



## COUNCIL MINUTES

May 4, 2020

The City Council of the City of Mesa met in a Study Session Meeting via a virtual format streamed into the lower level meeting room of the Council Chambers, on May 4, 2020 at 5:01 p.m.

### COUNCIL PRESENT

John Giles\*  
Mark Freeman\*  
Jennifer Duff\*  
Francisco Heredia\*  
David Luna\*  
Kevin Thompson\*  
Jeremy Whittaker\*

### COUNCIL ABSENT

None

### OFFICERS PRESENT

Christopher Brady  
Dee Ann Mickelsen  
Jim Smith

(\*Council participated in the meeting through the use of video conference equipment.)

Mayor Giles conducted a roll call

### 1. Review and discuss items on the agenda for the May 4, 2020 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None

Items removed from the consent agenda: Item 8-a

Items removed from the agenda: Item 4-f

### 2-a. Hear a presentation, discuss, and provide direction on the 2020/21 fiscal year budget summary, adoption process, and financial forecast.

Management and Budget Director Candace Cannistraro introduced Management and Budget Deputy Director Brian Ritschel who displayed a PowerPoint presentation. **(See Attachment 1)** Ms. Cannistraro commented the main purpose of the presentation is to review the FY20/21 budget and the process of adopting the budget and making adjustments and modifications.

Ms. Cannistraro explained cities are required to adopt an annual budget as well as a Secondary Property Tax Levy. She stated for the budget to be approved it must be balanced, meaning the City must have the sources necessary to meet the expenditures included in the budget. (See Page 2 of Attachment 1)

Ms. Cannistraro reported the City's FY 19/20 operations budget was adjusted for personnel costs and applied to the FY 20/21 budget. (See Page 3 of Attachment 1)

Ms. Cannistraro reported the only significant changes between the FY19/20 and the FY20/21 budget is in Public Safety due to the Public Safety Sales Tax. (See Pages 4 and 5 of Attachment 1)

Ms. Cannistraro presented Fire and Medical Departments new and reallocated positions which are included as part of the implementation plan of the Public Safety Sales Tax. She stated staff does not believe Public Safety positions are in danger with the current sales tax revenue forecast. She commented there were changes made throughout the year to the Fire and Medical FY19/20 General Fund Budget, resulting in modifications to the FY20/21 proposed budget. (See Pages 6 and 7 of Attachment 1)

In response to multiple questions from Councilmember Thompson, Mr. Brady stated if the City were to use sales tax dollars to fund new positions for the Fire and Police Departments it will impact the numbers and will delay staffing retired positions, police stations, and fire stations. He mentioned Public Safety is 70% of the City's budget and the number one priority. He pointed out if the budget were to be balanced from the non-public safety departments, there would be even greater impacts than there are currently.

In response to a question from Vice Mayor Freeman regarding the Public Safety hiring process, Mr. Brady reported there have not been any delays in hiring, but adjustments will be made due to the impact to the Public Safety Sales Tax.

In response to a question from Mr. Brady, Ms. Cannistraro clarified the Public Safety Sales Tax brings in \$25,000,000 per year.

Ms. Cannistraro explained the last significant differences between the current adopted budget and proposed budget is in the Medical Transport program which is just getting started. She stated the FY20/21 Budget includes the anticipated expansion of the program including personnel and equipment. (See Page 8 of Attachment 1)

Ms. Cannistraro presented an overview of the FY20/21 budget numbers and noted the local sales tax and state shared revenue estimates have been changed based on the last forecast. She continued by stating the budget operating expenses have not been modified and are only updated for the cost of what the expenses would be for FY20/21. (See Pages 9 and 10 of Attachment 1)

Ms. Cannistraro reported the current fund balance is over 8% to 10% to comply with financial policies and the City is able to lower the balance, allowing the Council to adopt the FY20/21 budget as is and come back as needed to make modifications for a sustainable budget in the future. She noted the anticipated fund balance is at 14.1% if there are no adjustments made to the FY20/21 Budget. (See Page 11 of Attachment 1)

In response to a question from Councilmember Thompson regarding operating sources, Mr. Brady mentioned the state shared revenues were within the budgeted number for FY19/20 which was projected two years ago. He pointed out the tentative budget for Urban Revenue Sharing increased for FY20/21 and were from funds collected in 2018.

Ms. Cannistraro commented the State Sales Tax appears better than the Local Sales Tax due to the timing between when the State reports the numbers and when the City receives the funding

versus the local dollars that are collected right away. She shared there are three different areas of State Shared Revenues and that Urban Shared Revenues in FY20/21 included a one-time funding of \$7,500,000 based on tax reform at the federal level.

In response to a question from Councilmember Thompson, Ms. Cannistraro reported an increase in State Shared Revenues for FY20/21 due to Urban Revenue Sharing. She continued by stating the state sales tax for FY20/21 included the current estimate for the impact of the recession.

In response to multiple questions from Councilmember Thompson, Mr. Brady explained the Net Sources and Uses are starting to increase and what helped the City for FY20/21 is the State Shared Revenues from two years ago, which included a one-time increase as a result of tax law changes. He mentioned the one-time increase assisted with reserves, but the structural imbalance is between the City's expenses and revenues. He remarked the proposed budget numbers include all contractual agreements as well as salaries and payroll costs. He noted state law requires the City to go through a detailed procurement process to lock in the negotiated contract rates. He shared that the City's reserves are healthy, but eventually the reserves will be significantly impacted.

Ms. Cannistraro presented a timeline overview of the FY20/21 budget adoption calendar. (See Page 12 and 13 of Attachment 1)

In response to a question from Councilmember Whittaker, Ms. Cannistraro explained the tentative adoption sets the maximum expenditure dollar amount for the budget, but the number can be reduced at any time.

Mr. Ritschel presented assumptions for the revenue forecast for the upcoming FY and staff will continue to monitor the economic situation and keep Council and City Management up to date. (See Page 13 of Attachment 1)

Mr. Ritschel provided an overview of the General Governmental Revenues forecast which includes how the recession will affect sales tax, loss of revenues in FY19/20, and tentative revenue increases for FY20/21. He stated the increase in FY2018/19 is due to the Public Safety Sales Tax. He continued by stating the increase in FY20/21 is from the one-time \$7,500,000 from Urban Revenue Sharing. He reported a decrease in the forecasted revenues for FY22/23 are related to the recession. (See Page 14 of Attachment 1)

Mr. Ritschel displayed the Local Sales Tax graph comparing the year over year comparison of the City's sales tax activity. He provided the assumption that by July 1, 2020 the City will begin the recovery process from the recession. (See Page 15 of Attachment 1)

Mr. Ritschel reported State Shared Revenues has three categories: State Income Tax, State Sales Tax, and Vehicle License Tax. He mentioned in FY23/24 the recession will affect the income tax and City revenues. (See Page 16 of Attachment 1)

Mr. Ritschel reviewed the General Governmental Forecast showing the next three years of revenue sources. He stated the main focus is the Net Sources and Uses for upcoming years as it shows the effect of the recession and recovery. He continued by stating in FY22/23 the reserve balance reaches the City's financial policy of 8% and then drops to 3.2% in the following FY. (See Page 17 of Attachment 1)

