

General Governmental Funds Expenditures

February 9, 2017

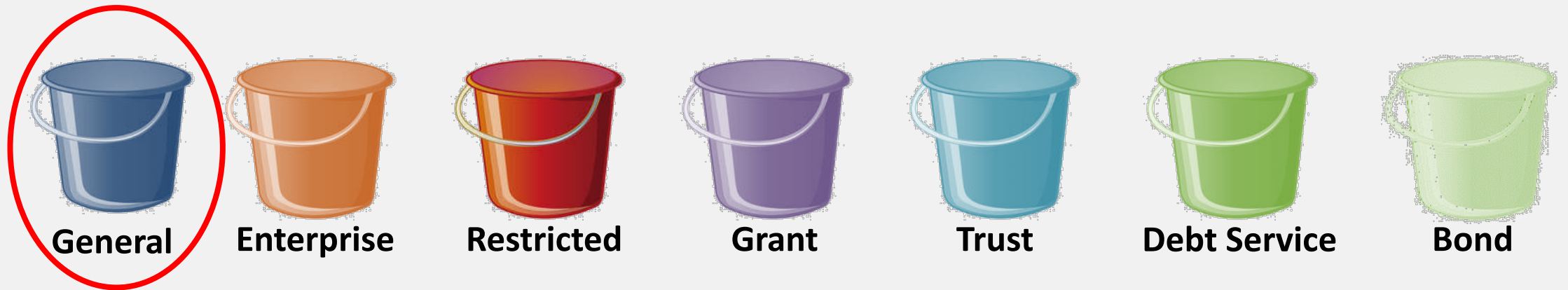
City of Mesa

Presented by the Office of Management and Budget

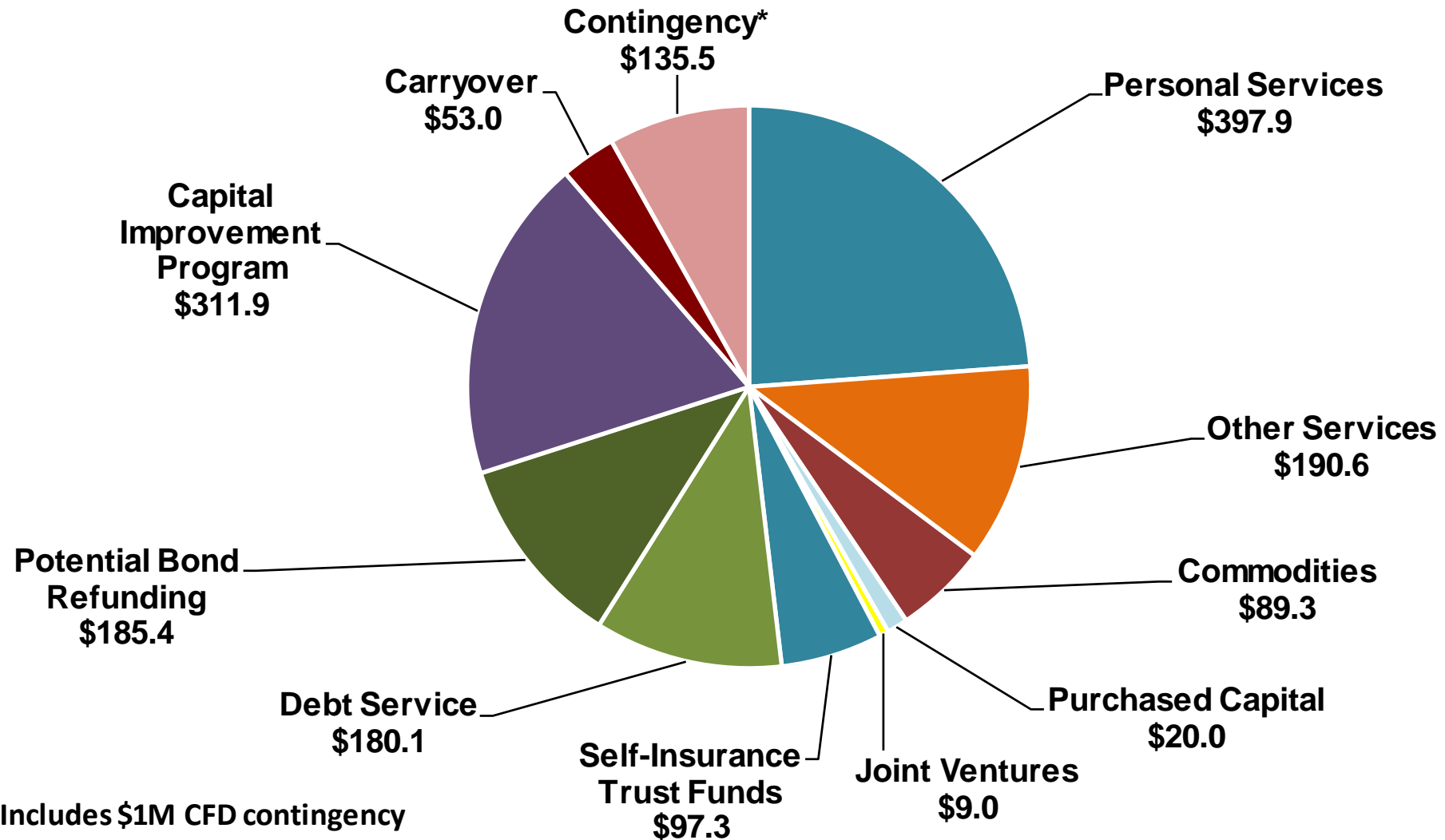


What is a FUND?

