Town of Gilbert, Arizona

Case Summary

The issue of deteriorating roads and bridges typically evokes images of post-industrial cities. However, even new, fast-growing communities in the southwestern U.S. find themselves in a quandary as they attempt to balance growth-induced infrastructure demands against the maintenance-of-existing systems, without having either financially subsidize the other.

Forward-thinking elected and appointed leaders attempt to head off this challenge by careful advance planning and forecasting. Within the Town of Gilbert, Arizona, its identity of being a “best-in-class, all lines of service” organization was threatened by the specter of unmet infrastructure maintenance and renewal needs, which was punctuated by a water main break that closed the main thoroughfare of the Town’s upscale Heritage District for 24 hours.

Council and management knew that infrastructure maintenance and renewal was a challenge that could only be met through careful planning and forecasting. To that end, “Long- and Short-Term Balanced Financial Plans” and “Proactively Address Infrastructure Needs” were included as two of only six Strategic Initiatives adopted by the Council. The town undertook an intra-agency examination of how the town managed its assets, including conversations about costs versus values of its infrastructure and a ground-breaking set of discussions about the level of service Gilbert would find acceptable for its assets.

Careful consideration of the town’s financial sustainability was important because much of Gilbert’s infrastructure was built using revenues from impact fees – one-time charges paid by new development to cover the costs to the town of creating the capacity for new police, fire protection, parks and recreation, traffic signals, and utility systems needed to serve the new residents and businesses. As Gilbert reaches build out, between 2030 and 2040, there will be far less of this revenue available. However, at the same time, Gilbert’s sales tax revenues have increased and are expected to increase into the future due to the economic activity created by new residents and businesses. Consequently, the forecasts and financial strategy would
need to be mindful of this changing composition of Gilbert’s revenue portfolio and its implications for infrastructure financing.

Long–term financial forecasts and “what–if” scenario analyses were used to analyze and evaluate resource requests. Since Gilbert also employs a zero–based budgeting process, where every three years departments are required to re–justify all of their baseline levels of service, elected and appointed officials were able to evaluate new maintenance programs against other possible use of funds as well as consider if the levels of service that were being provided were still what was necessary to meet the public’s expectations.

A major impact of Gilbert’s expanded planning process was to establish better links between asset maintenance, replacement needs, and forecasted revenues, essential ingredients in determining the long–term sustainability of funding sources compared to infrastructure requirements. The forecasting process that Gilbert developed allowed all of its management staff to project how to strategically align the resources necessary for timely and consistent infrastructure maintenance. Further, it provided them with incentives to collaborate on a plan that had the capacity to balance community infrastructure needs against the fiscal realities faced by the Gilbert municipal government.

**Connections to the Financial Sustainability Framework**

**LS #3 – Convince stakeholders there can be benefits from collective efforts.** Gilbert used a zero–base budgeting process to guide collective decisions about the best way to use resources going forward. This way, Gilbert did not remain trapped by the way resources had been allocated historically.

**LS #5 – Build long–term horizons into fiscal planning.** The town built long–term forecasting models, including using “what–if” analysis to help decision–makers visualize the impact of different possible choices.

**LS #6 – Maintain capabilities to reinforce cooperative behavior.** Gilbert had cultivated an identity of being the “best in class, all lines of service.” This identity required making financially prudent choices. Hence, members of the organization were naturally
motivated to behave in a manner consistent with this identity and make financially sustainable choices themselves.

**IDP #2 – Proportional equivalence between benefits and costs.** Gilbert focused discussions about infrastructure on the value it would produce for constituents, instead of just how much infrastructure costs. The level of service that constituents required was also integral to the planning conversation.

**IDP #3 – Collective choice arrangements.** Stakeholders from a number of functions within city government participated in developing the plan, including representatives from the Manager’s Office, Office of Management and Budget, Information Technology, Parks and Recreation, and Public Works.

**IDP #4 – Monitoring and decision-making.** “Long– and Short–Term Balanced Financial Plans” and “Proactively Address Infrastructure Needs” were included as two of only six Strategic Initiatives adopted by the Council. Hence, these topics were highly visible and the town’s action (or inaction) to move them forward would be highly conspicuous and, hence, easily monitored.

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