Mr. Ritschel explained the General Governmental Forecast Summary shows the gap between the growing negative net sources and uses. He continued by saying the total sources are growing at a higher rate than revenues due to personnel costs. (See Page 18 of Attachment 1)

Mr. Ritschel reviewed the Enterprise Fund history which reflects information prior to the Council approved Utility Enterprise Fund ordinance. He continued by stating the new utility fund includes all utilities and district cooling. He stated the tentative adopted budget of \$383,100,000 for FY20/21 includes annual forecasted increases. (See Pages 19 and 20 of Attachment 1)

Mr. Ritschel presented the Utility Enterprise Fund Uses Forecast that includes all operating expenses, maintenance, General Fund transfers, and pass-through costs. (See Page 21 of Attachment 1)

Mr. Ritschel explained the Utility Enterprise Fund reflects the net sources and uses of all utilities. He stated the reserve fund balance of net sources and uses stayed consistently negative at \$11,000,000 to \$13,000,000 and the percentage of the fund balance reflects a decrease to 15.1% in FY23/24. (See Page 22 of Attachment 1)

Ms. Cannistraro summarized the next steps for adopting the FY20/21 budget and adjusting the budget for any ongoing expenses. She stated the Budget Department asked all Public Safety Departments funded by the General Fund to identify a 5% reduction scenario and asked all non-public safety departments to identify a 10% reduction of their operating expenses. She stated budget reductions are anticipated to take place beginning July 1, 2020. (See Page 23 of Attachment 1)

Mr. Brady commented many employees from closed facilities have been repurposed and are providing assistance to residents and businesses in Mesa. He is hoping to recover some costs through Mesa CARES dollars. He pointed out taking 5% to 10% reductions now is a small step to achieve ongoing savings in anticipation of the impact of the recession.

Mayor Giles commented structural problems are going to surface in FY23/24 that the City should reevaluate what can be done to create additional revenues. He suggested focusing on how to turn the negative projections into something positive.

In response to a question from Councilmember Thompson, Mayor Giles stated the Governor is considering lifting the stay at home order and easing restrictions on the economy.

In response to multiple questions from Councilmember Whittaker, Ms. Cannistraro explained the structural imbalance gap will decrease as departments implement the 5% to 10% reduction scenarios, which the chart does not display. She stated based on the revenue forecast as of today, the budget would be within \$5,000,000 plus or minus in four years, which would be considered a sustainable budget. She explained implementation could take up to six months resulting in one-time savings. She mentioned the fund balance is feasible through FY22/23 while staying within the financial policies of 8% to 10% to ensure sustainability.

In response to multiple questions from Councilmember Whittaker, Ms. Cannistraro responded by saying the CARES Act is a federal grant that goes into a grant fund which would not show on the General Governmental forecast. She stated there is one-time money used for pay as you go projects, which starts with reserving the money in cash, and when funding is released, the money shows up in the other category.

Mr. Brady commented dollars are put aside years ahead of time for projects or larger upgrades to the financial system or technology.

In response to multiple questions from Councilmember Whittaker, Ms. Cannistraro pointed out in FY19/20 there is not a payment in lieu of franchise fees because of the new ordinance that was passed. She stated in FY20/21 the fee is approximately \$12,000,000. She mentioned there will be a 2.5% sales tax increase for FY20/21. She commented Budget Department staff are optimistic that recovery from the recession will begin July 1, 2020 and be back on track within six months. She clarified the City does not have any recalculations of funded and unfunded liability numbers, that those numbers will have to come from the Public Safety Personnel Retirement System (PSPRS). She added staff did include an increase for both the Police and Fire Department for PSPRS for the FY20/21 adopted budget. She noted the current pension rate for Fire and Medical is 56% and it has increased to 58.4%, and the Police Department pension rate has gone from 56% to 60.1%.

In response to additional questions from Councilmember Whittaker, Ms. Cannistraro stated the Arizona State Retirement System (ASRS) had a small change from 12.1% to 12.2%. She mentioned if PSPRS investment changes do not bring in the money anticipated, the impact is spread out over seven years, so the rates do not increase drastically.

Ms. Cannistraro advised the Arizona State University (ASU) Innovation Studios fund is in the Economic Investment fund and that there is funding available for the project through transfers. She added the ASU project is still underway and funding is also in the Economic Investment fund as well as in debt services in the General Fund. She noted the main source of funding for the ASU project will be through the General Fund beginning FY20/21.

Mayor Giles mentioned aside from reducing the department budgets to help decrease the structural imbalance, he would like to see the City increase revenues by collecting more sales tax and selling more utilities.

In response to a question from Councilmember Duff, Mr. Ritschel explained the increase in wastewater is due to the 30% allocation of the transfer to the General Fund for Public Safety. He continued by stating the 30% was allocated to water before the new ordinance took effect, which is why water funding has decreased and wastewater has increased.

In response to a question from Councilmember Whittaker, Ms. Cannistraro reported the transfer dollar amount is not listed, however the Net Sources and Uses is listed and includes everything plus expenditures and debt services. She mentioned the biggest change from last FY is the 30% allocation of the transfer.

Mr. Brady commented debt service payments are hitting utilities because Mesa completed one of the largest wastewater treatment facilities that increased the negative Net Sources and Uses.

Mayor Giles thanked staff for the presentation.

3. Current events summary including meetings and conferences attended.

Councilmember Duff –

Star Wars Day – Census 2020 Promotion  
Historic Preservation Month  
Digital Summit – Downtown Activation

- |                          |   |
|--------------------------|---|
| Councilmember Heredia –  | Digital Small Business Summit   |
| Councilmember Luna –     | Canned Food Drive – Red Mountain Multigenerational Center<br>Business Alliance Webinar<br>Food Truck Friday Collection Event<br>Digital Small Business Summit |
| Councilmember Thompson – | Virtual Townhall Meeting  |

4. Scheduling of meetings.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, May 7, 2020, 7:30 a.m. – Study Session

5. Adjournment.

Without objection, the Study Session adjourned at 6:21 p.m.

