

# Impact of Proposed Initiative IN2020-02

City of Mesa  
May 23, 2019





# Charter Amendment Initiative Application IN 2020-02 ( “Proposed Initiative”)

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- Application Submittal Date: May 8, 2019
- Applicant Name: Jeremy R. Whittaker
- Name of Organization: Yes on Affordable Utilities
- Proposed Initiative would create a new Section 614 of the Mesa City Charter
- “An amendment to the Mesa City Charter to limit the amount of utility service revenue that can be used for general fund purposes, establishing the fiscal year limit of general fund transfers at 20% of gross utility service revenue; creating a Utility Fund Account to separately account for expenditures of utility service revenue; and providing a mechanism for returning excess utility service revenue to ratepayers.”

# Impact of the Proposed Initiative

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- A.R.S. § 9-500.14: “A city or town shall not spend or use its resources...for the purpose of influencing the outcomes of elections.”
- Does not prohibit “the use of public resources to investigate the impact of ballot measures on a jurisdiction.” (Atty. Gen. Opinion No. I15-002 )
- Purpose of presentation is to communicate the initial assessment of the impact of the Proposed Initiative.



# Proposed Initiative: City Charter Section 614

## Uses of Utility Revenues

1. Operation & Maintenance of Public Utility Services
2. Retirement of Indebtedness (Utility Services & Assets)
3. Development of Utility Assets
4. Reimbursements by the Solid Waste Division or Utility Department to other City Departments for Support of Utility Services
5. Promotion of any of the City's Utility Products or Services
6. Development, or Promotion or Use of Systems, Equipment, Services, Devices or Materials to Promote Conservation & Recycling by Utility Customers
7. Employee Benefits (Solid Waste Division & Utility Department)
8. Bond Reserve Funds Issued for Utility Assets
9. General Fund Deposit or Transfer not to Exceed Twenty Percent (20%) of the Gross Revenues from the City's utility services
10. Surplus Amounts Reimbursed to Utility Customers

# Proposed Initiative's Impact on General Fund Deposit/Transfer

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## Section 614 (C)(9)

“For each fiscal year: Council may, in its discretion, deposit or transfer to the City’s general fund an amount not to exceed twenty percent (20%) of the gross revenues generated from the City’s provision of utility services during such fiscal year, as determined through a financial report audited by an independent accounting firm.”



## Initial Assessment: Impact on General Fund Deposit/Transfer\*

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Revenues from Electric, Gas, Water, Wastewater and Solid Waste Utilities	\$361.9 M
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Proposed Initiative Limitation	20%
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Proposed Initiative Limit for Enterprise Fund Contribution to General Fund	\$72.3 M
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*\*Estimate Based on FY 17/18 CAFR*

## Estimated Impact of Proposed Initiative to Available City Resources (Millions of Dollars)\*

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Enterprise to General Fund Contribution Limit	\$ 72.3 M
Budgeted Contribution from Enterprise to General Fund	(\$ 110.6) M
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Contribution Shortfall from Proposed Initiative	(\$ 38.3) M
Convention Center and Spring Training Facilities	(\$ 4.8) M
Economic Investment Fund Projects**	(\$ 8.4) M
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Estimated Reduction of Available Resources	(\$ 51.5) M