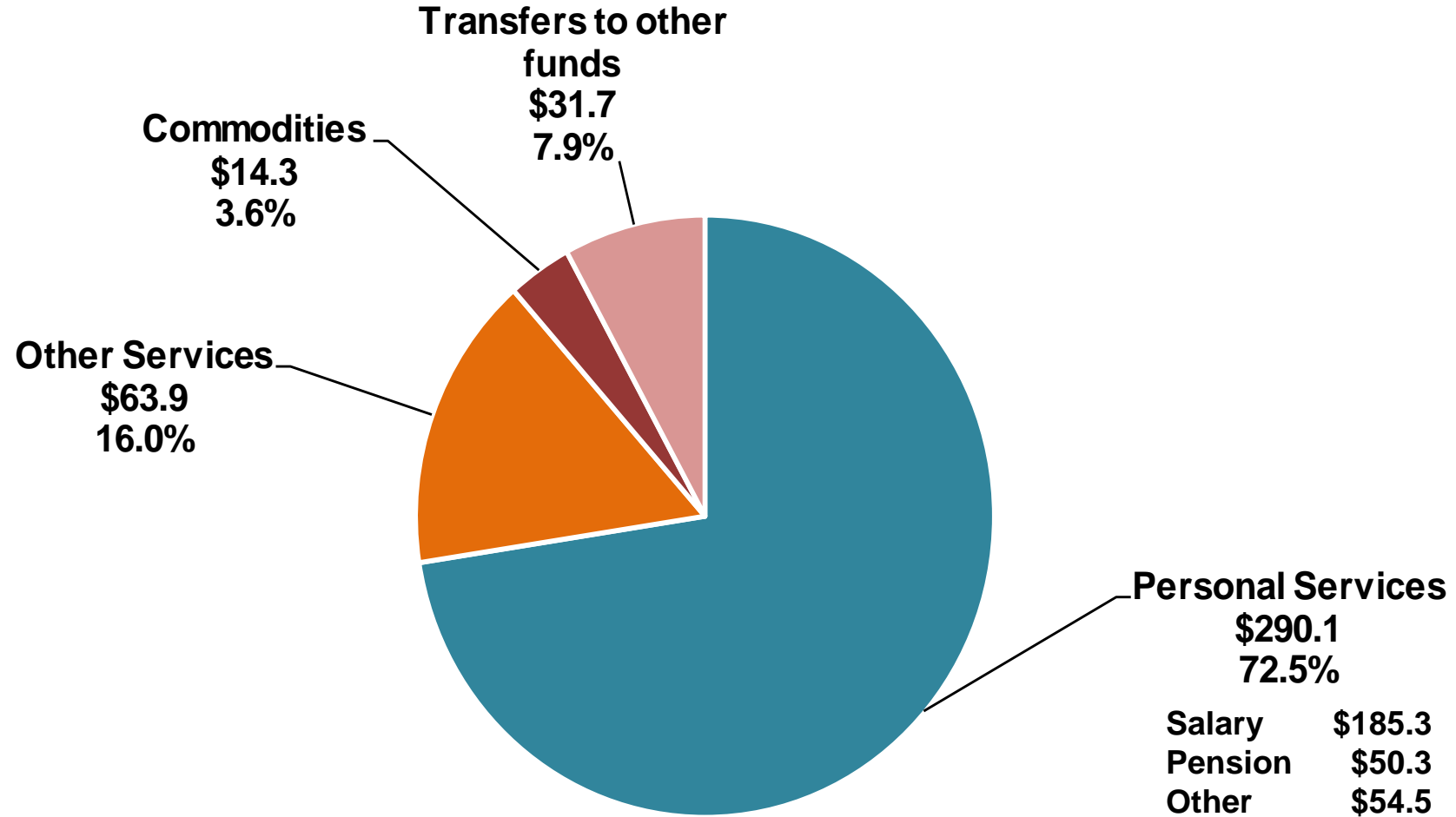
A self-balancing set of accounts recording cash and/or other resources, together with all related liabilities and expenses, for the purpose of carrying on specific activities or attaining certain objectives.



