



City Council Report

Date: April 20, 2015
To: City Council
Through: Michael Kennington, Chief Financial Officer
From: Candace Cannistraro, Management and Budget Director
Subject: Fiscal Year 2015/16 Summary of Proposed Budget

Strategic Initiatives



Overview of Proposed Budget

In February of 2014, the Council received an update on the financial status of the City. At that time, available resources were projected for FY14/15 and forecasted for FY15/16 and beyond. The cost of the current level of service was also projected for FY14/15 and forecasted for FY15/16 and beyond. The combined forecast illustrated more expenses than new resources for FY 15/16 and more expenses than available resources for FY 16/17.

Since then Executive Staff has met with each department to discuss and discern operational successes and concerns and to determine priorities for the upcoming fiscal year. All departments, except Police and Fire, were asked to identify 5% of their operating budgets for reduction consideration. The Police Department and the Fire and Medical Department were asked to identify \$5.7 million and \$3.0 million respectively based on the estimated cost increase of the Public Safety Personnel Retirement System (PSPRS).

The proposed budget includes many of the operating budget reductions identified by the departments including a net reduction of 56.5 positions citywide. Of those positions, 52.5 are related to General Governmental areas. Most of the positions are expected to be vacant by July 1, 2015. A few positions will continue for a short time into the new fiscal year until the incumbent retires. The city does not expect any individual employees will be impacted based on the position reductions associated with the operating budget. Three positions in the Tax and Licensing area will continue until January when the State is scheduled to take over the collection of transaction privilege tax (sales tax). These positions are expected to be filled until that time and would be eliminated regardless of the status of the city's operating budget due to transfer of duties to the State.

The proposed budget continues the City's commitment to providing quality services to residents in a fiscally responsible manner. The City continues to prioritize public safety, quality service, investment in the community, and investment in City employees.

Specific areas of emphasis in the FY 15/16 proposed budget are:

Financial Sustainability – The City has set a goal to align on-going expenses with on-going revenues to ensure that quality services and programs can be continued in the future. The proposed budget takes the first step in a multi-year approach toward this goal.

Competitive Compensation for a Quality Workforce – As an organization of excellence, the City relies on high quality, professional employees. The investment results can be seen through the efficient and effective service available to Mesa residents, the friendly faces and the award winning programs.

Public Safety - Focus on increasing service levels and decreasing costs by programmatically reducing the duration a budgeted Firefighter or Police Officer position is vacant. The size and frequency of recruit academies has been reevaluated to allow for a more proactive nature.

Economic Development – Emphasis and resources for marketing the “Next Mesa” and Downtown Mesa as well as the Falcon Field Development Area.

Storm Water Infrastructure – Leveraging grant funds for infrastructure improvements in areas historically experiencing issues.

Transit Infrastructure and Operations – The Central Mesa Light Rail project is scheduled for opening early in FY 15/16. The proposed budget includes operations and maintenance for the additional miles of service as well as capital funding for the design work on extending the light rail line to Gilbert Road.

Aligning utility rates with the associated demand on the system – Analysis has been completed regarding the relative demand by residential customers on the water infrastructure system. The proposed budget includes the impact of realigning the residential water rate tiers to more accurately reflect the types of system demand.

General Government Operating Budget

General Governmental revenues in the City of Mesa come from three primary sources: City sales and use tax, state shared revenues and a transfer from the Enterprise Fund. City sales tax, the largest of these sources, fell short of expectations recently. The projections during the FY 14/15 budget process called for a 6.7% growth in FY 13/14 and a 5.2% increase in FY 14/15. Actual receipts in FY 13/14 achieved only a 4.9% growth and reset the base of future projections. The year-end projection for FY 14/15 calls for about a \$6.0M shortfall in the general governmental portion of the budgeted

sales tax revenue. The multi-year forecast has been revised to accommodate this lower base. The proposed budget includes a 3.4% growth in sales tax for FY 15/16.

State shared revenue consists of Urban Revenue Sharing (state-shared income tax), State sales tax and vehicle license tax. The growth in Urban Revenue Sharing is the result of gains in individual income. Urban Revenue Sharing revenue has a two year lag between the income reported and the receipt of revenues by the City so the budget is a known amount. It increased more than nine percent in FY13/14 and more than eight percent in FY14/15 but will actually decline slightly in FY 15/16. Part of the decline is due to the impact of the State reducing the corporate income tax over four years. FY 15/16 is the first year of the affect. State-shared sales tax is also increasing at a lower rate but appears to be more stable than the local sales tax. The forecasted growth included in the proposed budget is 4.9%. Vehicle License Tax revenue, the smallest contributor to state revenue sharing, is projected to meet budget expectations in FY 14/15 and increase at a greater rate of 7.6% in FY 15/16.

State shared revenues are distributed based on population formulas. The forecast does not include possible State shared revenue impacts related to a mid-decade census. Multiple municipalities are pursuing conducting a mid-decade census to update their population numbers and thereby increase their percentage share of the available revenues. The city is currently evaluating the effect of this action and may need to also participate in order to mitigate a possible loss in revenue over the next years. The cost of participating is not known at this time. Staff will update Council as more information is known.

The Enterprise Fund transfer is the city's method of providing general funding for general governmental services such as police and fire as well as library and parks. The City of Mesa does not have a primary property tax as other municipalities do to fund these types of services. The city uses the profit from the utilities to invest back into the city. The FY15/16 proposed budget includes an increase to the transfer amount of approximately 4%.

Mesa faces significant pressure from increasing expenses. Due to various reasons, the pension rates for public safety personnel increased greatly for FY 15/16, estimated at an \$8.7 million impact. The Public Safety Personnel Retirement System (PSPRS) has given municipalities the option of phasing into the new rates over three years. The proposed budget includes the phased-in schedule approved by City Council in March, 2015 with an estimated impact of \$5.0 million. The full impact of the rates will need to be addressed again in FY 16/17.

The opening of the Central Mesa Light Rail Extension is included in the FY 15/16 proposed budget. The annual cost is estimated at \$3.6 million, with \$5.0 million in new expenses and \$1.4 million in new revenues. Based on the estimated construction schedule, \$3.5 million in expenses and \$1.0 million in revenues is included in the proposed budget.

New park facilities require additional ongoing funding to operate and maintain. As the economy has recovered, contracted services have become more expensive. The new

and renovated parks approved in the 2012 bond election are scheduled in the capital improvement program, however some of the projects have been placed on hold until sufficient on-going funds can be identified to operate and maintain them.

Infrastructure and lifecycle needs are included at the same level as FY 14/15. Funding has not been identified to increase effort in this area.

Significant one-time savings have been identified in the claims costs experienced in two of the trust funds and allow for reducing city contributions. These savings are discussed in the trust fund section and have been included in the forecast.