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JOHN GILES, MAYOR

ATTEST:

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DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 4<sup>th</sup> day of May 2020. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, CITY CLERK

jpg  
(Attachments – 1)

# BUDGET FOR FISCAL YEAR 2020/21

## And Financial Forecast

City of Mesa - May 4, 2020

Candace Cannistraro: Management and Budget Director

Brian Ritschel: Management and Budget Deputy Director

# An Annual Balanced Budget

- Each year the City of Mesa is required to appropriate an annual expenditure budget and set a secondary property tax levy and associated rate
- The annual budget sets the maximum expenditure limit for the fiscal year
- A balanced budget means that the total resources available to the city must be sufficient to cover the budgeted expenses
- The fiscal year 2020/21 budget as presented meets this requirement

# FY 2020/21 Reflects Current City Operations

## FY 2019/20 Budget modifications with on-going costs continue

- *New positions related to:*
  - Service and/or workload requirements
  - Pilot programs
  - Restricted funding
- Conversion of temporary positions

## Position costs have been revised with updated costs

- *Medical, Dental, Workers Compensation, Pension*
- *Salaries have been kept the same*



# The Only Significant Budget Changes are in Public Safety

- City Council strategic priority of Community Safety is at the heart of the significant changes between the adopted FY 2019/20 budget and the budget for FY 2020/21
- Both the Police Department and the Fire and Medical Department began implementation of the positions associated with the voter approved Public Safety Sales Tax
- In the Fire and Medical Department, modifications were also made in the General Fund portion of the budget as well as planning for an expansion of the Medical Transport Program



# Police Department



## General Fund

- 5 positions transferred to other departments but are still dedicated to Police
- Time and Labor in Human Resources and the City Attorney's Office

## Public Safety Sales Tax

- 23 sworn positions & 7 civilian positions
- Sworn personnel to support advanced training and patrol operations
- Civilian patrol support such as crime scene specialists and service officers
- Civilian professional staff to support technology and hiring



# Fire and Medical Department

- Public Safety Sales Tax -

- 15 new and 12 reallocated Sworn Positions
  - Staffing of Battalion 204
  - Training Captain
  - Additional 12-hour engine unit to support both training and staffing requirements
  - Staffing for new Station 221

# Fire and Medical Department

## – General Fund –



- 1 Net New and 11 Converted Sworn Positions
  - Positions added in support of the rover pool and to staff an additional medical response unit
  - Introduction of 12-hour rover positions
  - Sworn Positions Reassigned/Reallocated to Station 221
  - Unbudgeted positions were converted to budgeted positions in support of the rover pool, operations, and peer support
    - Net zero impact on the budget
- 5 New Civilian Positions
  - Supporting the fire inspections program (covered by program revenue)
  - Technical support for the Mesa Regional Dispatch Center (covered by a partner fee) and radio support
  - Social services related to high 911 system utilization

# Medical Transport Program



- Civilian -



- Positions and other expenses related to the anticipated expansion of the program
- Expenses are funded from billed services and tracked in a separate fund
- 14 positions added during FY 19/20
  - Paramedics, Emergency Medical Technicians (EMTs), Medical Biller
- 17.5 additional positions included in FY 20/21
  - Paramedics, Emergency Medical Technicians (EMTs) and a Coordinator, additional support staff
- Program will be expanded incrementally

# General Governmental Operating Sources

	FY 18/19 Actuals	Change from FY 17/18	FY 19/20 Budget <sup>(1)</sup>	FY 19/20 Projected <sup>(1)</sup>	Change from FY 18/19	FY 20/21 Tentative	Change from FY 19/20 Projected
<b>Local Sales Tax</b>	<b>\$150.3</b>	7.3%	<b>\$152.6</b>	<b>\$144.9</b>	-3.6%	<b>\$148.5</b>	2.5%
<b>State Shared Revenues</b>							
State Sales Tax	\$50.0	7.3%	\$50.6	\$51.0	2.0%	\$51.3	0.6%
Urban Revenue Sharing	\$60.1	0.2%	\$65.7	\$65.8	9.5%	\$73.8	12.1%
Vehicle License Tax	\$21.4	6.8%	\$21.1	\$21.6	1.0%	\$21.8	0.5%
<b>Enterprise Transfer</b>	<b>\$108.4</b>	1.8%	<b>\$110.6</b>	<b>\$110.6</b>	2.0%	<b>\$108.4</b>	-2.0%
<b>Other</b>	<b>\$53.0</b>	19.9%	<b>\$48.5</b>	<b>\$46.3</b>	-12.7%	<b>\$61.0</b>	32.0%
<b>Total</b>	<b>\$443.3</b>	6.2%	<b>\$449.0</b>	<b>\$440.3</b>	-0.7%	<b>\$464.8</b>	5.6%

1. Amounts do not include carryover.

(as of April 2020)

Dollars in millions

Other category does not include reductions in revenues due to closed facilities  
 Assumes economic recovery beginning in July 2020

# General Governmental Operating Expenses

	FY 18/19	Change from	FY 19/20	FY 19/20	Change from	FY 20/21	Change from
	Actuals	FY 17/18	Budget	Projected	FY 18/19	Tentative	FY 19/20 Projected
<b>Operating Expenditures</b>							
Personal Services	\$308.3	5.7%	\$325.8	\$326.9	6.0%	\$328.7	0.5%
Other Services	\$66.5	15.0%	\$65.7	\$65.0	-2.2%	\$66.2	1.9%
Commodities	\$12.7	5.7%	\$13.1	\$15.5	22.6%	\$14.8	-4.7%
<b>Transfers</b>							
to capital fund	\$18.8	-22.0%	\$16.6	\$20.7	10.4%	\$14.5	-29.9%
to other funds <sup>(1)</sup>	\$38.7	-2.8%	\$36.5	\$36.7	-5.1%	\$51.7	40.6%
<b>Total <sup>(2)</sup></b>	<b>\$445.0</b>	<b>4.6%</b>	<b>\$457.7</b>	<b>\$464.9</b>	<b>4.5%</b>	<b>\$475.9</b>	<b>2.4%</b>

1. Includes transfers to the Transit Fund, Arts and Culture Fund and other funds
2. Amounts do not include carryover

(as of April 2020)

Dollars in millions

No step pay increase is included in FY 20/21.  
 No other reduction adjustments have been made.

# General Governmental Forecast Summary

	Actuals FY 18/19	Budget FY 19/20	Projected FY 19/20	Tentative FY 20/21
<b>Beginning Reserve Balance</b>	\$100.4	\$88.7	\$90.5	\$79.0
<b>Total Sources</b>	\$448.1	\$462.2	\$453.4	\$472.7
<b>Total Uses</b>	\$455.1	\$469.8	\$463.9	\$483.8
<b>Net Sources and Uses</b>	(\$7.0)	(\$7.7)	(\$10.5)	(\$11.1)
<b>Stabilization of Services Transfer</b>	(\$3.0)	(\$1.0)	(\$1.0)	\$0.0
<b>Ending Reserve Balance</b>	\$90.5	\$80.0	\$79.0	\$67.9
<b>Ending Reserve Balance Percent*</b>	19.5%	17.2%	16.3%	14.1%

Dollars in Millions

\*As a % of all Next Year's uses of funding

Note: Includes economic recession beginning FY 19/20

data as of April 2020

# FY 2020/21 Budget Calendar



**May 4**

Council to take action on the tentative adoption of the annual budget



**May 18**

Public Hearing for 5-year Capital Improvement Program (CIP)

