - This will be the second consecutive year of no increase in levy, but the levy limit continues to increase at 2% per year.

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Fee Schedule

- Council will discuss and possibly adopt changes on May 27th. Key proposals as follows:
 - Airport is proposing adding commercial and non-commercial differential rate differentials to the tie down, hangar and storage rentals fees.
 - Library is proposing increasing rates for room rentals for upgraded technology.
 - Recreation Services is proposing increases in rates for parking fees, facility use rentals, and special events application fees to keep up with increased costs of providing services.
 - The Fire department is proposing to do a catch-up CPI adjustment for its plan review, inspection, and permit fees as they have not been increased since 2016.
- Full report and justification is on the City's website with the [public notice](#).

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Organization and Personnel



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Organization Changes

- Fleet Maintenance moved to Public Works from Recreation Services
- Water Resources and Public Works Private Development Plan Review Staff moved to Community Development
 - Combined Permit Center to centralize services for citizens
- Full Organizational Chart available on the OpenGov budget under the Overview Menu.

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New Positions - 21.5 FTE

FTE	Title/Position	Department
General Fund - 2.5 FTE		
1	Economic Development Manager	City Manager
1	Communications Manager	City Manager
0.5	GIS Coordinator (Part-time)	Police/Regional Communications
Other Funds - 5 FTE		
1	Striping Operator	Public Works/Streets
1	Signs and Markings Technician	Public Works/Streets
1	Administrative Specialist	Public Works/Solid Waste
1	Maintenance Specialist	Public Works/Wastewater
1	WW Treatment Plant Operations Supervisor	Public Works/Wastewater
Public Safety Tax Initiative - 14 FTEs (detail on next slide)		

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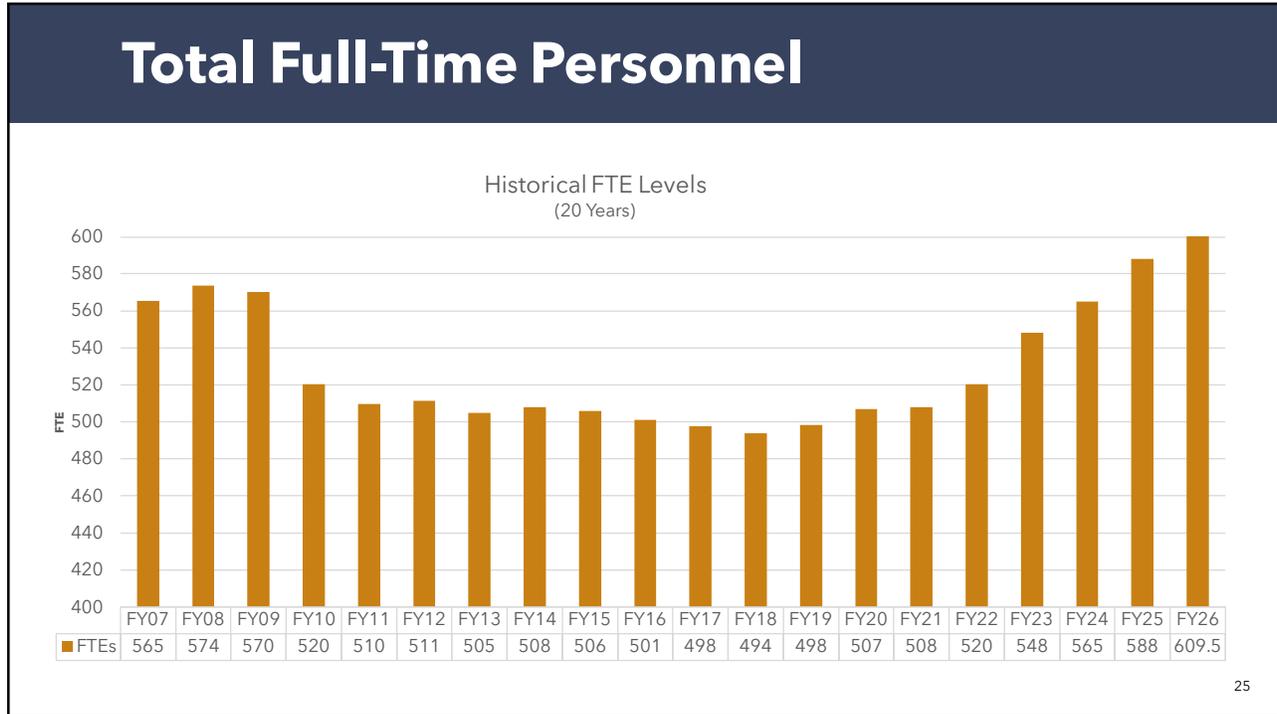
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New Positions - Public Safety Tax Initiative