Fiscal Year 2016/17
Total City Budget by Expenditure Categories \$1.67B



Fiscal Year 2016/17
**General Governmental Funds Budget
by Expenditure Categories \$400.0M***



***Excludes \$6M General Governmental Funds Carryover**

Dollars in millions

Operational Expenditure Forecasting

Expenditure categories are analyzed and forecasted individually

Personal Services

Many factors contribute to overall estimates such as pension rates, medical premiums, salary adjustments, etc.

Other Services/Commodities

Large specialty contracts are handled separately while forecasted consumer price index is applied to general expenses

Capital Equipment

Majority of expenses are related to lifecycle equipment and vehicle purchases. Multi-year plans are developed and included in the forecast



Personal Services Major Cost Components

- Salary
- City contribution for Employee Health Benefits
- City contribution to State pension plans

Salaries

- The City strives to attract and retain skilled professionals to provide quality services to residents and businesses
- Salary ranges are periodically reviewed and compared to surrounding communities to ensure that Mesa is competitive in the labor market
- A memorandum of understanding (MOU) is currently in place with two labor associations. Both expire in 16/17. The forecast for 17/18 does not include changes in salary



Health Benefits Expense Pressures

- The City is self-insured for medical and dental claims. Premiums are set to cover the anticipated claim expenses
- Both the employee and the City share in the premium cost with 80% of the base plan premium paid by the City
- Premiums are set on a calendar year (CY)
- The Self Insurance Trust Fund Board will receive additional details later this month



Medical claims increased significantly in 15/16 and continue to rise in 16/17

The forecast includes an increase cost of 8% for medical premiums in CY 2018 and 8% in later years

City of Mesa - Retirement Plans

FY 2016-17 – Current Budget

Retirement Plan	FTE	City Contribution (millions)
Arizona State Retirement System (ASRS)	2,460	\$18.5
Elected Official Retirement Program (EORP)*	7	\$ 0.3
Public Safety Personnel Retirement System (PSPRS) - Fire	407	\$13.5 [#]
Public Safety Personnel Retirement System (PSPRS) - Police	759	\$27.2
Total	3,633	\$59.5

*EORP closed to new enrollees in 2014

[#]Net of City fire insurance premium tax credit

Public Safety Plans: FY16-17 to FY17-18

City Contribution (millions)

Retirement Plan	FY16-17 Budget	FY17-18 Estimate	Change
Public Safety Personnel Retirement System (PSPRS) - Fire	\$13.5	\$17.4	+\$3.9
Public Safety Personnel Retirement System (PSPRS) - Police	\$27.2	\$35.9	+\$8.7
Total	\$40.7	\$53.3	+\$12.6

Public Safety Plans: FY16-17 to FY17-18

City Contribution Rate

Retirement Plan	FY16-17 Rate	FY17-18 Rate	Change
Public Safety Personnel Retirement System (PSPRS) - Fire	41%	52%	+11%
Public Safety Personnel Retirement System (PSPRS) - Police	42%	55%	+13%

