



City Council Report

Date: May 20, 2019
To: City Council
Through: Michael Kennington, Chief Financial Officer
From: Candace Cannistraro, Management and Budget Director
Subject: Tentative Adoption of the Fiscal Year 2019/20 Budget

Overview of Tentative Budget

The budget continues the City's commitment to providing quality services to residents in a fiscally responsible manner. The priority to provide and maintain quality core services is balanced with cost containment methods and program evaluations to achieve efficient use of resources.

The total tentative budget for FY19/20 is \$1.83 billion. This includes an annual operating budget of about \$1.33 billion and the annual portion of the five-year capital improvement program (CIP) budget of about \$496.0 million. Included within the operating budget is \$86.0 million in carryover and \$89.6 million in contingency budget authorization.

The tentative adoption of the budget sets the maximum expenditure budget amount for FY19/20. The budget summary is then published on the City's website and in the local paper for two consecutive weeks before the public hearing and final adoption of the budget take place.

There are projects that will not be completed, and items ordered that will not be received before the end of the fiscal year. These expenditures will occur in the following fiscal year and therefore budget capacity will be needed. The City identifies these "carryover" expenses separately on the budget document to allow for better year-over-year budget comparisons.

The carryover expenses must be added to the FY19/20 budget and included in the City Council budget appropriation as State law does not allow prior year budget authorization to be used in a subsequent year.

State Expenditure Limitation/Home Rule

The State sets the maximum expenditure budget amount for municipalities based on the FY79/80 adopted budget adjusted for population and inflation. The Mesa voters approved a Home Rule option in November 2018 that allows the City to determine its own expenditure limitation, within available resources. Home Rule approval is effective for four fiscal years. In the case of Mesa's 2018 Home Rule option, this includes FY19/20 through FY22/23.

Modifications since Proposed Budget Summary

Water Resources

Two field worker positions were presented to Council but added after the proposed budget summary was distributed.

Golf Course

City Council approved a contract for management services at the Dobson Ranch Golf Course. This contract will provide a professional golf management company to manage operations and maintenance of all elements of the Dobson Ranch Golf Course including the golf shop, full-service restaurant and banquet facilities, concessions, driving range, and course maintenance.

Comparison of FY 19/20 to FY 18/19 General Governmental Funds Budget

The expenditure budget for the General Governmental Funds for FY19/20 is \$457.7 million (excludes carryover), compared to \$445.4 million (excludes carryover) for the FY18/19 adopted budget.

A significant portion of the change occurred in the Public Safety category. As mentioned during the forecast presentation, the public safety pension contribution rate increased from 52% to 56% for both Police and Fire.

Another notable change involves the Fire and Medical Department. The FY19/20 budget includes a \$1.5 million placeholder for training/coverage and \$800,000 for a fire recruit academy.