FTE	Title/Position	Department
Public Safety Tax Initiative - Fire 6 FTE		
1	Fire Captain	Fire
1	Fire Engineer	Fire
2	Firefighter	Fire
1	Plans Examiner/Building Fire Inspector	Fire
1	Administrative Specialist	Fire
Public Safety Tax Initiative - Police 8 FTE		
6	Police Officer	Police
1	Records Clerk	Police
1	IT Specialist	Police

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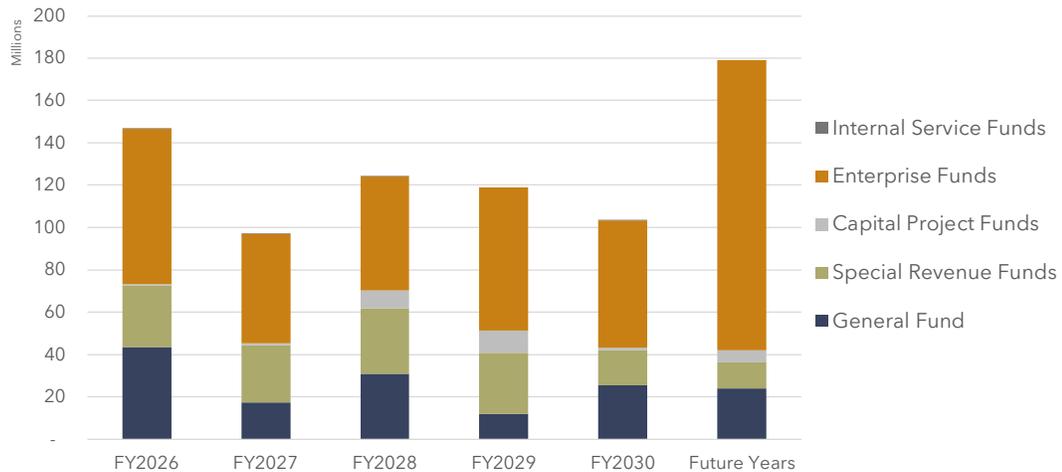
Capital Improvement Plan

<u>Project Category</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>	<u>Future Years</u>
Airport - City Only Funded	1,116,415	1,224,684	1,347,688	1,088,926	700,000	750,000
Airport - Grant Funded	23,501,721	8,490,601	9,865,291	22,221,235	23,077,390	30,975,000
Facilities Maintenance	761,320	700,000	250,000	-	-	-
Fire Department	23,425,550	7,946,963	2,106,000	2,210,000	23,223,600	20,790,000
Information Technology	30,000	-	-	-	-	-
Library	160,000	-	200,000	-	-	9,180,000
Police Department	10,681,000	205,750	28,917,000	6,361,740	-	-
Recreation Services	3,450,151	4,960,000	4,155,000	470,000	450,000	-
Solid Waste	250,000	400,000	500,000	1,400,000	8,000,000	7,000,000
Street Circulation	4,879,000	6,895,000	7,165,000	16,550,613	450,000	-
Street Preservation, Rehab, Maint	13,360,000	12,000,000	12,000,000	12,000,000	12,000,000	-
Street Reconstruction	3,715,805	1,200,000	350,000	1,700,000	450,000	12,475,000
Drainage	2,875,000	1,490,000	2,400,000	600,000	600,000	-
Wastewater Collections	11,770,565	17,300,000	16,865,000	26,145,600	18,695,000	18,547,000
Wastewater Treatment	6,964,600	10,750,000	15,750,000	15,550,000	3,500,000	26,300,000
Water Distribution	12,728,000	6,280,500	8,854,500	1,580,000	2,983,500	19,489,500
Water Production	10,049,705	4,000,000	2,000,000	2,000,000	2,320,000	23,230,000
Water Quality	1,152,751	670,000	570,000	520,000	-	-
Water Resources	395,000	230,000	230,000	-	-	-
Public Works Other Projects	3,721,100	1,085,000	3,435,500	1,415,000	1,780,000	10,175,000
Capital Equipment and Vehicles	12,016,068	11,500,250	7,260,000	7,100,000	5,355,000	-
Total	147,003,751	97,328,748	124,220,979	118,913,114	103,584,490	178,911,500