Council to take action on the adoption of the 5-year CIP

Public Hearing for Annual Budget and

Secondary Property Tax Levy

Council to take action on the adoption of the annual budget



**June 1**

Council to take action on the adoption of the Secondary Property Tax Levy

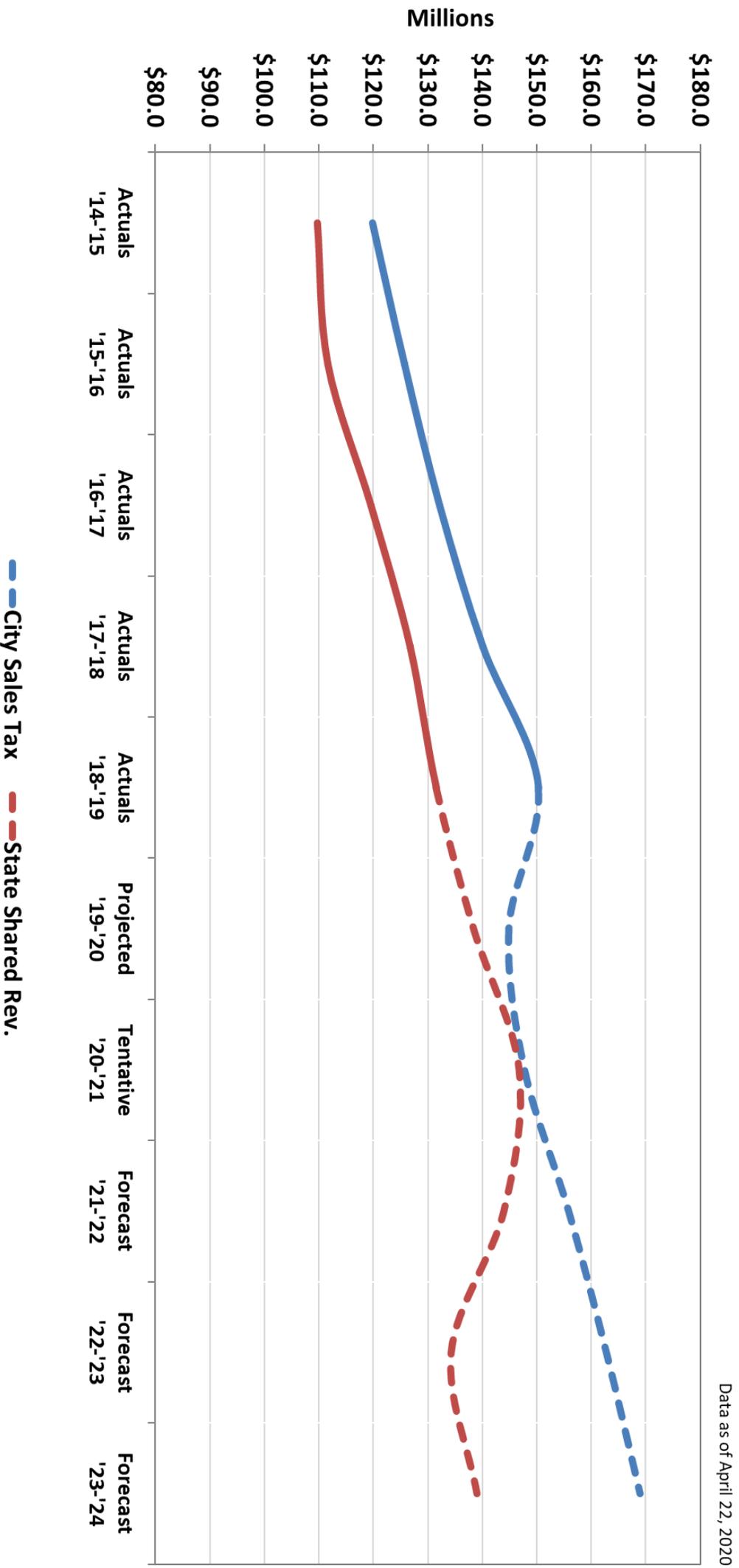
# Moving Forward – Financial Forecast

Revenue forecast included here assumes the beginning of an economic recovery in July 2020

Significant upward movement may not happen until September or October

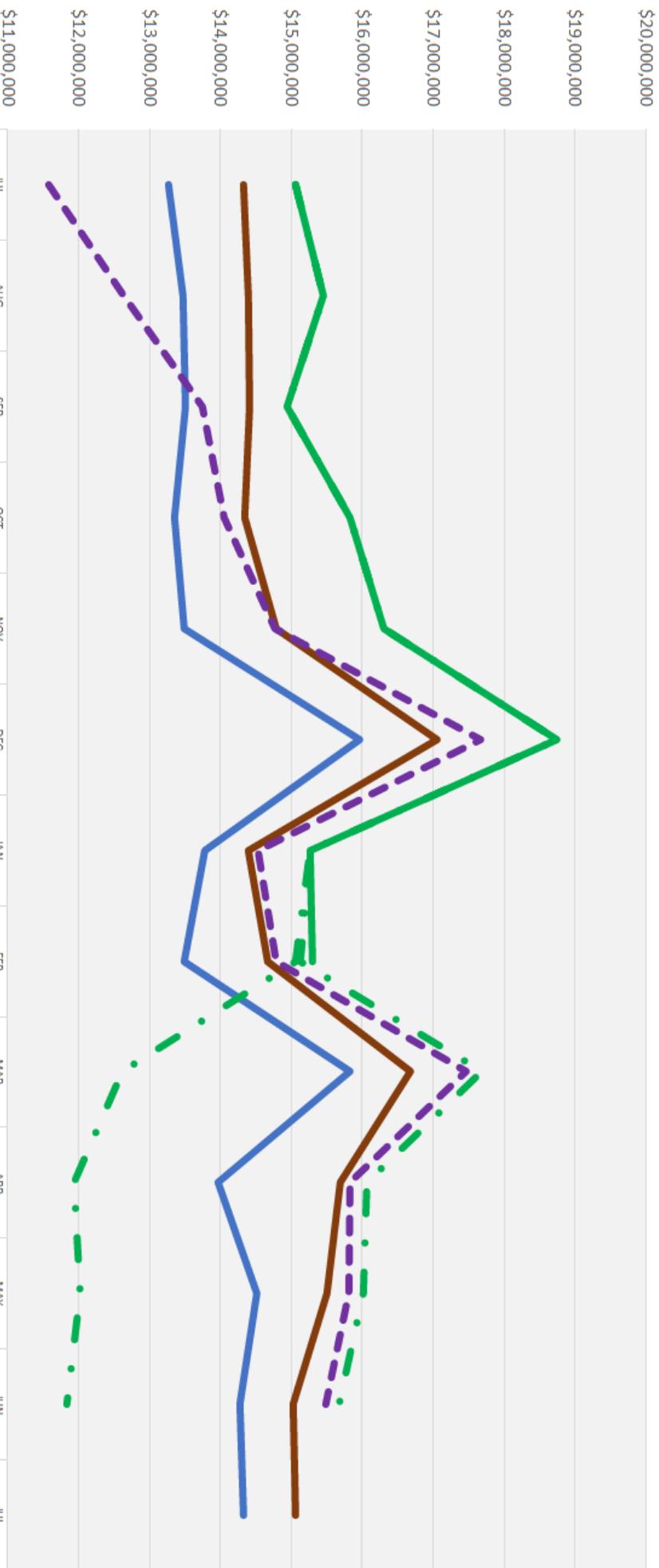
Staff will continue to monitor economic situation and will update as needed