The level of General Government reserves is projected to be \$45.1 million at the end of FY14/15 (12.1% of the FY15/16 expenditure budget) and forecasted to be \$37.7 million at the end of FY15/16 (9.7% of the FY16/17 expenditure budget). The City's financial policies call for a forecasted fund balance (reserves) of 8-10% per fiscal year.

While the FY15/16 proposed budget expenses are balanced against available resources, a reserve balance drawdown is included. The reserve balance is available due to various items resulting in one-time savings. Reserves are not anticipated to be available in FY 16/17. If revenues and expenditures continue as forecasted, the City will need to again restructure portions of the budget next year. Revenues and expenditures will continue to be reviewed on an on-going basis to allow for proactive response to economic changes.

Enterprise Operating Budget

Planning for new accounts and incorporating utility rate adjustment recommendations, FY15/16 operating revenues are estimated at \$337.6 million, up from \$321.3 million projected for FY 14/15.

As economic conditions have improved, Mesa has experienced an increase in the number of utility customers. However, low economic confidence, increased efficiency in homes and appliances, and mild winter conditions have resulted in lower usage per account in several of the City's utilities. Steady revenue is the net result of additional customers and declining usage rates.

With the increase in utility customers comes demand to provide additional capacity and infrastructure to meet future needs. Of particular importance is Mesa's southeast region where little infrastructure is available but significant growth in development is anticipated. This is particularly true of water and wastewater utilities that are in need of new and upgraded facilities in order to meet the growth demands of new and future customers.

The level of Enterprise Fund reserves is estimated to be \$44.0 million at the end of FY14/15 (12.9% of the FY15/16 expenditure budget) and \$40.0 million at the end of FY15/16 (11.3% of the FY16/17 expenditure budget). The City's financial policies call for a forecasted fund balance (reserves) of 8-10% per fiscal year. The City forecasts expenses, revenues and reserve balances over a multi-year period. The reserve

balance allows the City to react to increased expenses by smoothing necessary rate increases over multiple years, therefore avoiding rate spikes. As in FY15/16, the City will sometimes carry a reserve balance greater than 10% due to this rate stabilization philosophy. The current forecast calls for slightly declining reserve balances for the next few years in anticipation of a scheduled increase in existing debt service expense beginning in FY 17/18.

Restricted Funds Highlights

Transportation Related Funds

Transportation funds come from two sources. The State of Arizona collects Highway User Revenue Funds (HURF) and a portion of these are provided to cities. This is the fuel tax paid at the pump by the consumer. Arizona's three largest cities also receive an additional allocation of the revenues referred to as HURF 3%. The other component is a 0.30% Mesa city sales tax dedicated to street expenditures referred to as Local Street Sales Tax (LSST).

Highway User Revenue Fund (HURF). HURF and HURF 3% revenues are forecasted to have modest growth over the next few years, increasing from \$32.9 million in FY14/15 to \$34.3 million in FY15/16. The largest volatility in these revenues has historically come from adjustments in the distribution by the State. HURF distribution was held steady during the recent legislative session; however mid-decade census results may decrease Mesa's percentage of the available revenues. The forecast has not been adjusted for this possibility.

Local Street Sales Tax (LSST) Fund. LSST revenue collection is tied to the rest of city sales tax, and, as previously noted, is experiencing slowed growth from previous estimates.

HURF and LSST are managed together as both funds are restricted to streets related expenditures. The State's previous diversion of HURF revenues and the reduced sales tax receipts due to the recession have caused some street maintenance activities to fall behind the schedule anticipated when the LSST was approved. The City's street maintenance program outlines the highest priorities for allocation of available resources. Expenditures are modified to remain within available resources.

When funds are available, the city emphasizes street overlay projects. The available ending reserve balance for HURF and LSST combined are estimated to decrease from \$24.2 million in FY14/15 to \$20.0 million in FY15/16. An amount of \$8.9 million has been set aside for a possible loan to the Transit Fund if needed related to the Gilbert Road Extension. If needed, the LSST fund would be repaid as the city receives regional transportation plan reimbursements.

Trust Funds

Employee Benefit Trust Fund. The Employee Benefit Trust (EBT) Fund is used to fund employee health benefits and other employee benefit programs that the City sponsors. It is funded through setting of medical and dental premiums that are paid partially by the employee and partially by the City. Expenses have increased each year, with the

exception of FY11/12 when the City renegotiated some contracts and implemented various cost containment measures.

Total expenses are estimated to be \$67.4 million in FY14/15 and \$71.0 million in FY15/16. This is a 5.3% increase which is below the national average of 8-9%. In January of 2015, the city moved to a third party vendor for the administration of medical and prescription claims. The city hopes to achieve cost savings both in administrative fees and in the value of the claims paid. The city's use of the Delta Dental network of providers is anticipated to result in \$1.0 million of annual savings in the cost of dental claims. These additional cost containment measures are reflected in the FY 15/16 forecasted expenses.

Premiums are set on a calendar year basis. The current forecast does not call for adjustments to the 2016 medical/dental premiums as a whole. During the summer of 2015, plan design and premium structure will be reviewed. This review may affect premium distributions between categories or tiers of coverage, but should not affect overall City contributions. The City contribution for FY15/16 is estimated at \$51.5 million, \$2.2 million more than FY 14/15. The increase is mainly due to the anticipated increase in eligible retirees.

Increases in expenditures are largely driven by increased medical, prescription drug and dental costs and Affordable Care Act mandatory fees. Each year City staff reviews the plan design and benefits. Staff also reviews and recommends wellness programs. A new wellness center was opened to employees and their families in October 2014. The hope is that it will have a positive influence on future expenses through diversion from higher cost facilities and encouragement of prevention and screening. Next year, staff will be better able to review claim history to evaluate the effect of the wellness center utilization.

The City has not established a particular reserve level for the Employee Benefit Trust Fund. City staff reviews cost trends for the various benefit plans and the effect of approved or pending legislation in order to assess future risk to the EBT Fund.

Worker's Compensation Fund. The Worker's Compensation Fund is used to fund claims related to employee work-related injuries. Total annual expenses have been fairly consistent over the last ten years ranging from a low of \$3.5 million to a high of \$5.4 million. Total expenses are estimated at \$5.0 million for FY 14/15 and \$5.4 million for FY 15/16. Total expenses in the last few years have been lower than forecasted.

Departments contribute to the Worker's Compensation Fund each pay period based on the salary of each of their employees. Rates are established based on the risk level of the job classification, calculated in the total cost of the position and included in the departments' operating budget. Expenses are reviewed during the fiscal year and rates can be modified if needed. Pending worker's compensation claims are valued at the total estimated payment, which may occur over many years based on the type of injury. The current reserve policy sets the reserve target at the amount sufficient to cover the current year portion of claims and related costs.

