

Financial Forecast Overview

March 6, 2025

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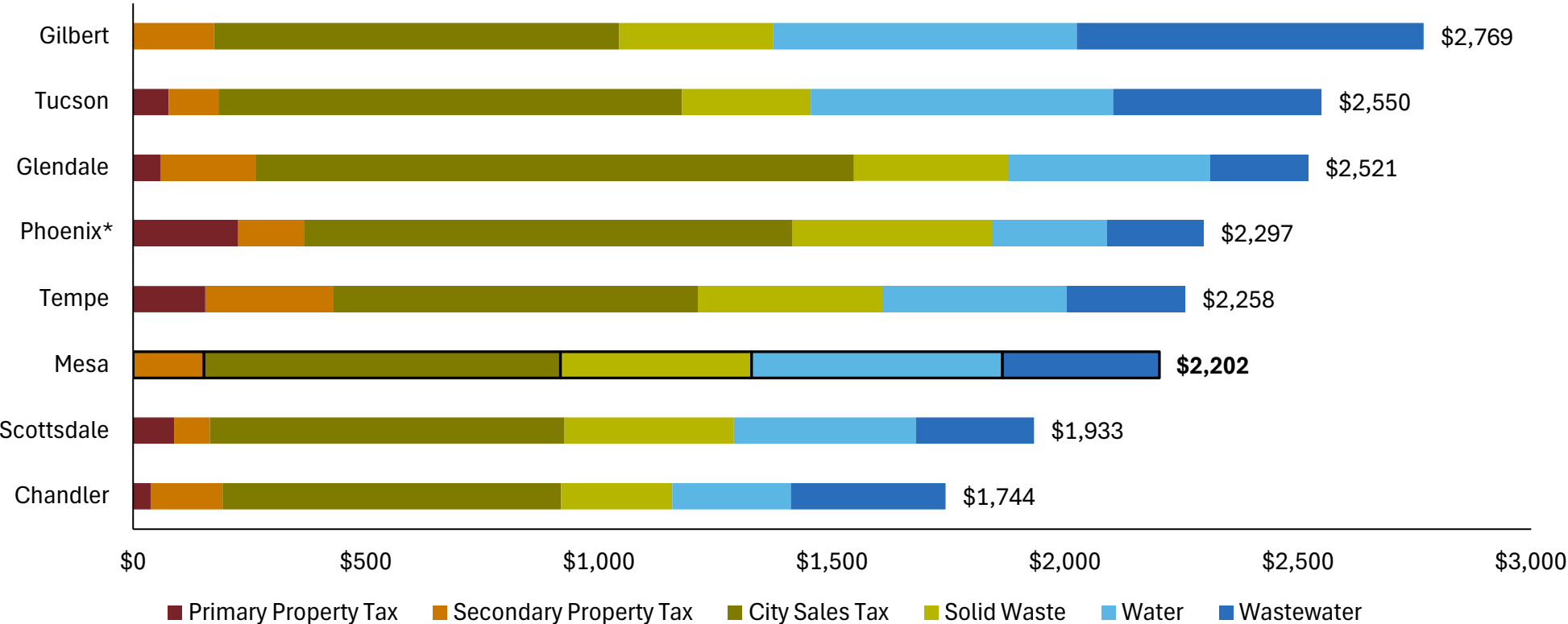
What's included in the Homeowner Comparison?

- **A tool to compare local revenues collected that support local government services provided to its residents.**
- The comparison includes the following categories
 - **Property Tax (Primary & Secondary):** based on Mesa's FY 24/25 Limited Property Value (LPV) and each city's FY 24/25 property tax rates
 - **City Sales Tax:** calculated by applying each city's sales tax rates to the Bureau of Labor Statistics' annual Consumer Expenditure Survey
 - **Solid Waste:** uses 90-gallon barrel rate for each city
 - **Water:** uses median monthly residential consumption with ¾" meter
 - **Wastewater:** rate structure varies by city—using a flat monthly amount and/or based on winter water average

Homeowner Comparison

Fiscal Year 2024/25 Typical Homeowner's Annual Cost Comparison

Estimated as of July 2025



*Note. The City of Phoenix sales tax is calculated at the proposed 0.5% increase to a 2.8% sales tax rate effective July 1, 2025.