# General Governmental Revenues Forecast



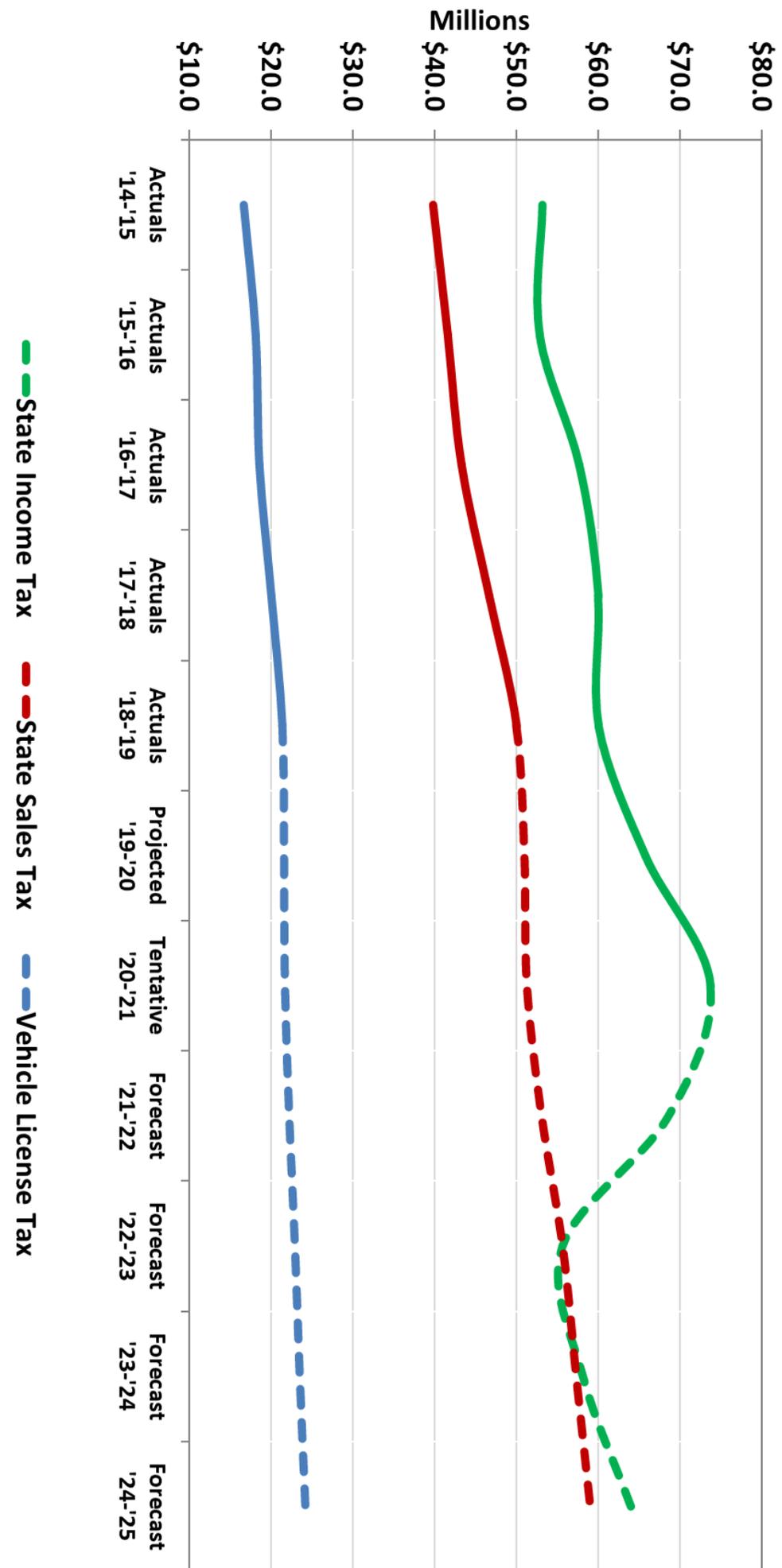
# Local Sales Tax - Year over Year Comparison

City Sales Tax - Year Over Year - Consumer Activity by Month (source: Tax Revenue Summary Report)  
 Public Safety Sales Tax Revenues Not Included for Comparison Purposes (Effective March 1, 2019)



# State Shared Revenue Forecast

Data as of April 22, 2020



# General Governmental Forecast Summary

	Actuals	Budget	Projected	Tentative	Forecast	Forecast	Forecast
	FY 18/19	FY 19/20	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
Beginning Reserve Balance	\$100.4	\$88.7	\$90.5	\$79.0	\$67.9	\$58.7	\$41.9
Total Sources	\$448.1	\$462.2	\$453.4	\$472.7	\$473.9	\$475.6	\$491.4
Total Uses	\$455.1	\$469.8	\$463.9	\$483.8	\$483.0	\$499.3	\$516.3
Net Sources and Uses	(\$7.0)	(\$7.7)	(\$10.5)	(\$11.1)	(\$9.2)	(\$23.8)	(\$25.0)
Stabilization of Services Transfer	(\$3.0)	(\$1.0)	(\$1.0)	\$0.0	\$0.0	\$7.0	\$0.0
Ending Reserve Balance	\$90.5	\$80.0	\$79.0	\$67.9	\$58.7	\$41.9	\$17.0
Ending Reserve Balance Percent*	19.5%	17.2%	16.3%	14.1%	11.8%	8.1%	3.2%