Due to expenses coming in lower than anticipated, the reserve balance at the end of FY 14/15 is projected to be greater than targeted. This will allow for reduced worker's compensation rates to be included in the FY 15/16 budget. The reserve target for the end of FY 15/16 is \$5.5 million. The estimate for the city contribution for FY 15/16 is \$3.3 million to reach this target. The result is a one-time savings of \$2.2 million.

Property and Public Liability Fund (PPL). The Property and Public Liability Fund is used to pay claims related to lawsuits against the City. The value of claims paid can vary significantly by year. Over the last ten years, annual claims ranged from \$0.8 million to \$6.6 million, with an average of \$2.7 million per year. Claims are projected to be only \$1.3 million in FY14/15 and \$3.0 million in FY15/16. The length of time from the submission of a claim to its final resolution can take over a year, contributing to the high variability of annual costs.

The city's current reserve practice targets a \$10.0 million reserve balance. The contribution needed to maintain the reserve level is estimated each year and included in the budget. Expenses are reviewed during the year and the contribution amount can be modified if necessary. Due to the reduced claims experience in FY 14/15, the original city contribution estimate of \$5.4 million can be reduced to \$3.4 million and still meet the reserve balance target.

The FY15/16 proposed budget includes reducing the FY14/15 budgeted city contribution to the PPL fund by \$2.0 million. The result is one-time savings in FY14/15 that has been factored into the forecast. The FY15/16 city contribution included in the proposed budget is \$5.2 million.

Environmental Fee Fund (ECF)

The Environmental Compliance Fee is applied to each utility account customer to meet the projected costs of Federal and State environmental mandates. Neither the Federal nor the State government provides funding for these activities. The current fee is anticipated to generate \$14.8 million in revenue in FY15/16. The fee funds the city's environmental activities such as air quality, storm water quality, hazardous waste management, and asbestos management.

No adjustments are recommended for the fee amount. An item of note is the inclusion of \$1.0 million for one-time expenditures to replace many water pumps in retention basins. The on-going proposed budget for the fund is consistent with the FY 14/15 budget.

Grants

The City pursues grants to fund projects, implement or enhance programs, and fund the acquisition of new equipment. While the application for grant funding requires preparation time by City staff as well as subsequent tracking of grant expenditures, grant awards provide the City with the means to fund services that would not otherwise be funded in the City's budget. Not all grants applied for are awarded to the City. The City includes grants currently being applied for in the adopted budget to allow for budget authorization capacity.

Police Grants

Mesa Police planned for \$2.1 million in new grants awards for the FY14/15 compared to \$2.2 million in expected grant awards for FY15/16. Notable grants applied for include the following:

- \$600,000 Homeland Security Grant provides resources for the acquisition of equipment to support homeland security activities
- \$494,000 the Governor's Office of Highway Safety (GOHS) Grant provides resources for DUI and traffic enforcement activities, traffic safety equipment, traffic enforcement vehicles, and overtime for officers supporting the City's traffic safety program
- \$283,000 Mesa Family Advocacy Center (MFAC) Grants providing for the salaries and benefits for Victim Support Services personnel and equipment
- \$238,000 in multiple forensics grants. The National Institute of Justice DNA Backlog Program Grant provides resources for forensic personnel overtime and software in order to enhance the process of recording, screening and analyzing forensic DNA in an effort to reduce system backlog. The Coverdell Grant allows for the acquisition of new computer equipment and training for forensic personnel. The Forensics Crime Lab Grant will permit the City to upgrade one Triple Quad Gas Chromatograph Mass Spectrometer next year, along with providing funding for the purchase of computer equipment, and travel & training for forensic personnel
- \$199,000 Governor's Office of Highway Safety (GOHS) Grant for the acquisition of a Gas Chromatograph Mass Spectrometer
- \$150,000 Justice Assistance Grant for equipment acquisitions
- \$145,000 Tribal Gaming Grants provides funding for the police Bike Unit, Rape Aggression Defense System (RAD) program and the Computer Forensics Unit (CFU) Server
- \$40,000 High Intensity Drug Trafficking Areas (HITDA) Grant provides funding for officer overtime to coordinate activities that address drug trafficking in specially designated areas of the United States.

Fire and Medical Grants

Mesa Fire and Medical applied for \$8.0 million in new grant awards for FY14/15 compared to \$4.6 million for FY15/16. Significant grants for the FY15/16 budget cycle include the following:

- \$4.2 million the Centers for Medicare and Medicaid Services (CMS) Healthcare Initiative Grant, this represents the second year funding, for the department's Community Care Response Initiative providing high-quality, immediate patient

care at the point of calling for low-level emergencies. This program is expected to save millions of dollars in healthcare costs, while improving patient healthcare outcomes and enhancing efficiencies at local hospitals. The grant supports the salaries and benefits for key personnel and equipment. A grant match is not required from the City.

- \$216,000 from the Urban Area Security Initiative (UASI) Rapid Response Team (RRT) for salary & benefits, including travel, conferences and training for key fire personnel
- \$161,000 in various other grant awards

Housing & Community Development Grants

The Housing and Community Development Department oversees a variety of programs designed to provide safe, decent, and affordable housing and a suitable living environment within the City of Mesa. To accomplish this task, the Department has assumed a number of vital roles within the community. One role is the management of the following U.S. Department of Housing and Urban Development (HUD) programs:

- Housing Choice Voucher Program (Section 8) - the HUD-funded program provides rental assistance to low-income families for decent, safe, and sanitary housing by contracting with private owners and subsidizing a portion of the family's monthly rent. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.
- Mainstream Voucher Program (Section 8) - mainstream program vouchers enable families having a person with disabilities to lease affordable private housing of their choice. Mainstream program vouchers also assist persons with disabilities who often face difficulties in locating suitable and accessible housing on the private market.
- The City of Mesa Housing Authority operates the HUD-Veterans Affairs Supportive Housing (VASH) program (Section 8), which provides rental assistance for chronically homeless veterans and their families, while the Veterans Administration in Phoenix provides case management and clinic services at its medical centers and community clinics.

These three Section 8 programs are funded at a combined \$12.4 million in FY14/15 and \$13.3 million in FY15/16.

Furthermore, the City is a designated entitlement community by the Department of Housing and Urban Development (HUD). The Department oversees the following Community Development programs designed to revitalize neighborhoods, promote economic development, and improve community facilities and services:

- Community Development Block Grant (CDBG) - ensures decent affordable housing, to provide services to the most vulnerable in our communities, and to

create jobs through the expansion and retention of businesses. This program is funded at \$8.6 million in FY14/15 and \$5.8 million in FY15/16.