Public Safety Pensions - Statewide Reform

2011

- Pension reforms enacted by the State

2014

- 2011 reforms ruled unconstitutional for **retirees** (Fields case)

2016

- New pension reforms and constitutional amendment approved
- 2011 reforms ruled unconstitutional for **existing employees** (Hall case)

Public Safety Plans: FY16-17 to FY17-18

\$12.6M Estimated Contribution Increase – Causes

Cause	Amount (millions)	Explanation
Benefit Changes	\$7.1	Difference between assumed savings from 2011 reforms versus 2016 reforms
Investment Assumption Change	\$3.9	Change in future annual investment return assumption from 7.85% to 7.5%
Investment Asset Losses	\$0.4	Past investment return of 6.6% (smoothed over 7 years) was less than 7.85% assumption
Other	<u>\$0.5</u>	Actual experience different from payroll and demographic assumptions
Total		\$11.9

Note: Causes provided in annual PSPRS actuary reports for June 30, 2016

New Defined Contribution Benefit	\$0.7	New benefit added in 2016 reforms for employers that don't contribute to Social Security
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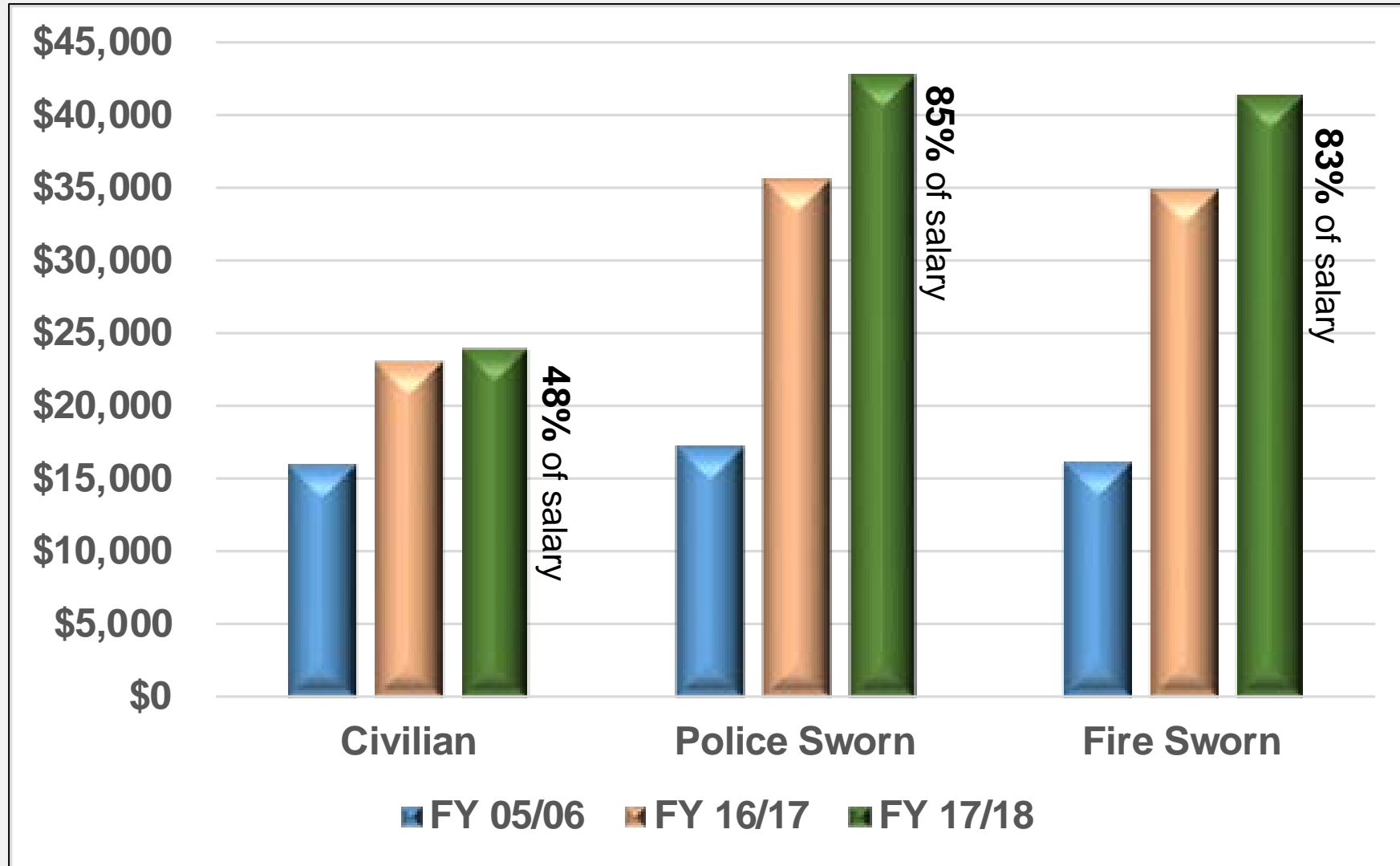
Budgeting/Planning for PSPRS Costs