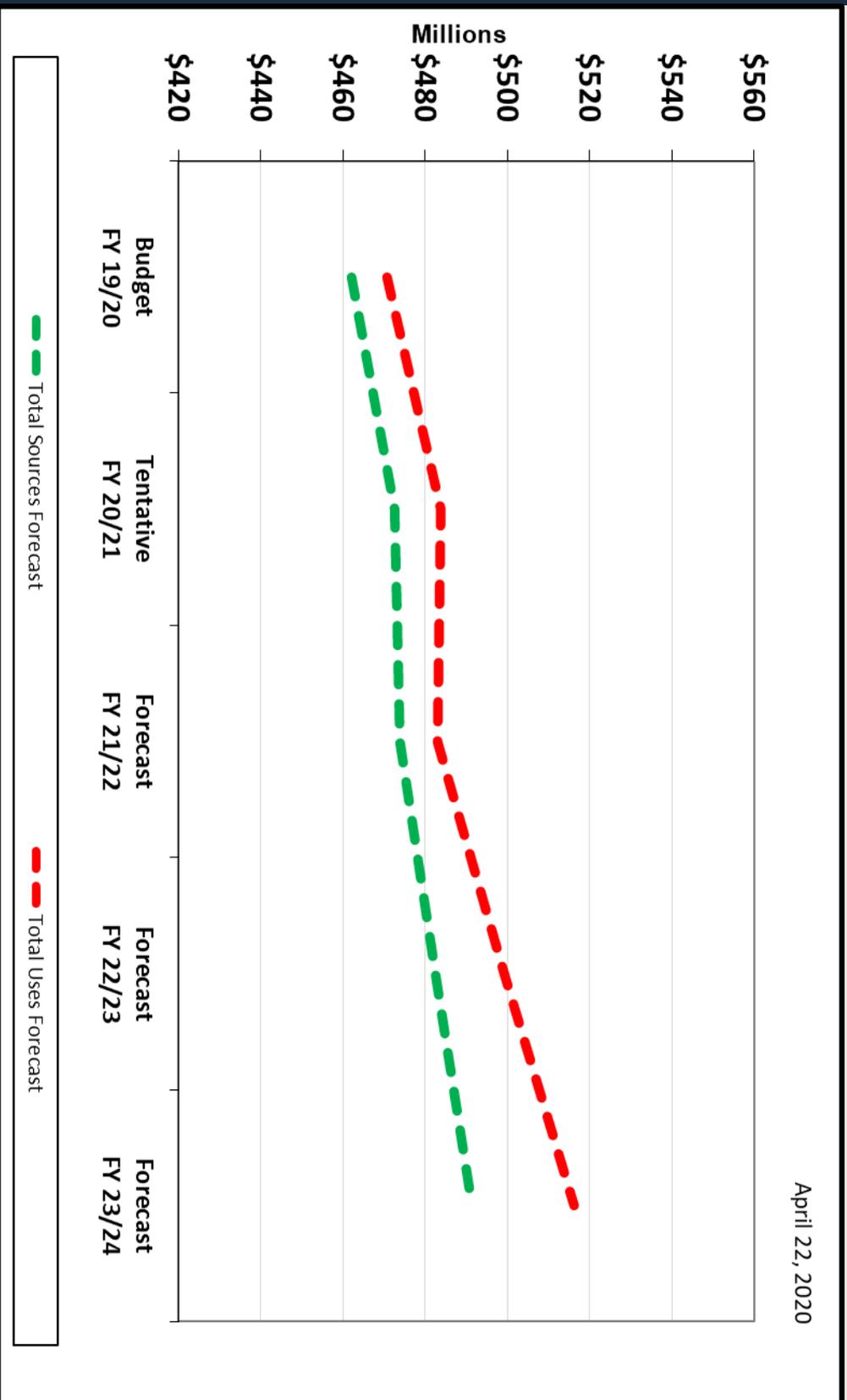
Dollars in Millions

\*As a % of all Next Year's uses of funding

Note: Includes economic recession beginning FY 19/20

data as of April 2020

# General Governmental Forecast Summary



# Enterprise Fund - History

	data as of April 2020				
	FY 15/16	FY 16/17	FY 17/18	FY 18/19	FY 19/20
NET SOURCES AND USES	Actuals	Actuals	Actuals	Actuals	Projected
WATER	\$7,868	\$10,179	\$12,223	\$2,234	(\$9,029)
WASTEWATER	\$12,659	\$13,345	\$2,380	\$11,808	\$26
SOLID WASTE	(\$1,308)	(\$1,289)	\$2,645	\$1,755	(\$2,649)
ELECTRIC	\$2,340	\$3,937	\$2,651	\$2,030	\$1,427
NATURAL GAS	\$4,133	\$4,365	\$2,805	\$6,265	\$3,717
DISTRICT COOLING	\$504	\$604	\$435	\$391	\$309
Subtotal: Utilities	\$26,197	\$31,142	\$23,139	\$24,483	(\$6,199)
CONVENTION CENTER	(\$1,655)	(\$1,708)	(\$1,518)	(\$1,031)	(\$3,169)
GOLF	(\$852)	(\$465)	(\$279)	(\$619)	(\$413)
CUBS SPRING TRAINING - OPERATIONS	(\$559)	(\$793)	(\$740)	(\$836)	(\$1,705)
HOHOKAM-FITCH	(\$1,427)	(\$1,686)	(\$1,581)	(\$1,133)	(\$979)
Subtotal: Non-Utilities	(\$4,493)	(\$4,652)	(\$4,118)	(\$3,619)	(\$6,266)
<b>TOTAL NET SOURCES AND USES</b>	<b>\$21,704</b>	<b>\$26,490</b>	<b>\$19,021</b>	<b>\$20,864</b>	<b>(\$12,465)</b>
Beginning Reserve Balance	\$44,533	\$66,237	\$92,728	\$111,749	\$132,613
<b>Ending Reserve Balance</b>	<b>\$66,237</b>	<b>\$92,728</b>	<b>\$111,749</b>	<b>\$132,613</b>	<b>\$120,148</b>

Ending Reserve Balance Percent\*

with Economic Recession starting in FY 19/20

\*As a % of Next Fiscal Year's Expenditures

**20.2%**      **26.3%**      **31.3%**      **34.5%**      **30.1%**

Dollars in Thousands

# Utility Enterprise Fund – Sources Forecast

	FY 20/21	FY 21/22	FY 22/23	FY 23/24
	Tentative	Forecast	Forecast	Forecast
Water	\$157.3	\$163.3	\$166.6	\$171.1
Wastewater	\$87.5	\$90.8	\$92.9	\$95.6
Electric - without EECAF	\$18.5	\$18.5	\$19.0	\$19.5
Natural Gas - without PNGCAF	\$33.7	\$35.5	\$36.8	\$37.9
Solid Waste	\$63.1	\$64.8	\$67.0	\$69.1
District Cooling	\$1.2	\$1.2	\$1.2	\$1.2
<b>Subtotal</b>	<b>\$361.3</b>	<b>\$374.1</b>	<b>\$383.4</b>	<b>\$394.5</b>
Pass-Throughs (EECAF/PNGCAF)	\$21.9	\$21.3	\$21.8	\$22.2
<b>Grand total</b>	<b>\$383.1</b>	<b>\$395.3</b>	<b>\$405.2</b>	<b>\$416.8</b>

(as of April 2020)

Dollars in millions

# Utility Enterprise Fund – Uses Forecast

	FY 20/21 Tentative	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast
<b>Operating and Project Costs</b>				
Water	\$64.6	\$66.0	\$67.7	\$69.4
Wastewater	\$32.1	\$32.9	\$33.8	\$34.8
Electric - without EECAF	\$8.2	\$8.6	\$8.6	\$8.8
Natural Gas - without PNGCAF	\$15.3	\$15.8	\$16.1	\$16.5
Solid Waste	\$38.7	\$40.3	\$41.0	\$42.1
District Cooling	\$1.1	\$0.9	\$1.0	\$1.0
<b>Subtotal Operating and Project Costs</b>	<b>\$160.1</b>	<b>\$164.5</b>	<b>\$168.2</b>	<b>\$172.5</b>
<b>Transfers</b>				
General Fund	\$108.4	\$112.2	\$115.0	\$118.4
Debt	\$100.3	\$99.9	\$104.1	\$106.7
Capital	\$8.1	\$9.1	\$8.7	\$10.6
<b>Subtotal Transfers</b>	<b>\$216.8</b>	<b>\$221.2</b>	<b>\$227.8</b>	<b>\$235.6</b>
Pass-Throughs (EECAF/PNGCAF)	\$21.9	\$21.3	\$21.8	\$22.2
<b>Grand total</b>	<b>\$398.7</b>	<b>\$407.0</b>	<b>\$417.8</b>	<b>\$430.4</b>

(as of April 2020)