Financial Forecasting

- The City uses current expenditures/expenses and revenues along with historical trends as a basis to forecast future expenditures/expenses and revenues over multiple years
- Multi-year forecasting allows for evaluation of the sustainability of programs and services
- Future needs are incorporated to enhance ability to plan
- The City's financial policies call for the use of on-going revenues for on-going expenditures/expenses



Revenue Forecasting

- Statistical software is applied in-house to analyze the correlation between economic trends and the City's revenue sources
- Revenue forecasts also include collaboration with departments, such as utility revenues
- Relevant economic indicators are considered such as: population/account growth, wages, unemployment, building permits, gas prices, etc.
- Mesa specific factors are applied such as economic development activities, retail trends, etc.



Expenditure/Expense Forecasting

Expenditure/expense categories are analyzed and forecasted individually

Personal Services

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

Other Services/Commodities

- Large specialty contracts are handled separately while forecasted consumer price index is applied to general expenditures
 - These large contracts include utility expenses, such as water commodity purchases, water and wastewater treatment plant chemicals, and solid waste tipping fees

Capital

- Majority of expenditures are related to construction projects and vehicle purchases. Multi-year plans are developed and included in the forecast
- Debt service payments related to capital improvement projects are included in forecasts

General Governmental Funds

General Governmental Funds Financial Principles



Balance net sources and uses



10% – 15% reserve fund balance over the 5-year forecasted period



Sustainability of programs and services



Keep wages and benefits competitive compared to other valley cities in order to retain and recruit quality staff



Investment in capital and lifecycle replacement projects

Current Outlook

Revenue Pressures

- Loss of Residential Rental Sales Tax
- Implementation of State Income Flat Tax
- No growth in City and State Sales Tax collections

Current Outlook

Expense Pressures

- Compensation & Benefits
 - Public Safety Sworn Benchmark Adjustment:
 - \$23M per year ongoing impact
 - Up to 12% Salary increase
 - Non-sworn benchmark adjustment still in process
 - Step Pay increases under consideration:
 - 5% for Public Safety Sworn Union employees
 - 3-4% for Civilian employees
 - Public Safety Overtime