A \$6.0 million increase is included in the City's expenditure forecast for the impact of the Hall case in FY18-19

Working with PSPRS to explore potential future payment options

Benefit Cost Change from 05/06 to Today

(based on a \$50,000 salary)

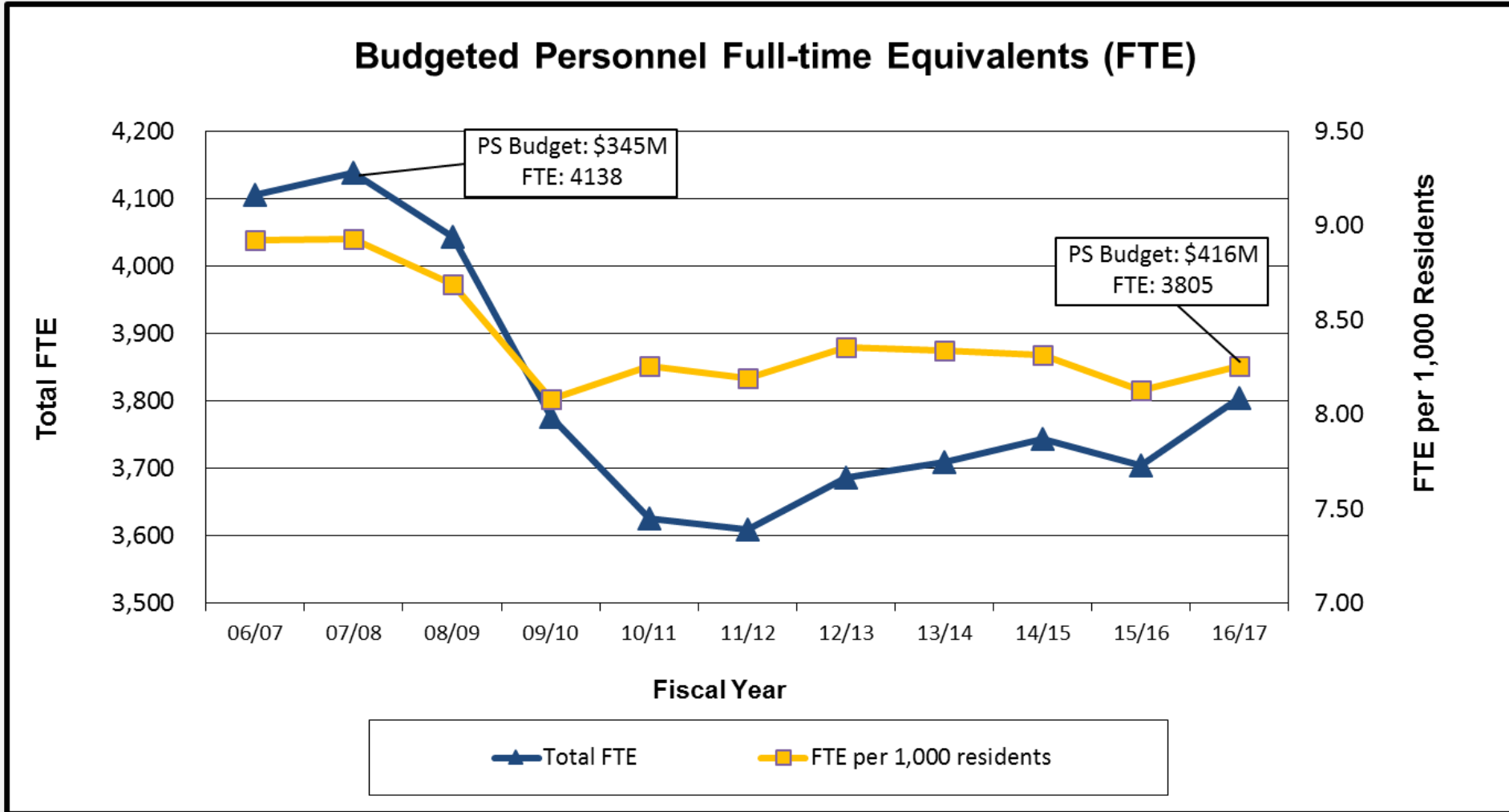


FY 17/18 Changes

	Police Officer			Fire Fighter*		
	FY 16/17	FY 17/18	Increase/ (Decrease)	FY 16/17	FY 17/18	Increase/ (Decrease)
Salary	\$ 78,829	\$ 78,829	\$ -	\$ 69,890	\$ 69,890	\$ -
PSPRS	33,518	43,348	9,830	28,920	36,615	7,695
Medicare	1,143	1,143	-	1,013	1,013	-
Family Health Plans	13,459	14,384	925	13,459	14,384	925
Total	\$ 126,949	\$ 137,704	\$ 10,755	\$ 113,282	\$ 121,902	\$ 8,620
PSPRS % of Salary	42.5%	55.0%		41.4%	52.4%	
Health % of Salary	17.1%	18.2%		19.3%	20.6%	

*For the Fire Fighter positions, the salaries include the scheduled overtime for a 24 hour shift position and a supplemental pay equal to 2.5% of their salary (equal to the rate for Toxicology Paramedic or Rapid Response Team).

Position History





Budget/Resource Management

- Each year the personal services budget includes the fully loaded annual cost of all approved positions
 - Payouts for vacation time related to terminations, retirements and the annual vacation buy-back program and sick time related to retirements are not included in the budget
 - Historically, most departments experience budget savings due to turnover of positions during the year. This allows for the coverage of the payouts
 - Savings due to vacancies is also applied to overtime costs for those areas that have minimum staffing/shift requirements

Commodities/Other Services

- Commodities include such things as non-capital equipment, chemicals, office supplies, and fuel
- Other Services include such things as temporary workers, professional and contractual services, utilities for city buildings, vehicle maintenance costs, medical claims and software licenses

