

City of Mesa

FY 14/15 Proposed Budget Summary

April 10, 2014

Presented by the Office of Management and Budget



FY 14/15 Budget Overview

The proposed budget for 14/15 is balanced.

Department budgets are held to 13/14 levels adjusted for inflationary increases in personal services, vehicle usage, contract renewals as well as operating expenses of completed capital projects.

Continuation of capital projects are included.

Lifecycle replacement needs have been identified above available resources. The proposed budget includes the same level of funding adopted in 13/14. Needs will be reviewed on an on-going basis if/when funding becomes available.

Personal Services - Fiscal Year 14/15

Total compensation projections include the City's standard compensation program as well as changes in rates for pension plans, medical and dental insurance plans and worker's compensation.

Position costs are recalculated each year based on the employee in the position at the time. This accounts for promotions, reclassifications and retirements.

The City is now fully covering the 25 additional police officers originally covered by the COPS Hiring grant.

Pension Costs - Fiscal Year 14/15

Pension rates play a significant factor in the total compensation cost of positions.

- General Governmental impact of \$1.5M (other funds did not have a significant change)
- Arizona State Retirement System (ASRS) changed from 11.3% to 11.48%
- Public Safety Personnel Retirement System (PSPRS)
 - Changed from 28.26% to 29.98% for Fire employees
 - Changed from 31.21% to 33.07% for Police employees
 - Anticipate significant increase in 15/16

Trust Fund Contributions

Employee Benefit Trust

- Current forecast does not call for adjustments to 2015 premiums as a whole
- City contribution is \$5.5M more in 14/15M, General Governmental impact of \$3.6M due to not anticipating a one month premium holiday and the forecasted addition of new retirees
- Budgeted total City contribution of \$51.4M

Worker's Compensation

- Upward trend in claims in recent years resulting in City contribution \$2.9M higher than 13/14
- General Governmental impact of \$1.9M
- Budgeted total City contribution of \$7.6M

Vehicle Usage Costs - Fiscal Year 14/15

The cost of fuel and parts for the City's fleet of vehicles has increased over the past few years without a commensurate increase to the various department budgets.

These costs were previously covered with departmental savings in other areas.

As these savings are no longer available, budget adjustments were needed to continue the current level of service.

- General Governmental impact \$1.9M
- Enterprise Fund impact \$1.6M

Contract Costs - Fiscal Year 14/15

Recent contract renewals for the City have seen dramatic increases in the cost for park maintenance.

- Total Impact is \$1.4M
- General Governmental impact is \$0.5M
- Environmental Compliance Fund impact is \$0.9M

Maintenance for new parks approved in the 2012 parks bond election will experience the same inflationary pressure when they open.

- Park maintenance levels Citywide will need to be adjusted to fit within available resources

General Governmental Cost Pressure Highlights

	<u>FY 14/15</u>
Arizona State Retirement System (ASRS)	\$ 145,000
Public Safety Personnel Retirement System (PSPRS)*	
Fire Employees	\$ 467,000
Police Employees	\$ 1,041,000
Medical/Dental City Contributions	\$ 3,630,000
Worker's Compensation	\$ 1,900,000
Vehicle Usage Cost Adjustments	\$ 1,938,000
Contract Renewal Increases	\$ 500,000
Parks Bond Package Operations & Maintenance	\$ 1,104,000
Central Mesa Light Rail Extension	\$ 582,000

* Includes impact on General Fund and Quality of Life Fund

Staffing - Fiscal Year 13/14

Increased construction activity caused increased demand for services in the Development & Sustainability Department.

11.5 of the increased positions were in response to this and were offset with additional revenues.

Other miscellaneous position increases and reductions were made during the year to meet operational needs for an additional net position increase of 1.6.

FY 13/14		
Adopted Total	Mid-Yr Adjustments	Adjusted Total
3,709.6	13.1	3,722.7

Measured in FTE (full-time equivalents)

Staffing - Fiscal Year 14/15

Many departments identified either position additions to be offset with reductions elsewhere in their budget or positions conversions to temporary or contract labor.

- There are 4 net new positions due to these types of adjustments resulting in no effect on the budget amount

The proposed changes include 6 new School Resource Officers for the Police Department, contingent on Mesa and Gilbert Public Schools receiving a grant and reimbursing the City for ten months of the position costs.

Most of the remaining proposed increases are due to the scheduled opening of parks and pools associated with the 2012 parks bond election

FY 14/15		
Proposed Changes	No New Cost	Proposed Total
15.9	4.0	3,742.6

Measured in FTE (full-time equivalents)