- HOME Investment Partnership (HOME) - helps communities expand the supply of decent, safe, sanitary and affordable housing, with primary attention to housing for low income families. The HOME Investment Partnerships Program (HOME) funds a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. This program is funded at \$3.0 million in FY14/15 and \$3.4 million in FY15/16.
- Emergency Shelter Grant (ESG) - provides essential services related to emergency shelter, rehabilitation and conversion of buildings to be used as emergency shelters, operation of emergency shelters, and homelessness prevention services. This program is funded at \$0.3 million in FY14/15 and \$0.4 million in FY15/16.
- Neighborhood Stabilization Program (NSP) – funding to revitalize housing in specific areas of the City to sell to qualified residents. The funding allows the City to acquire foreclosed or abandoned homes and to rehabilitate, resell, or redevelop these homes in order to stabilize neighborhoods and stem the decline of house values of neighboring homes. The program was funded at \$2.5 million in FY 14/15 and \$3.6 million in FY 15/16. NSP is still ongoing and uses unspent funds from prior years to accomplish revitalization of housing.
- The Affordable Rental Movement (ARM) of Save the Family, in partnership with the City of Mesa, was awarded a Shelter Plus Care Grant in FY12/13 through the U.S. Department of Housing and Urban Development (HUD). This was the first Shelter Plus Care Grant to be awarded in the east valley. The grant allows ARM to provide seven homes for chronically homeless families for up to five years. The City of Mesa Housing Authority determines program eligibility, refer families to the Shelter Plus Care Program and monitors the program. This program is funded at \$0.3 million in FY14/15 and \$0.3 million in FY15/16.

City-wide Adjustments Impacting Budget

Some budget adjustments affect all funds and departments across the City in varying degrees, such as changes in the cost of personal services. These types of adjustments are discussed here.

State Retirement Plan Contributions

FY15/16 contribution rates for State-run retirement plans increased as follows:

Retirement Plan	FY14/15 Rate	FY15/16 Rate	Rate Change	Increased Annual Cost (All Funds)
Arizona State Retirement System (ASRS)	11.5%	11.4%	-1%	(\$0.2M)
Elected Official Retirement System (EORP)	57.5%	85.4%	+48%	\$0.1M
Public Safety Personnel Retirement System (PSPRS) - Fire	32.6%	40.8%	+25%	\$3.0M
Public Safety Personnel Retirement System (PSPRS) - Police	33.1%	42.2%	+27%	\$5.7M

PSPRS has allowed for municipalities to phase into the new rates. City Council approved a phase-in for FY 15/16 that reduces the impact to \$1.7 million for the Fire pension and \$3.3 million for the Police pension. The proposed budget includes funding for these modified amounts.

Market Salary Study

As an organization of excellence, the city relies on high quality, professional employees. The city has made an effort over the last couple of years to support efforts in recruiting quality candidates and retaining excellent employees. Competitive compensation plays a part in this effort. Last year, pay ranges for sworn positions covered under memorandums of understanding were reviewed and adjusted based on the local market. In FY 14/15, the remaining positions were reviewed and market discrepancies were identified. The Human Resources Department is in the process of implementing the salary range adjustments.

The financial impact of the salary range adjustments is minimal as only those employees who fall below the minimum of the new pay range are impacted. The greater potential impact is for those employees who were at the maximum a pay range that was adjusted. Those employees are now eligible to qualify for a step pay increase when funding is available.

Step-Pay

In accordance with the City's compensation plan, the FY15/16 budget includes step-pay funding of 5% for those employees that qualify. Each year position costs are recalculated based on the employee in the position at the time. This accounts for promotions, reclassifications, terminations and retirements. The impact is not a comparison from one fiscal year to another, but from the recalculated base to the projected amount.

Health Plan Contributions – Employee Benefit Trust

In order to minimize cost, the City funds many of its employee and retiree benefits internally through the Employee Benefit Trust (EBT) Fund. This included medical, dental and vision benefits. The FY15/16 budget anticipates keeping 2016 health plan premiums at the same level as 2015. Premiums are updated on a calendar year basis and will be reviewed in full over the summer. The proposed budget includes a \$2.2 million increase in the city contribution mainly due to the anticipated increase in the number of eligible retirees.

Capital Improvement Program (CIP) Highlights

As outlined in the Council's Economic Development strategic initiative, the City continues to place a high priority on infrastructure investment to attract and service future development. The proposed CIP includes an expansion of a water reclamation plant and the design and construction of a new water treatment plant as well as the associated distribution infrastructure. The funding of the projects is available through utility revenue bonds authorized by Mesa voters in November 2014. The debt service on utility revenue bonds is funded through the utility rates paid by customers. Therefore the customers served by these plants will participate in the repayment of the new debt service related to them.

Continuation of citizen initiated and approved Parks projects, as well as recently approved Public Safety and Transportation projects, is included in the proposed CIP. Planned park improvements include Fiesta Sports Park (former Powell Junior High site) and Pioneer Park in central Mesa. The relocation of Fire Station 203 on the west side and improvements at the Police holding facility will ensure the City has the proper resources to address public safety needs. Scheduled street improvements approved by voters include the next phase for Mesa Drive and the Fiesta District. These projects are funded through general obligation bonds. The debt service on general obligation bonds is funded through a secondary property tax as approved by voters in the ballot language for the bond authorization. In conjunction with the street projects, the City will replace and/or upgrade utility infrastructure. Coordinating this effort not only ensures the reliability of the utility service lines, but it also maximizes the life of the pavement. The utility infrastructure is funded with existing utility revenue bond authorization.

Also included in the proposed CIP are improvements at Falcon Field airport, various shared-use paths, and storm water infrastructure projects. These projects use local funding sources to leverage grant dollars awarded to Mesa to complete projects that enhance the quality of life in the City of Mesa. The proposed budget also includes improvements to the public safety communications network to ensure system reliability.

Secondary Property Tax

The FY 15/16 proposed budget includes the same secondary property tax levy as FY 14/15, \$33.4 million. Secondary property tax is limited in use for the repayment of general obligation debt.

The secondary property tax rate is calculated using the Maricopa County Assessor's values for the City of Mesa. Previously, the "full cash value" of a property was applied against the secondary property rate to produce the tax bill. In 2012, voters approved an amendment to the State constitution regarding property tax valuation. Beginning in FY 15/16, the "limited property value" of a property will be applied against the secondary property rate.

The "limited property value" is lower than the "full cash value". Therefore, the secondary property tax rate needs to be increased in order to achieve the same levy dollar amount. The rate needs to move from \$1.1853 (per \$100 of assessed value) in FY 14/15 to \$1.2125 (per \$100 of assessed value).

There is no impact to the residential median home. The previous methodology would have applied a rate of \$0.9935 to a median home value of \$139,600 resulting in an average levy of \$138.69. The new methodology applies a rate of \$1.2125 to a median home value of \$114,388 resulting in an average levy of \$138.70.