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Capital Improvement Plan - Funding



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Capital Improvement Plan - Highlights

Airport: \$24.6M

- ARFF Airport Facility
- A/P West Ramp Rehabilitation
- Airport Master Plan Update
- Airport Pavement preservation

Police & Fire: \$34.1M

- Public Safety Tax Initiative Projects (shown later)
- Thermal Imaging Cameras, Station Alerting, Exhaust Capture

Recreation Services: \$3.4M

- Field Light Renovation (LED) Heritage Park
- Goldwater Road Reconstruction
- Parks and Recreation Master Plan
- Maintenance Shop
- Playground replacement, Light Pole replacement, pavement Preservation

Library: \$160,000

- 3rd Floor remodeling using Impact Fees



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Capital Improvement Plan - Public Works

Water Distribution Projects: \$12.7M

- Citywide Water Main Replacement Program
- Zone 24/27 Water Pipeline Upsizing
- Citywide Water Meter Replacement Program

Water Production Projects: \$10M

- Zone 41 Mingus Pump Station, Tank and Pipeline
- Water Production Facility and Intermediate Pump Station

Wastewater Collections Projects: \$11.7M

- Willow Creek Gravity Sewer
- Yavapai Hills Lift Station Rehab
- Sundog Trunk Main Design

Wastewater Treatment: \$6.9M

- Centralization - Effluent Tanks, Pipeline and SR89 Improvements Design
- Centralization - AWRP Solids Handling Facility



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Capital Improvement Plan - Public Works

Street Preservation, Rehab and Maintenance: \$13M

- Pavement Preservation Program
- Pavement Reconstruction Program

Street Reconstruction: \$3.7M

- Double D Reconstruction
- Whetstine Reconstruction

Street Circulation: \$4.8M

- Bridge Maintenance Program
- Intersection Signalization Program
- Street Bollards

Other Capital

- Healthy Lakes Program
- Transfer Station Master Plan

Drainage: \$2.8M

- Cherry Drive Drainage Improvements
- Hornet Drive Drainage Improvements



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Council Strategic Plan

FY2026 Budget



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Vision:

Prescott is a thriving and scenic community in the heart of Arizona, rooted in western heritage and strong hometown values, where individuals, families and businesses enjoy outdoor adventures, vibrant cultural events, a prosperous economy, and the promise of a bold tomorrow.



Mission:

We enhance quality of life as stewards of our natural and built environment and through outstanding city services that engage our community, preserve our past, and ensure a safe and vibrant future.



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Strategic Plan

Strategic Priorities:

1. Public Safety
2. Dynamic Economic Environment
3. Infrastructure
4. Preserving & Protecting the Natural Environment
5. Good Governance

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Priority #1 - Public Safety

- Implementing the Proposition 478 tax initiative.
- Response Times
 - FY26 includes Police and Fire 14 FTEs as shown earlier in the presentation.
 - In FY25, 12 Police and Fire FTEs were added.
 - Station Alerting system installed in FY25 and FY26
- Proactive community policing increase as positions are filled
- Prescott Regional Airport infrastructure improvements
 - Idea to shift the runway to the northeast
 - Budget for new long-term master plan

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Priority #1 - Public Safety Infrastructure