General Fund Transfer to the Capital Fund

- Capital equipment expense can vary from year to year
- Expenses are tracked in a separate fund
- General Fund expenses are recorded as a Transfer to the General Governmental Capital Fund





General Fund Transfer to Transit Fund

- Transit – Bus, Light Rail, Dial-a-ride
- The city receives transit revenues from the State and a portion of the fares for light rail ridership, however the revenues do not cover the costs
- The portion covered by the general fund is projected at \$9.8M for FY 16/17 and \$10.8M in FY 17/18
- The opening of the Gilbert Light Rail Extension is included in FY 19/20 of the forecast



General Fund Transfer to Arts & Culture Fund

- The Arts and Culture Department operates facilities that charge for services provided: admission/tickets to shows
- Expenditures are offset by these charges however the revenues do not cover the costs
- Effective FY 15/16, the expenses and associated revenues were moved out of the general fund and into a separate fund for ease of management and review
- The portion covered by the general fund is projected at \$9.8M in FY 16/17 and \$10.1M in FY 17/18

Other Transfers from the General Fund

- Vehicle Replacement Fund
- Various Impact Fee Funds for cash management purposes
- Minimal to the Debt Service Fund (\$100,000 - \$200,000) for a portion of the Regional Dispatch Center
 - All principle and interest payments (debt service) related to General Obligation Bonds are covered by Secondary Property Tax revenues



Transaction Privilege Tax Legislation

- Implementation of sales tax collection legislation continues to have a financial impact
 - Annual payments for services provided by the Department of Revenue (DOR) continue. FY 17/18 payment is estimated to be \$970,000