The City Council adopts the secondary tax levy and associated rate each year as a separate action from the budget adoption.

Lifecycle Replacement Program

The lifecycle replacement effort focuses on identifying and developing a multi-year plan for purchase of items (or technology) that have a mid-range useful life and should be replaced on a regular basis. Scheduled replacement allows the city to avoid expenditure spikes that can impact the city's ability to deliver services. A citywide plan is evaluated and prioritized to meet the operational needs and available resources of the city. Examples include computer cycle replacement, pool equipment replacement, and the vehicle replacement program. On an ongoing basis, departments review and identify operational expenditures which can be included in a replacement schedule in which the anticipated expenditures can be planned.

Many lifecycle needs were identified during the FY15/16 budget process that the city is not able to fund. Staff will continue to identify and analyze needs citywide to create a comprehensive plan to assist in prioritization for if/when additional funding is available.

Department Highlights

The following section highlights the budgetary impacts within each department and is not meant as an overall highlight of the wonderful and innovative activities occurring around the City.

Public Safety Departments

Communications

Due to interference caused by the Sprint/Nextel Integrated Digital Enhancement Network (iDENT), Sprint reached an agreement with the Federal Communications Commission to "re-brand" radio users in the 800 MHz band.

The city received a settlement payable over two years and has signed a contract with Motorola Solutions to upgrade our system to new radio frequencies. The FY 14/15 budget was adjusted to account for \$1.8 million of the settlement for use on the upgrade contract. The proposed budget for FY 15/16 includes the remaining \$564,320 of the settlement which will also be applied to the upgrade contract with Motorola discussed below.

The Communications budget includes \$3.6 million in FY15/16 and \$1.3 million over the next four years for the TOPAZ Voice Radio Network Equipment Upgrade project which was included in the lifecycle replacement program. This project will upgrade the City's existing communications network to ensure reliable radio service for first responders.

Consulting services for the TOPAZ network were included in the current budget and funded design and specification development for the Fire Hazard Zone Communications (VHF) System. The proposed budget includes \$900,000 for the installation and commissioning of phase one of the VHF system. The remainder of the project is estimated to need another \$1.4 million and is included in the forecast. The project is part of the recommended capital improvement program and so the budget is reflected in the Projects Department. The City of Mesa is responsible for about 75% of the cost with the remainder covered by the other members of the joint venture.

As part of the operational reduction effort, the Communications Department's FY 15/16 professional services budget has been reduced by \$110,000. The department does not anticipate any impacts to current projects but timelines for new projects may lengthen.

Fire and Medical

Mid-Year Budget Adjustments in FY14/15 resulted in the addition of 14.7 positions to the Mesa Fire and Medical Department (MFMD). Most of the positions (11) are related to the Centers for Medicare and Medicaid (CMS) grant. At the time of the FY 14/15 budget adoption, the position mix needed was not finalized. The grant funds were budgeted as other services and then converted to positions at a later time. The positions are comprised of nine captains, one firefighter and one financial specialist.

A captain position was assisting the Fire training area for the last few years and another captain was assisting the Fire operations and support area for last 18 months. During these time periods, the employees' normal shifts were covered by other captains. During FY 14/15, two new captain positions were created in the respective areas for these employees. This allowed for the discontinuation of backfilling their duties. The costs of the positions were covered through anticipated reductions in related overtime.

The Fire and Medical Department is a regional leader with regards to fire apparatus maintenance. Four municipalities contract with the city for maintenance service of their vehicles. An equipment mechanic position and

additional overtime costs were added to the Department's budget this year to increase the capacity to provide this service. Costs are recovered from the participating entities.

A new half-time position was added to assist in the personal wellness and safety area and a part-time position in the fire & life safety education area was converted to a full-time position.

The department budget was modified a few times during the year for various items. A need for a second academy was identified in order to support anticipated future vacancies. The contract with Southwest Ambulance was renewed resulting in increased costs to the city from a combination of increased expenses for supplies and decreased reimbursement for a city position. Savings related to the non-capital portion of the annual apparatus replacement contributed to positive year-end estimates and allowed capacity for the department to purchase one-time items not previously budgeted.

The memorandum of understanding with the police labor association calls for a market salary increase of 2.5% to the maximum of the salary ranges for employees covered under the agreement. This market adjustment increases the number of employees that are eligible for the city's standard compensation program commonly referred to as step pay. The associated position costs are included in the proposed budget.

As part of the effort to cover the increase in the Public Safety Personnel Retirement System (PSPRS), the proposed FY 15/16 budget includes the reduction of four sworn positions as well as general funding. Three of the reductions are engineer positions assigned to the Aircraft Rescue Firefighting (ARFF) unit stationed at Falcon Field Airport. Contract obligations with the airport will still be met with the modification to the unit. Scheduled retirements will allow for the absorption of the employees into other engineer positions before the start of the new fiscal year.

The fourth position involves the elimination of an assistant chief position with the duties being absorbed by other sworn positions as well as a reclassification of an existing civilian fire and life safety education specialist to an emergency management coordinator. The assistant chief position is scheduled to be vacant before the start of the new fiscal year due to a retirement.

Non-position reductions included in the proposed budget include anticipated savings in several areas such as fuel, annual replacement cycle for small vehicles and grant application for general fund items. Reductions related to savings should not have an impact on operations. Overtime costs related to backfilling sworn positions due to special assignments has been reduced in the proposed budget. The department will explore other options to provide support for short-term projects.

The proposed budget includes \$680,000 of additional revenue related to the Fire and Medical Department. The Fire Prevention area has reassessed the operational model for the inspection fees and anticipates an annual increase of almost \$500,000. Due to the new ability of the city to charge for services like non-emergency transports and post-hospital follow-ups, the department is forecasting \$100,000 of new revenues in FY 15/16. The Fire and Medical Department provides dispatch services to other municipalities in the region. The associated charges are proposed to increase to better align with the cost of providing the service. The participating entities are aware and agreeable of the proposed increase. The estimated increase in cost recovery is \$80,000.

The combination of operational reductions and increased anticipated revenues are sufficient to cover the FY 15/16 costs of the phased-in approach to the PSPRS rate increase as approved by Council on 3/26/2015.

Additional information on Fire and Medical grants is included in the grant section of this report.

Municipal Court

The proposed budget for the Municipal Court is relatively stable between FY 14/15 and FY 15/16. \$53,000 has been reduced in various budget items like professional services. The department had accumulated revenues from the allocation of Judicial Collection Enhancement Fund (JCEF) received each year. The funds are being used in conjunction with State funds on the implementation of the new the Arizona Judicial Automated Case System (AJACS). The project is nearing completion. Some of the funding included in the current budget is anticipated to be carried over into the FY 15/16 budget for the completion of this project in the fall of 2015. Carry-over funds will be included in the proposed budget at a later date.