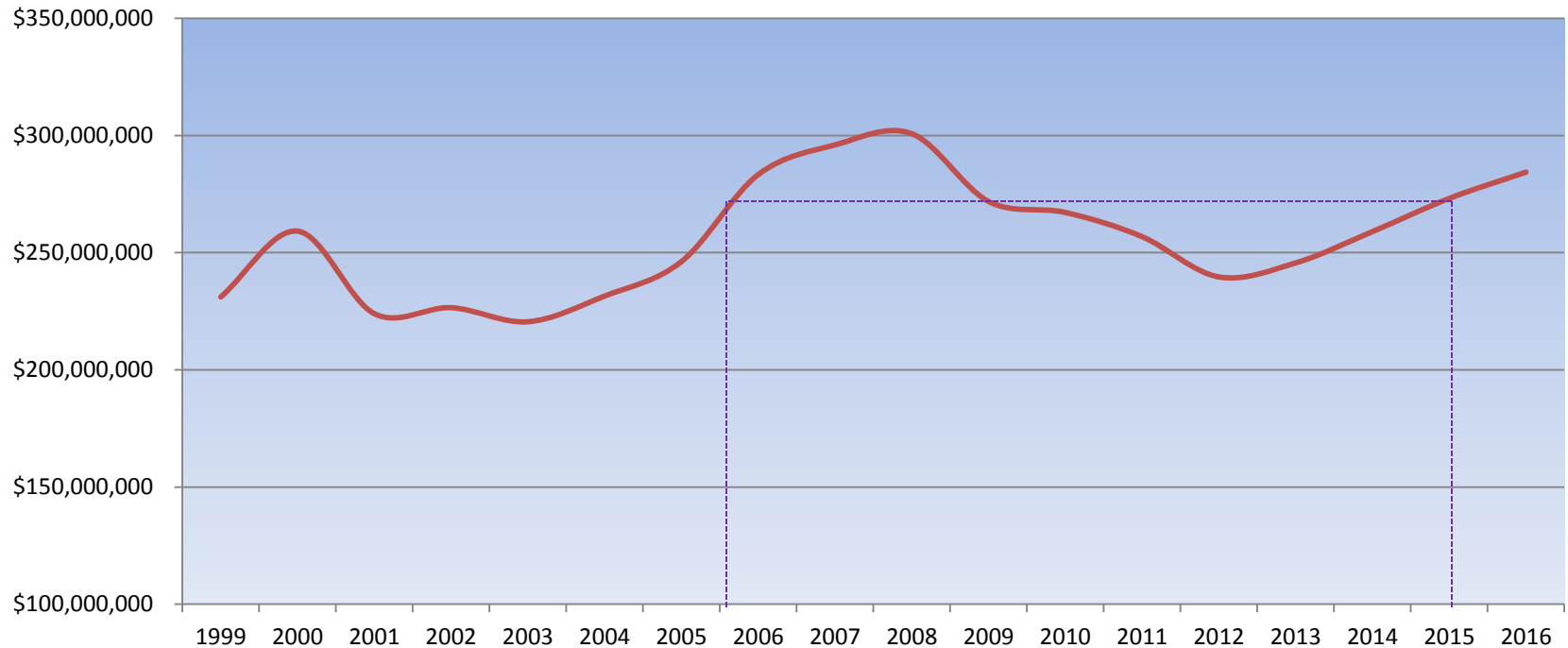
Property and Public Liability Trust Fund Contributions

Claims in 12/13 were dramatically lower than budgeted. This allows for a reduction in the needed 13/14 City contribution amount by \$1.3M while maintaining the budgeted target reserve balance.

The City has previously held a target reserve balance of \$12.0M. Upon review of recent claim history, resetting the reserve target to \$10.0M is recommended. The result is one-time savings in 13/14 as the City contribution can be further reduced from the budgeted amount.

- Decreased 13/14 contribution of \$3.3M from budget resulting in one-time savings to General Fund of \$2.2M
- Budgeted total City contribution for 14/15 of \$5.6M.

General Government Revenues



Forecasted revenue amount for 14/15 is similar to the revenue amount received in 05/06

Includes General Fund & Quality of Life Sales Tax and State Shared Revenues

General Governmental Reserves

	Estimate 12/13	Estimate 13/14	Forecast 14/15
Beginning Reserve Balance	\$ 80,001,000	\$ 38,131,000	\$ 33,393,000
Total Sources	\$ 329,255,000	\$ 349,241,000	\$ 363,162,000
Total Uses	\$ 371,125,000	\$ 353,979,000	\$ 367,236,000
Ending Reserve Balance	<u>\$ 38,131,000</u>	<u>\$ 33,393,000</u>	<u>\$ 29,319,000</u>
Ending Reserve Balance Percent*	11.1%	9.3%	8.0%

*As a % of Next Fiscal Year's Operating, Capital and General Fund portion of Debt Service Expenditures (a subset of total uses)

General Governmental On-going Considerations

The mid-year forecast reflects a need to restructure the City's budget next year to better align on-going expenses with on-going revenues.

- The 14/15 proposed budget includes a general governmental reserve balance drawdown
- The estimated reserve balance at the end of 14/15 is 8%, the minimum reserve balance called for in the City's Financial Policies
- There is no capacity for reserve drawdown in FY 15/16

Upcoming Calendar Budget

April 17	Utility Rate Discussion
May 5	Tentative Budget Adoption
	Introduction on Utility Rate Ordinances
May 19	Final Budget Adoption
	Capital Improvement Program Adoption
	Utility Rate Adoption
June 2	Secondary Property Tax Levy Adoption



General Governmental Resource Categories

The City Council strategic initiative of Financial Stability calls for a diversity of revenues.

The funding resources for General services such as Police, Fire, Library and Parks are comprised of three major categories.

FY 13/14 General Governmental projected resource amounts:

- Local Sales Tax \$118M (34%)
- State Shared Revenues \$101.8M (29%)
- Enterprise Fund Transfer \$90.0M (26%)
- Other \$39.4M (11%)

Enterprise Fund Transfer

City Council directed staff to review and provide a recommendation for updating the transfer amount on a more frequent basis to allow for incremental adjustments.

The transfer was held at a fixed level since FY09/10.

An initial adjustment was made in FY13/14 of \$6.4M

Recommendation is for a second adjustment in FY14/15 of \$5.7M and then adjustments each year after of 3%.

- The mid-range forecast estimates the base operating budget will inflate on an average of 3% per year
- The two-phase adjustment will put the transfer amount close to, but still less than, the amount that would have been in place if the transfer had been adjusted for inflation after FY09/10.

General Governmental Major Resource Categories