# Utility Enterprise Fund - Forecast

	FY 20/21 Tentative	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast
<b>NET SOURCES AND USES</b>				
WATER	(\$2,306)	(\$3,190)	(\$4,756)	(\$2,312)
WASTEWATER	(\$18,327)	(\$10,612)	(\$10,336)	(\$11,646)
SOLID WASTE	\$3,404	\$2,398	\$3,700	\$2,410
ELECTRIC	\$1,433	\$862	\$519	(\$9)
NATURAL GAS	\$446	(\$965)	(\$1,496)	(\$1,952)
DISTRICT COOLING	(\$252)	(\$110)	(\$156)	(\$150)
<b>TOTAL NET SOURCES AND USES</b>	<b>(\$15,602)</b>	<b>(\$11,617)</b>	<b>(\$12,526)</b>	<b>(\$13,660)</b>
Beginning Reserve Balance	\$120,148	\$104,546	\$92,929	\$80,403
<b>Ending Reserve Balance</b>	<b>\$104,546</b>	<b>\$92,929</b>	<b>\$80,403</b>	<b>\$66,743</b>
<b>Ending Reserve Balance Percent*</b>	<b>25.7%</b>	<b>22.2%</b>	<b>18.7%</b>	<b>15.1%</b>
with Economic Recession starting in FY 19/20				
*As a % of Next Fiscal Year's Expenditures				

Dollars in Thousands

# Next Steps

- All General Fund related departments have been asked to prepare on-going budget reduction scenarios for consideration
  - *Public safety departments at 5% and others at 10%*
  - *Departments funded outside of the General Fund will be adjusted as necessary to remain within their funding sources*
- Budget reduction scenarios provide a framework for staff to work from throughout the year
  - *Currently about half of the reduction items are anticipated to be needed at the beginning of the year*
- Staff will return to Council in June with an updated revenue forecast and recommendations for budget reductions to begin implementation in July
  - *Economic conditions will continue to be monitored and additional budget reductions will be recommended if needed*