Court revenues are anticipated to meet the forecasted amount in FY 14/15 and increase in FY 15/16 by \$317,000. The increase is mainly due to the method of calculating fines adopted by the State and implemented in the new software system.

Police

The FY 14/15 budget included 6 new school resource officers (SRO) as part of an Intergovernmental Agreement (IGA) with Mesa & Gilbert Public Schools. The IGA would have provided annual reimbursement to pay for a substantial portion of the ongoing costs for these positions. The positions were contingent on the school districts receiving a grant. The grants were not received; therefore the six positions were removed from the budget.

The department continues with 14 budgeted school resource officers with 12 assigned to Mesa Public Schools (MPS) of which 10 are covered under an existing IGA. Two additional SROs are assigned to Gilbert School District campuses. The Gilbert School District discontinued reimbursement of the positions and the city is now covering the positions. There is no change in the

expenditure budget for FY 15/16 but the estimated revenue amount has been decreased.

The Police Department and the Office of Management and Budget worked together to implement a more aggressive recruiting/training program in order to reduce the average length of time a budgeted sworn position is vacant. The police department currently has 62 officers in some phase of training. Officers in training do not decrease the department's need for overtime to cover vacant positions so there is additional expenditure pressure on the department budget this year. The department anticipates about a \$2.0 million overage in personal services in FY 14/15. Once the program is fully implemented and has reached the operating norm, it is anticipated that the training costs can be covered by the reduced reliance on overtime.

The Police department receives miscellaneous revenue from many resources; donations, seizures, range fees, grants etc. As new resources are identified during the year, the department budget is modified to create capacity to spend the funds.

The proposed budget includes a reduction in jail costs of about \$400,000 attributed to a two-year trend in reduced bookings and housing days as well as aggressive auditing of the monthly jail billing by Police department staff. Jail costs for FY 15/16 are estimated around \$7.25 million.

The FY15/16 budget includes additional Axon body cameras for officers. This is the second year of a three year phased purchase of body cameras. About \$125,000 for the purchase of the cameras and \$189,000 in overall on-going operational costs are included.

As part of the effort to cover the increase in the Public Safety Personnel Retirement System (PSPRS), the proposed FY 15/16 budget includes the inactivation of 23 sworn positions, four civilian positions and general funding reductions for a total reduction of about \$3.3 million.

The Police department experiences many vacant officer positions at any given time. Due to the length of training required, many of the positions remain vacant for an extended period of time. Most of the identified positions are currently vacant and will not impact the current level of service. The few remaining positions will be vacant before the start of the new fiscal year due to anticipated retirements. With the implementation of the new recruit/training philosophy, the goal is to keep all budgeted sworn positions filled at all times. This sets a minimum level of available officers and allows for additional fully trained officers available at various times of the year. The net result of the position reductions and the training philosophy is actually a growth in available officers and a stabilization of service levels.

The proposed budget includes the reduction of one municipal security officer, a police driving coordinator, a civilian investigation specialist supervisor and a traffic program coordinator. The related duties will be transferred to other staff.

General funding reductions consist of overtime savings in the 911 operations and dispatch due to full staffing; reduction in vehicle operating costs due to position reductions; and various reductions in general overtime and commodities.

Revenues related to the fee for off-duty officers is anticipated to increase slightly as the department has proposed a \$3 off-duty surcharge to offset the cost of scheduling off-duty assignments for officers.

The combination of operational reductions and increased anticipated revenues are sufficient to cover the FY 15/16 costs of the phased-in approach to the PSPRS rate increase as approved by Council on 3/26/2015.

Information on Police grants is included in the grant section of this report.

Utility Departments

Energy Resources

Electric and Natural Gas customer growth is forecasted to be modest. The department has reduced their personal services budget by over \$600,000 by eliminating eight vacant positions, four in each area. Other reductions for FY 15/16 include various areas such as overtime and vehicle costs. Included in the proposed budget is \$60,000 towards business development and retention of downtown Mesa and \$75,000 to continue solar incentives.

The commodity cost for Gas (PNGCAF – Purchased Natural Gas Cost Adjustment Factor) is budgeted at about \$400,000 less than FY 14/15 at \$14.5 million. The legal fees related to the purchase of natural gas have been allocated to and will be recovered from the pass-through fee. The commodity cost for Electric (EECAF – Electric Energy Cost Adjustment Factor) is budgeted at just over \$200,000 less than FY 14/15 at \$14.9 million.

Solid Waste

The FY 15/16 budget for the Solid Waste Department includes an increase of \$1.3 million in vehicle usage cost, operational costs associated with the software being implemented and increased landfill costs. The proposed budget also includes a new \$10,000 grant that Solid Waste has applied for and expect to receive notification by the end of April. The grant will be used for the Clean Sweep/Green Sweep Program. In addition to the grant, the Clean Sweep/ Green Sweep fee is proposed to increase to provide an additional \$60,000 to cover related expenses. Solid Waste signed new contracts for recycling education and outreach programs, which increased the department's budget by \$50,000 in FY 15/16.

The FY 15/16 budget for the Solid Waste Department includes just over \$300,000 in reductions to help offset the cost of the capital investment of compressed natural gas (CNG) vehicles. These reductions include savings in diesel fuel, changing the barrel replacement program to reactionary and reducing other various costs. The tools and technology to further assist in maintaining a top-rated, competitive, customer service driven business operation are being continually reviewed and upgraded. These upgrades includes the department moving forward with its plans to save operating costs by converting their fleet to CNG, implementing Fleet Mind (a data tracking software) and converting a Customer Service Specialist I position from part-time to full time.

Water Resources

In FY 15/16, the Water Resources Department proposed budget includes three new positions and the upgrade of an additional position. Two of the new positions and the upgrade are due to the pending design and construction of the water and wastewater treatment plants and associated infrastructure. The costs of the positions will be covered by the projects and do not result in additional operating costs. The other position is an inspector and is anticipated to be covered an increase in fine revenues.

The cost for power and chemicals is anticipated to increase by \$591,000 and the cost for water commodity purchases by \$787,000. The increased cost of water each year for a few years was anticipated last year and has been included in the forecast. The city participates in joint ventures with other municipalities to provide water and wastewater services. The city's participation cost is expected to be about \$1.3 million less in FY 15/16.

Other Departments

Arts & Culture

The Mesa Arts Center schedules shows and events prior to the time of the event. The budget provides an estimate of the expenses and related revenues. As opportunities arise during the year for additional events, the department submits a business plan and requests additional budget capacity. In FY 14/15, the budget was increased by about \$2.1 million in estimated expenses and revenues to accommodate these opportunities. The general fund portion of the funding remained the same.