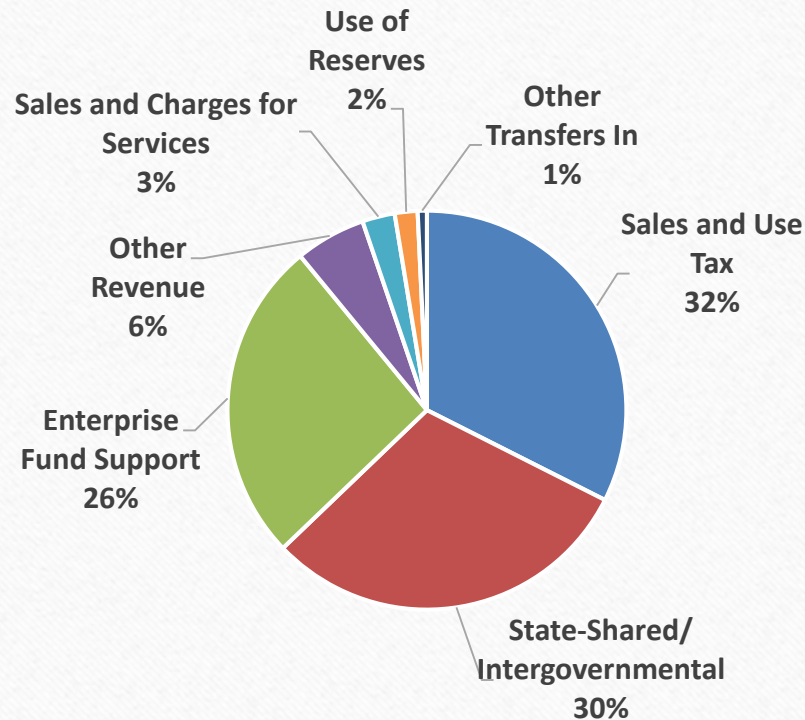
*\*As proposed in FY 19/20 Budget*

*\*\*Impact on this fund is difficult to determine based on proposed language.*

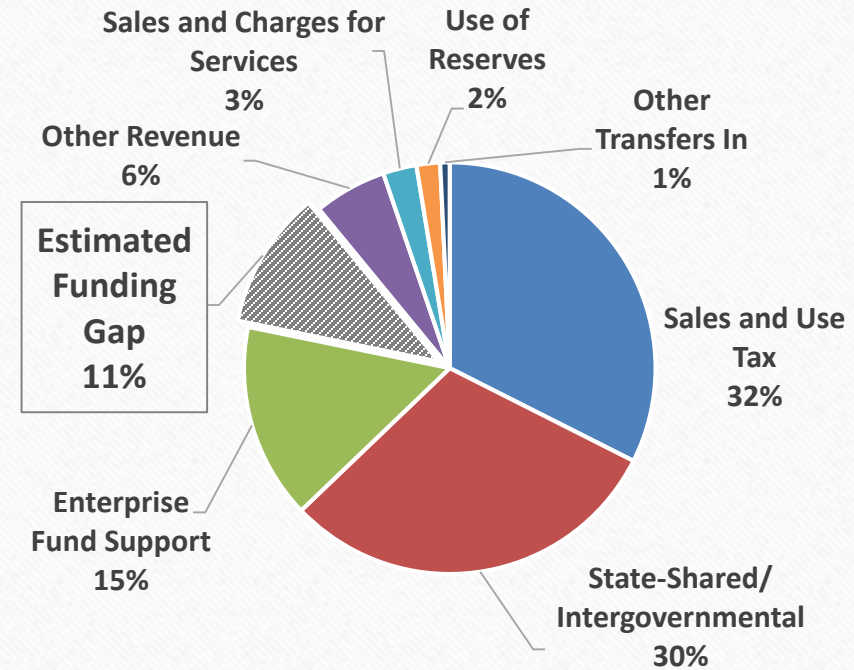


# General Governmental and Economic Investment Funding Sources

FY 19/20 Tentative Budget



FY 19/20 Tentative Budget  
(with proposed initiative)



\*Note: Does not include carryover funding from FY 18/19



# A Municipality's Budgeting Options

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- Duty to Have a Balanced Budget
- Options Available to a Municipality to Balance the Budget When Revenue Decreases:
  - Find New Source of Revenue;
  - Increase a Current Source of Revenue; or
  - Decrease Expenditures by Decreasing Services/Programs.

# New or Increased Source of Revenue

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- Proposed Initiative Offers No New Source of Revenue for the General Fund or Option to Increase a Current Source of Revenue for the General Fund.
- Primary Source of Revenue for Arizona Municipalities is Taxation.
- Mesa City Charter Section 602 (Taxes)
  - Transaction privilege tax, real estate tax (primary and secondary property tax) and personal property tax.
  - All taxes listed in the Mesa City Charter above require voter approval.\*
- Investigate Other Funding Sources

*\*Transaction Privilege Tax increase in rate in excess of 1% (current Mesa rate is 2%) requires voter approval.*

*Most recent increase was approved in 2018 as a dedicated Public Safety Sales Tax.*



# Options to Decrease Expenditures

# Decrease Municipal Workforce: Leave Proposed, New Positions Vacant\*

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General Fund Positions Proposed	12.25 FTE \$ 1.11 Million
Public Safety Sales Tax Positions Proposed	25.00 FTE \$ 2.89 Million
2018 Bond Related Positions Proposed	3.50 FTE \$ 0.24 Million

*\*Proposed Full-Time Equivalent (FTE) Based on FY 19/20 Budget*



# Decrease Number of Municipal Construction Projects and Improvements: 2018 Bond Authorized Projects\*

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## Estimated Annual O&M for Project

- Fire Station 221 - \$2.0M
- Northeast Public Safety Facility - \$3.5M
- Plaza @ Mesa City Center - \$200K
- Dobson Library Improvements - \$275K
- Main Library Improvements - \$20K

*\*Projects expected to have construction begin during the next two fiscal years*

## Decrease Projects and Improvements: 2018 Bond Authorized Projects\* (Continued)

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### Estimated Annual O&M for Project

- Federal Building Renovation - \$210K
- Monterey Park - \$467K
- North Center Street - \$470K
- Harris Basin Playground - \$17K

*\*Projects expected to have construction begin during the next two fiscal years*



## Options to Decrease Expenditures for a Remaining Estimated Funding Gap

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- If the Proposed Initiative were approved by the voters, the City would need to consider an alternative budget that accounts for the reduction to the General Fund due to the Proposed Initiative.