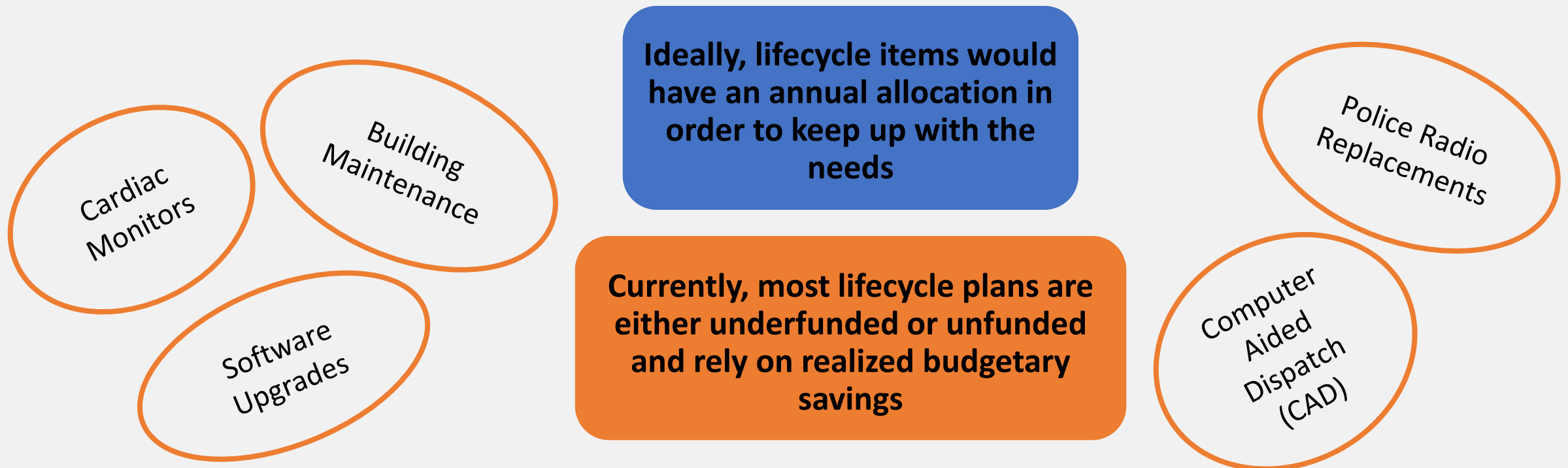
Budget/Resource Management

- Budget savings occur in various places each year citywide
 - Continuous review of expenditure trends allows for planning/funding items that were not able to be included in the budget or unanticipated expenses that come up during the year
 - Most savings that occur are one-time in nature; a position was vacant for an extended time, a project or purchase came in under budget, a reimbursement was received from another entity

Budget/Resource Management

Application of Budget Savings

- Based on current year revenue projections, budget savings may be held to offset underperforming revenue receipts and to insure sufficient reserve balance
- Mid-year budget modifications are reviewed in context of citywide priorities and source of resources



General Governmental Expenditures

	FY 14/15 Actuals	FY 15/16 Actuals	Change from FY 14/15	FY 16/17 Adopted Budget	FY 16/17 Projected	Change from FY 15/16	FY 17/18 Forecast	Change from FY 16/17 Projected
Operating Expenditures	\$339.8	\$332.0	-2.3%	\$374.3	\$370.7	11.7%	\$393.0	6.0%
Capital	\$6.4	\$3.0	-53.1%	\$8.6	\$10.8	260.0%	\$9.5	-12.0%
Debt Service (GF Portion)	\$0.0	\$0.0	N/A	\$0.2	\$0.2	0.0%	\$0.1	-50.0%
Transit (GF Portion)*	\$0.9	\$8.0	788.9%	\$9.9	\$9.8	22.5%	\$10.8	10.2%
Arts and Culture	\$0.0	\$9.8	new	\$9.8	\$9.8	0.0%	\$10.1	3.1%
Transfers to other funds	\$4.4	\$13.0	195.5%	\$3.2	\$3.3	-74.6%	\$3.2	-3.0%
Total	\$351.5	\$365.8	4.1%	\$406.0	\$404.6	10.6%	\$426.7	5.5%