As part of the citywide reduction, the proposed budget includes a reduction in the length of Spark Festival and various expenditure line items as well as slight increases in some of the rates for classes and admissions. Of note for FY 15/16 is the movement of the Arts and Culture operating budget from the general fund to a new Arts and Culture Fund. This will allow for easier management of the general fund subsidy and reinvestment of additional revenues back into arts and cultural programming.

Business Services

Business Services is working to transfer Transaction Privilege Tax licensing and collection activities to the Arizona Department of Revenue. This implementation should be complete the beginning of February 2016. As part of this transfer of activities, the proposed budget includes a reduction of about \$510,000. This includes reducing positions including one part-time Mail Services Worker, three Tax Auditors, two Payment Processing Specialists and one Tax License Specialist position. As the transfer of duties will happen mid-year, the proposed budget includes one-time funding of \$109,000 to retain three positions until February 1, 2016. The FY 15/16 budget also eliminates one part-time Customer Service Specialist position as part of the citywide reduction effort.

Business Services is in the process of realigning and enhancing the scope of the activities within the department, implementing a new licensing application (business registry), updating the Customer Information System, providing new alternative payment locations, and many other tools to make it easier for residents and businesses to conduct business with the City.

City Attorney

The City Attorney's Office oversees the Property and Public Liability (PPL) Fund. The City uses the PPL Fund to pay 3d party liability claims; to pay the administrative costs for our litigation team; and to purchase insurance coverage to protect the City against major losses. The estimated claims paid for FY14/15 will be approximately \$1.3 million, which is \$2.1 million below the FY14/15 budgeted amount. FY15/16's budgeted amount is \$3.0 million, which reflects the average annual cost for claims paid. The estimated cost for insurance premiums has increased by \$120,000 in FY 15/16 as compared to FY 14/15.

A new Administrative Support Assistant I position was added in August 2014 in the City Attorney's Office to assist with the workload in the office. Departmental cost savings were used to fund this position. In FY 15/16 as part of the citywide reduction effort, the City Attorney's Office is eliminating two COE positions and a Victims Notification Clerk (80% grant funded) that will save approximately \$27,000, reducing outside counsel expenses by \$50,000 and changing the funding on an Assistant City Attorney III position to be funded \$25,000 from the Housing Grant Funds since this attorney works partly on those programs. An additional \$89,000 is being reduced by downgrading two vacant positions to lower levels and eliminating the benefits on a part-time position. \$10,000 is also being reduced in various line items in the City Attorney's Office.

City Auditor

The FY 15/16 proposed budget is consistent with the FY 14/15 adopted budget.

City Clerk

The budget for City Clerk's Office is adjusted each year for the cost of possible elections. FY14/15 included \$431,000 in estimated election costs. With no planned elections in FY 15/16, there are no election costs in the FY 15/16

proposed budget. The remainder of the budget is consistent with the FY 14/15 budget.

City Manager

The proposed budget includes the movement of the Alliance for Innovation membership fee of \$8,250 to the City Manager's budget from the Office of Management and Budget. Also included are reductions and savings from various line items of \$69,300 such as consulting services; professional services and temporary services.

Development and Sustainability

The FY 15/16 proposed budget for Development and Sustainability is less than the adopted FY 14/15 due to one-time funding received in FY 14/15 and reductions in FY 15/16 as part of the citywide reduction effort. In FY 14/15, significant one-time funding included \$441,000 for EPA Brownfields grants. The approved FY 14/15 budget also included a \$400,000 grant from Maricopa County for the fire station 215 Solar Project, however, the city did not receive this grant and the project was not completed. The FY 14/15 budget also included \$100,000 of SRP Rebates, whereas the FY 15/16 budget includes \$25,000 in SRP Rebates. Various other FY 14/15 one-time funding and carry overs totaled approximately \$249,000.

As part of the citywide reduction effort, Development and Sustainability reduced their FY 15/16 budget for temporary services, eliminated an Administrative Support Assistant II position and allocated the funding for a Utility Conservation Specialist position to the Environmental Fee Fund. The FY 15/16 proposed budget also includes support and coordination for the City Council initiatives of economic development and transformation of the downtown area through the addition of a Downtown Development Project Manager position.

The proposed FY 15/16 budget continues the project to replace the aging permitting system. The existing permitting system is obsolete and is minimally supported by the vendor. Replacing the system will result in savings to the City and to the development community by reducing printing costs and increasing productivity of professionals responsible for preparing, submitting, and correcting development plans. The system is mainly funded through the technology fee which is charged on each permit and service charge and restricted for use on technology maintenance and improvements.

Economic Development

The FY 15/16 proposed budget includes the purchase of the AZ Labs property from the United States Air Force Research Laboratory (USAFRL). The purchase and payment is expected early next fiscal year for about \$300,000.

The proposed budget includes an emphasis in marketing of economic development areas with a \$10,000 increase offset with reductions in various line items like training, travel, consulting, and other professional services. Also included is the allocation of 50% of one Economic Development Project Manager

to Falcon Field Fund for work to be completed on the Falcon Field Development Area project.

Engineering

Much of the Engineering Department is funded through the capital improvement program (CIP) through both direct and indirect support. The FY 15/16 proposed budget includes \$124,000 in reductions to various operating budget line items not related to the CIP.

Office of ERP Management

The proposed budget includes the reduction of one enterprise resource planning (ERP) trainer position created last year as one of three trainer positions. Two of the positions have been filled and the third position is not needed at this time.

Facilities Maintenance

In FY15/16, the Facilities Maintenance Department will be conducting a pilot program and will act as a Job Order Contracting (JOC) instead of using Engineering's Job Order Contracting (JOC) for small projects like painting, carpet replacements, air handling replacements, etc. An engineer from the Engineering Department will assist in this pilot. The change in process is anticipated to save the department both time and money on completing projects.

The proposed budget includes adjustments to include the additional costs of maintaining the following new facilities-Wellness Center, Mesa Counts on College, and Hohokam/Fitch as well an increase in the citywide custodial contract.

Falcon Field

The FY 14/15 budget included increased funding for the successful annual open house event to meet the growing demands and is continued in the proposed FY 15/16 budget. The emphasis in FY 15/16 is on building up the community outreach and economic impact. The Falcon Field Fund will cover 50% of an Economic Development Project Manager to focus on the economic development area and Management Assistant I position has been added to help facilitate potential growth and improve the quality of services for airport users and the community.

The Falcon Field Fund is financially self-sustaining. All revenues are reinvested back into the airport.

Financial Services

The city reorganized the Time and Labor group and moved the area from the Financial Services Department to the Human Services Department. The change resulted in a movement of six positions and \$431,000 in personal services. A new full-time position was added in FY 14/15 for an Accounting Specialist II to assist with the work load.