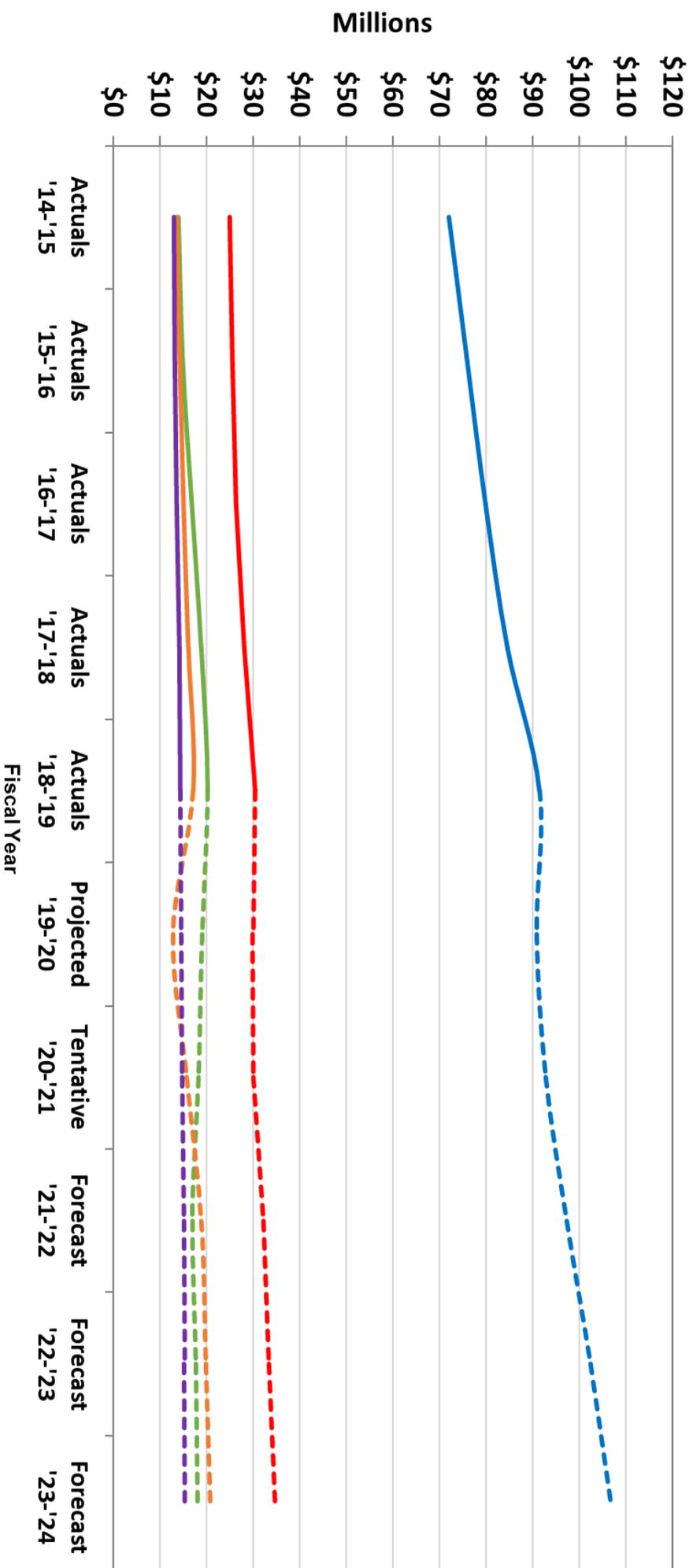


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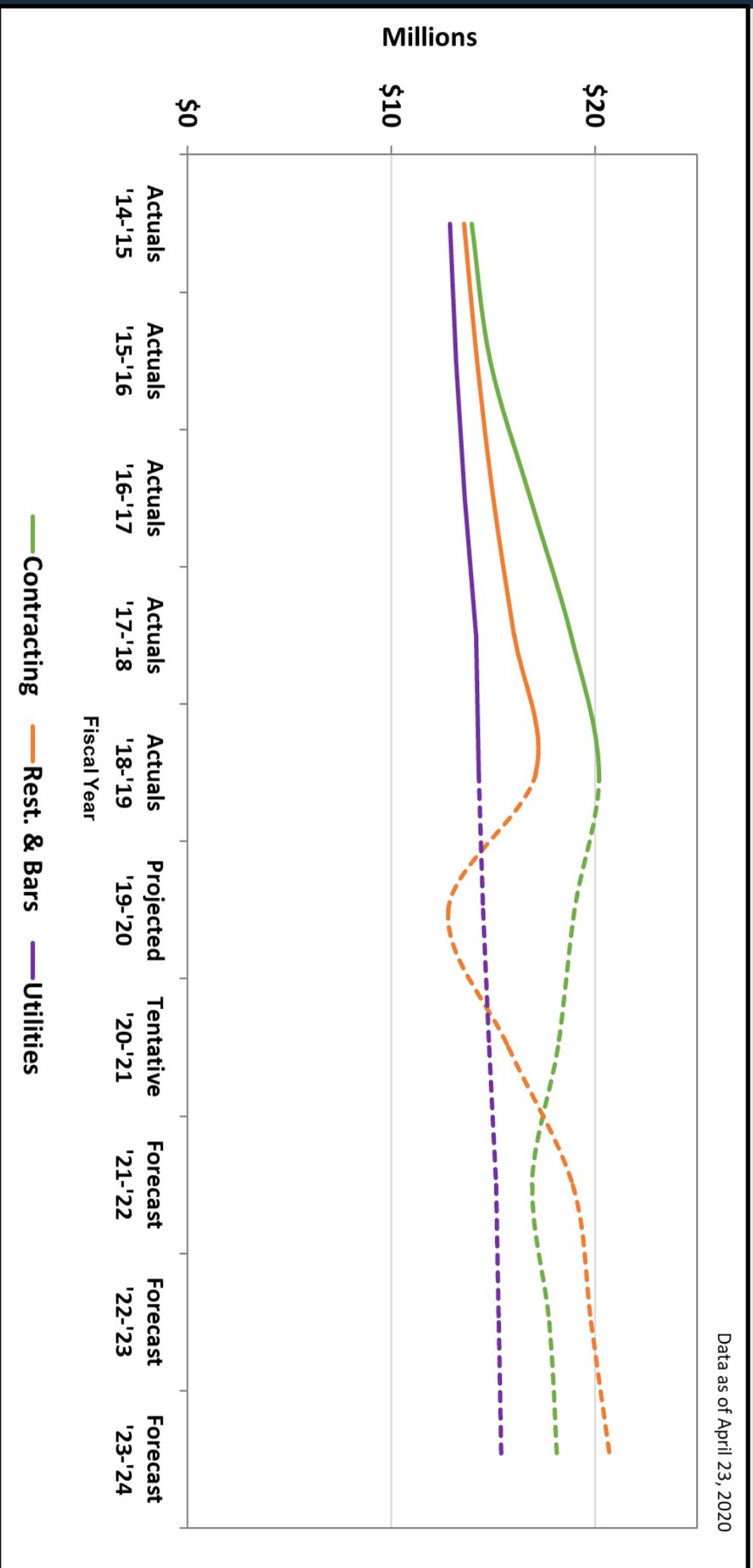


# Local Sales Tax by Category

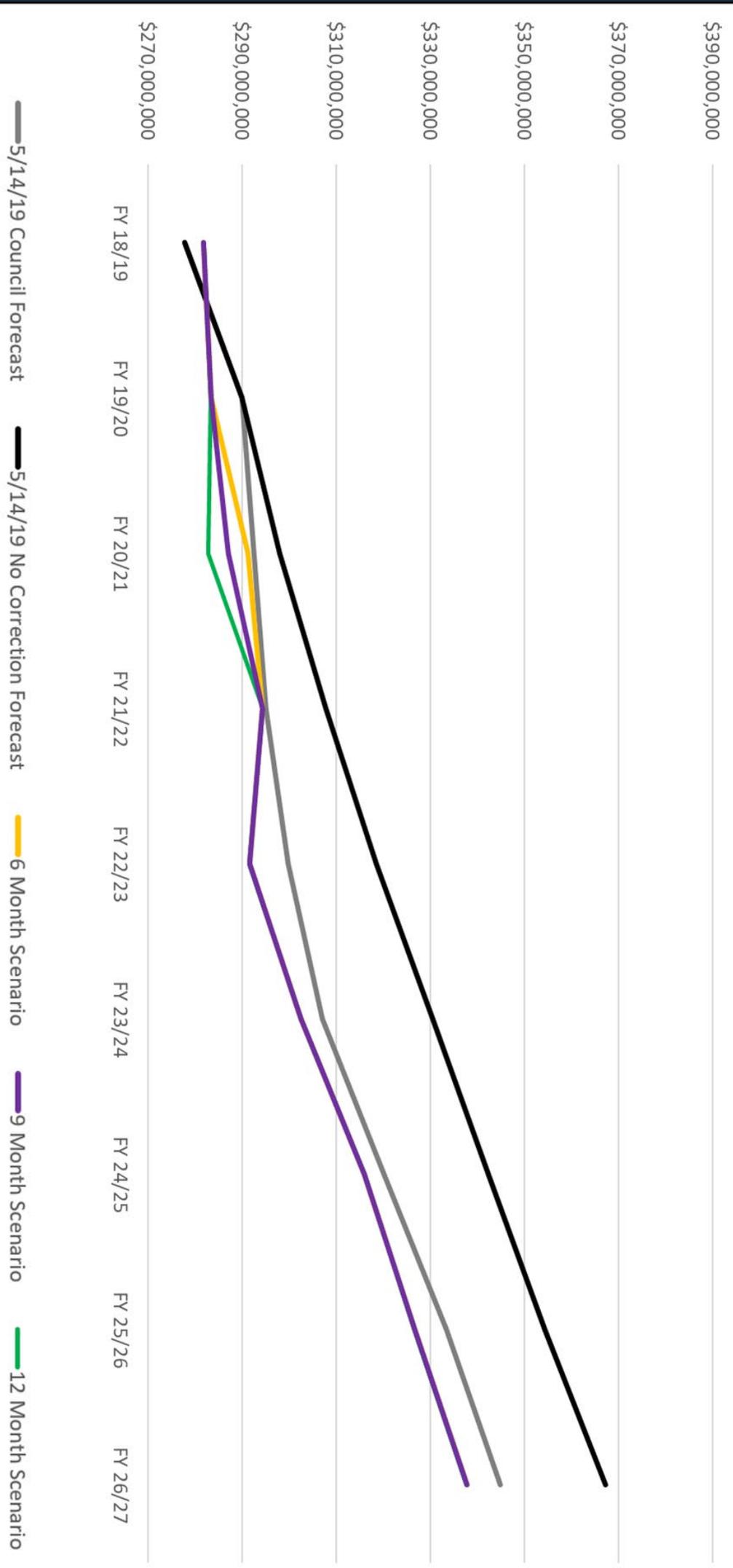
Data as of April 23, 2020



# Local Sales Tax by Category - Detail



### General Governmental Major Revenues Forecast Comparison - No Correction Version



\*FY 20/21 excludes \$7.5M in one-time revenues from Urban Revenue Sharing (State Income Tax)

# Impact on Mesa's Economy: General Governmental Revenues

<b>Revenue Impacts (Major Revenues)</b>	<b>FY 19/20</b>	<b>FY 20/21</b>
February 2020 Forecast (not presented to Council)	\$ 300,570,000	\$ 310,093,000
Spring 2019 Forecast	\$ 289,988,000	\$ 292,532,000
<b>Estimated Gain in Revenues</b>	<b>\$ 10,582,000</b>	<b>\$ 17,561,000</b>
Add Spring 2019 forecasted recession back		\$ 5,500,000
<b>February 2020 Forecasted Revenues without Recession Correction</b>	<b>\$ 300,570,000</b>	<b>\$ 315,593,000</b>
April 2020 Forecast (current)	\$ 283,416,000	\$ 287,180,000
<b>Economic Loss of Revenues</b>	<b>\$ (17,154,000)</b>	<b>\$ (28,413,000)</b>