	Budget	FY26-30 CIP					Future Years
	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	
Fire Department Capital							
Fire Training Center Improvements	750,000	750,000	-	-	-	-	-
Fire Station 76	849,000	10,584,000	-	-	-	-	-
Fire Station 73 Relocation	2,809,000	3,887,500	6,696,500	-	-	-	-
Fire Station 72 Remodel & Addition	1,510,000	7,560,000	-	-	-	-	-
Fire Station 71 Remodel	-	-	-	2,106,000	-	-	-
Public Safety Training Center Relocation	-	-	-	-	-	-	20,790,000
Self Contained Breathing Apparatus	-	-	1,250,463	-	-	-	-
Fire Station 75 Remodel	-	-	-	-	2,210,000	-	-
Fire Station 77 (Build #2)	-	-	-	-	-	20,909,600	-
Fire Station 74 Remodel	-	-	-	-	-	2,314,000	-
Fire Dept PSTI Capital Purchases	-	45,000	-	-	-	-	-
Police Department Capital							
Police Facility Enhancement/Renovations	-	-	-	-	6,361,740	-	-
Police Facility Expansion	-	-	-	28,917,000	-	-	-
Firing Range Improvement	475,000	460,000	-	-	-	-	-
Radio Tower Equipment Upgrades	1,500,000	1,400,000	-	-	-	-	-
Property and Evidence Facility	700,000	8,330,000	-	-	-	-	-
Police PSTI Vehicles	300,000	440,000	205,750	-	-	-	-
Total	8,893,000	33,456,500	8,152,713	31,023,000	8,571,740	23,223,600	20,790,000

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Priority #2 - Dynamic Economic Environment

- Adding capacity to implement the Economic Development Strategic Plan
 - Economic Development Manager - proactive business attraction focus
 - Communications Manager - allow existing staff to focus on business expansion
- Incentive policy in development
- Tourism - state partnerships on Route 66, mountain biking
- Airport
 - Recent expansion at Cutter
 - Partnership with Embry Riddle Aeronautical University
 - Lobbying for apron, runway improvements

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Priority #3 - Infrastructure

- Safe, efficient flow of traffic/transportation
 - Traffic control - Striping capabilities brought in house in FY26 with equipment and personnel
- Streets Capital plan
 - Circulation projects:
 - Signalization Program, Sidewalk Replacement Program, **New** Bridge Maintenance Program (\$1.3M), Arterial Traffic Signal Coordination, 89A On-ramp (\$1M).
 - Streets Reconstruction and Maintenance:
 - Pavement Preservation Program - \$9 M & Pavement Reconstruction Program - \$4.4 M
 - Whetstine Reconstruction \$1M (\$2M total), Double D Reconstruction Drainage (\$2.2M)

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Priority #3 - Infrastructure

- Sidewalk improvement along Miller Valley Road and Grove Avenue Between Whipple Street and Gurley Street- \$8 M
 - This project would require a reduction in the City pavement preservation program to construct.
 - Staff recommends funding design of the project in FY26 and to pursue "Safe Streets for All" grant funding for the construction of \$8 million instead of reducing the pavement preservation program.

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Priority #4 - Preserving and Protecting Natural Environment

- Glassford Dells Gateway Park
- Bean Peaks
- Trail Connectivity Projects
- CYMPO Wildlife Corridors Study

- Risk assessments
- Emergency management

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Priority #5 - Good Governance

- Community Focused and Performance Driven Organization
 - Emphasis on training opportunities in departments, HR general training.
 - Operational Studies budgeted in IT, Com Dev, Employee Survey, Facilities Assessment, Permitting Fees, Long-term Water Management Plan, Land Development Code Update
- FY26 Open Gov Implementation
 - Budget tied to results
 - Community transparency
 - Improved internal budget monitoring
 - FY27 goal - performance reporting for the community

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Upcoming Steps in the FY26 Budget Process

6/10/2025 **Tentative budget adoption**
Publishing of tentative budget

6/24/2025 **Public hearings:**

- **FY26 Budget**
- **Alternative Expenditure limitation**
- **Property Tax Levy**

Adopt Final Budget, Personnel Roster, Approved Expenditure List (AEL) by Council

7/8/2025 **Adopt property tax levies**

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Approved Expenditure List

- Attached to the Council Workshop agenda
- Please review and let us know at the June 10th meeting you would like anything removed from the Approved Expenditure List
- Will be adopted by Council at the same time as the final budget on June 24th

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Questions

Thank you!



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