The FY 15/16 proposed budget includes the reduction of a part-time position and savings due to a new contract with Chase Bank. The cost of managing the city's investment portfolio was moved to a centralized are and is no longer contained in Financial Service's operational budget resulting in a department decrease of \$200,000.

Fleet Services

The Fleet Services Department is funded through the Fleet Internal Services Fund. This is an internal service fund established to account for financing, on a cost reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the City.

The department is anticipating the replacement of 152 vehicles in FY 15/16. Fleet Services experienced significant savings in fuel costs in FY 14/15 due to lower prices and anticipate the trend will continue in FY 15/16. The proposed budget also includes various reductions to budget lines.

Establishing a third shift at the East Mesa Service Center is not included in the proposed budget at this time. The shift would support the Solid Waste program operational division to two locations. The timing of the division has not been finalized. Additional positions and operational funding will be needed at that time.

Housing and Community Development

The Housing and Community Development Department's FY 15/16 budget of close to \$27,000,000 for grants supporting Housing Services and Community Planning and Development is slightly lower than in FY 14/15 by approximately \$400,000.

Human Resources

Most of the changes in the Human Resources Department occurred in the employee benefits area. Two temporary Program Assistant positions that were previously assigned to the city's CityEdge project were inactivated. The City converted from a self-administered health and dental plan to using a third-party vendor. Three associated positions (Medical Claims Supervisor and two Claims Adjusters) were eliminated due to the transfer of duties and are not included in the FY 15/16 proposed budget.

The FY 15/16 Employee Benefit Trust Fund budget is approximately \$2 million lower than the FY 14/15 budget. The department received one-time funding in FY 14/15 of \$500,000 to replace the existing claims system that was no longer supported by the vendor. The expected decrease of administration costs in FY 15/16 is \$500,000 and anticipated claims are also expected to decrease by \$1.0 million.

The FY 15/16 budget for the Workers Compensation Trust Fund includes a decrease of \$213,000 due to a decrease in anticipated claims and premium costs.

The proposed budget includes reductions in various budget lines.

Information Technology

In FY 14/15, one position was inactivated as it was originally added for the city's CityEdge project and the duties have been completed. The FY14/15 budget included the exchange of two vacant positions into operational dollars to advance efforts with business analytics and cloud subscription services.

As part of the citywide reduction effort, the equivalent of eight positions has been reduced from the department totaling about \$950,000. Seven vacant positions have been reduced plus funding equivalent to one of the positions converted to operational funds last year. The vacant positions were targeted to be used for areas such as ERP, database, fiber planning, and security.

Library

The Library department has minor changes in its budget between FY14/15 and FY15/16 and is expecting a budget savings for FY 14/15 of approximately \$75,000 that does not include vacant position savings; however, additional savings from vacant positions may still be realized this fiscal year.

The Library will be receiving \$25,000 less in grant funds this year because the grantor is purchasing the needed library supplies for them instead of giving Library the grant money directly. Estimated receipts of state grants for FY 15/16 is consistent with F 14/15 at about \$23,000.

As part of the citywide reduction effort, the proposed budget includes reducing three positions (2 full-time and 2 part-time vacant positions) from Library's operating budget which is just over \$200,000.

Mayor and Council

FY15/16 will be the first full budget year with the approved compensation increase for the Mayor and Council which became effective January 1, 2014. The personal service cost increases about \$200,000 in total with about \$93,000 attributed to the Elected Official Retirement Pension (EORP) rate increase from 57.4% to 85.5%.

Neighborhood Outreach and Animal Control

The proposed budget for the Neighborhood Outreach and Animal Control Department is consistent with FY 14/15. Reductions in various budget items were included as part of the citywide reduction effort.

Office of Management and Budget

The proposed budget for the Office of Management and Budget is consistent with FY 14/15. Reductions in various budget items were included as part of the citywide reduction effort.

Parks and Recreation

In FY 15/16 proposed budget includes almost \$300,000 in reductions in various budget lines such as temp services, advertising, leases, other professional services, etc. Other reductions included are \$100,000 associated with the Buckhorn Baths project that will not be moving forward.

With the reopening of Hohokam Stadium, almost \$750,000 of additional funding is included in the FY 15/16 proposed budget for operations. The FY 14/15 budget was adjusted mid-year to account for the needed funding.

Due to budget constraints, capital park improvement projects included in the 2012 bond election have been placed on hold along with the operation and maintenance costs to manage these parks: Eagles Park (\$375,000 a year), Greenfield Park (\$250,000 a year), Monterey Park (\$126,000 a year), West Mesa Sports Complex - Klienman portion (\$125,000 a year), and Signal Butte and Elliot who's project scope balance is \$2.0 million. Improvements and updates continue at the Convention Center and Amphitheater with an anticipated carryover amount of about \$1.0 million from FY 14/15.

Public Information and Communication

The Public Information Department converted a temporary position to a part-time, benefited position by shifting funding from other areas in their operational budget. The total of the proposed budget is consistent with the FY 14/15 budget.

Transit

The Transit Services budget is largely determined by contracts with the Regional Public Transportation Authority (RPTA) and METRO Light Rail for bus, para-transit and light rail operations. Light rail construction to extend the line to Mesa Drive continues on schedule with service anticipated to begin in the first quarter of FY 15/16. The FY 14/15 budget included two months of operational funding in case the construction was completed early. This funding is no longer needed and the savings have been included in the year-end projection. The proposed budget includes \$3.5 million to accommodate a partial year of operations for the Mesa Drive extension with an anticipated new revenue amount of \$1.0 million. Annual operations are estimated at \$3.5 million in expenses and \$1.7 million in revenues. The capital improvement program includes work pertaining to the extension of the light rail line to Gilbert Road. Operational funding for this section is not needed in FY 15/16 however it is included in the multi-year forecast.

The cost of services in FY 15/16 is increasing slightly overall. When the Central Mesa extension is open, three bus lines will no longer need to be diverted to the Sycamore station. One of the lines is locally funded and should result in

operational savings. The net increase in cost for FY 15/16, excluding the Central Mesa Light Rail extension, is currently estimated to be about \$600,000.

Transportation

The FY 15/16 proposed budget is consistent with FY 14/15 regarding on-going operations. The transportation department oversees numerous street overlay projects during the year. The cost experienced each year can vary significantly and some of the funding is often carried over into the next fiscal year. In FY 14/15, \$13.6 million was budgeted for this activity. In the FY 15/16 proposed budget, these overlay projects have been moved to the Projects Department to allow for easier review and management of both the overlay projects and the department's annual operating budget.

Many storm drain pumps are in need of replacement and \$1.0 million of environmental compliance fee funds have been included in FY 15/16 for this. Regular maintenance and replacement of these pumps enables greater reliability during storm events. The proposed budget also includes \$500,000 for rusted streetlight pole replacements.