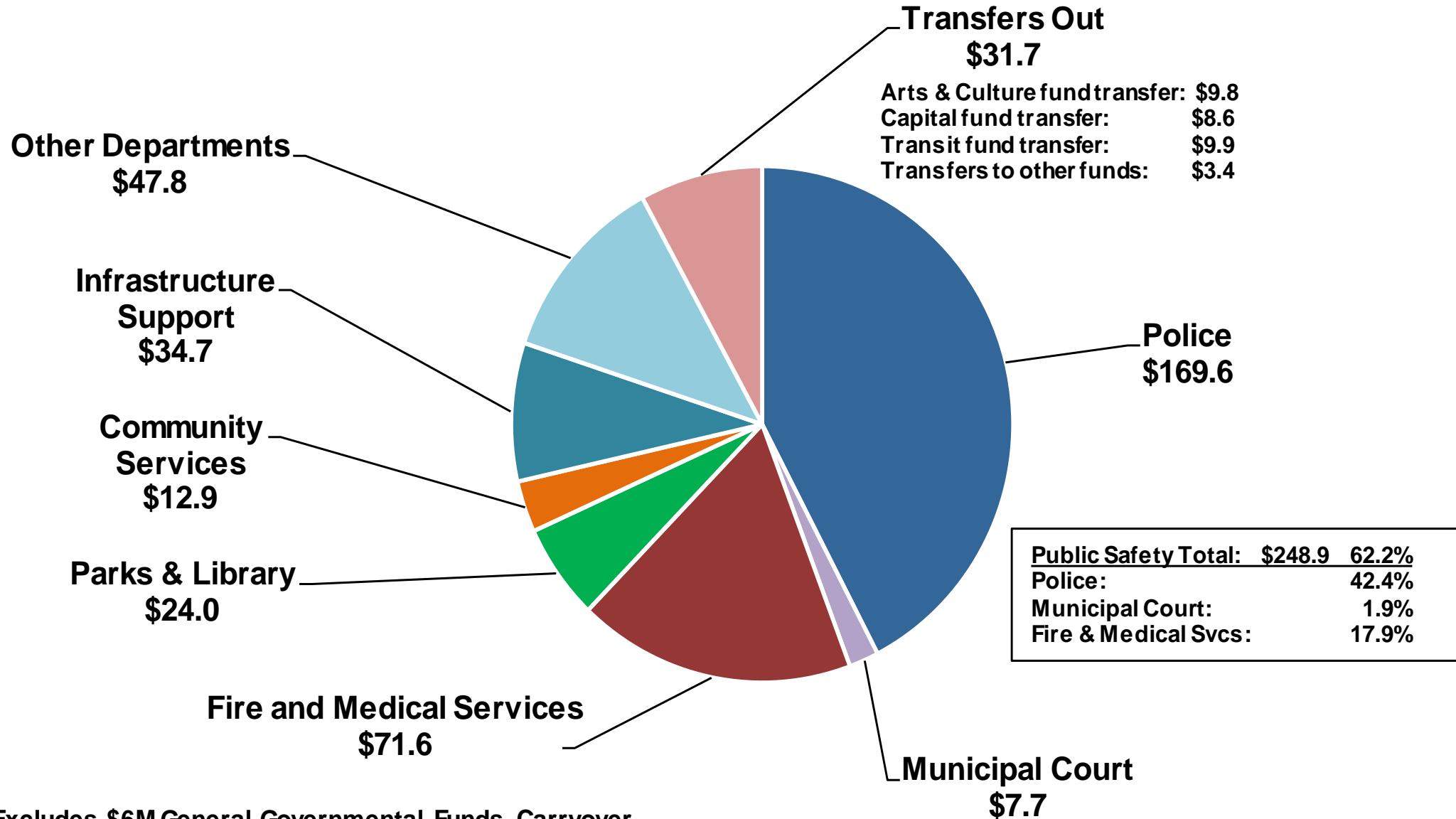
* Note in FY 14/15 there was a timing issue due to the reconciliation to the Valley Metro reimbursement.

in millions

Data as of January 24, 2017

Fiscal Year 2016/17

General Governmental Funds Budget by Department \$400.0M*



*Excludes \$6M General Governmental Funds Carryover

General Governmental Expenditures