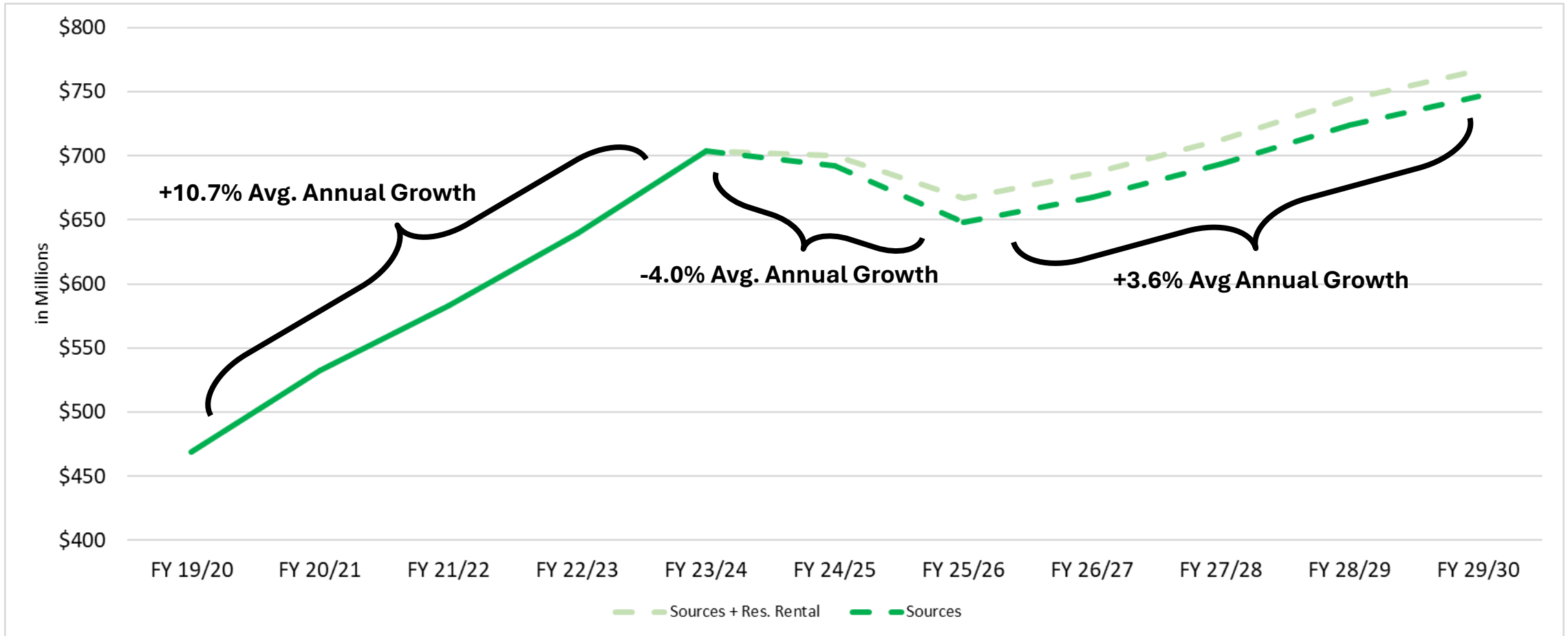
Current Outlook

Expense Pressures

- Contracted Labor & Services (landscaping, custodial, maintenance, etc.)
- Fleet Maintenance & Repair (3rd party labor cost, parts, and fuel)
- Software & Licensing
- Decisions on continuing ARPA Initiatives with ongoing General Fund support (downtown wi-fi, homeless support, behavioral health)

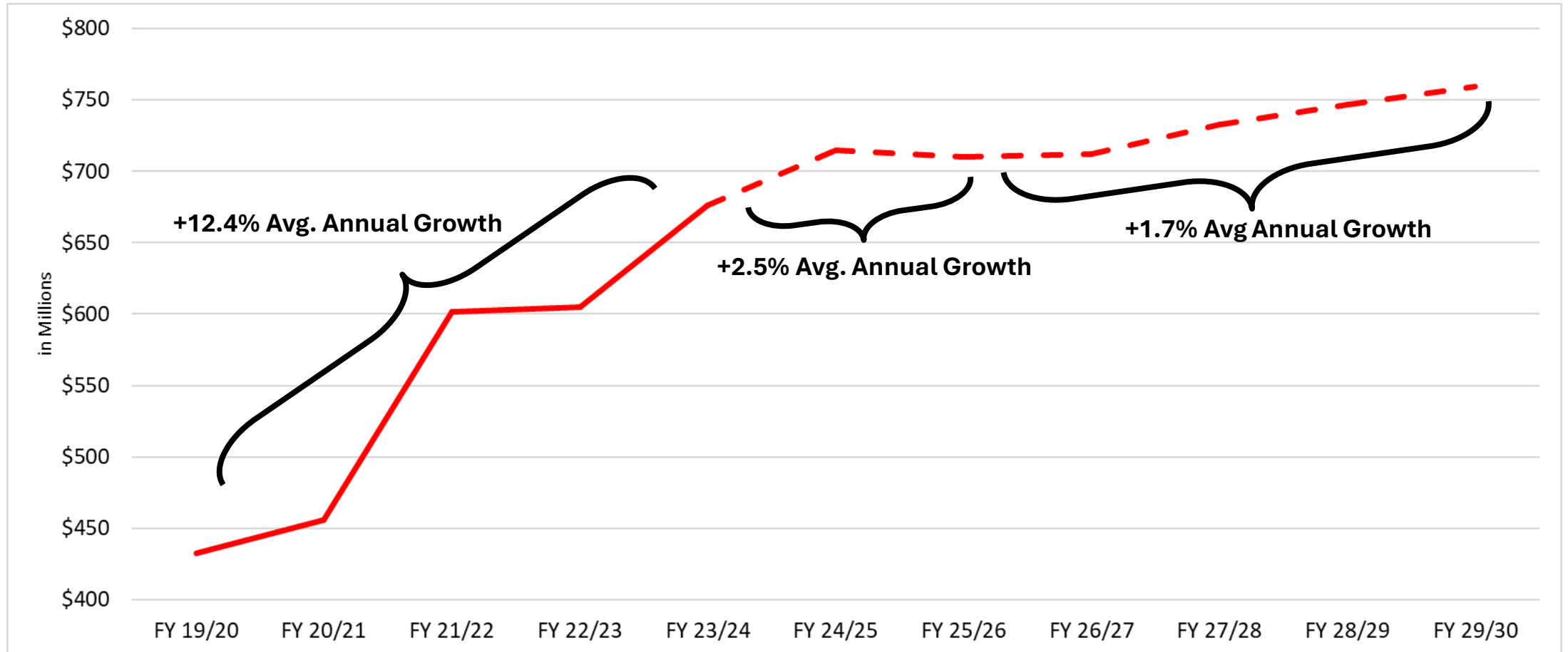
Total Sources Trends

General Governmental Funds (with and without Residential Rental Sales Tax)



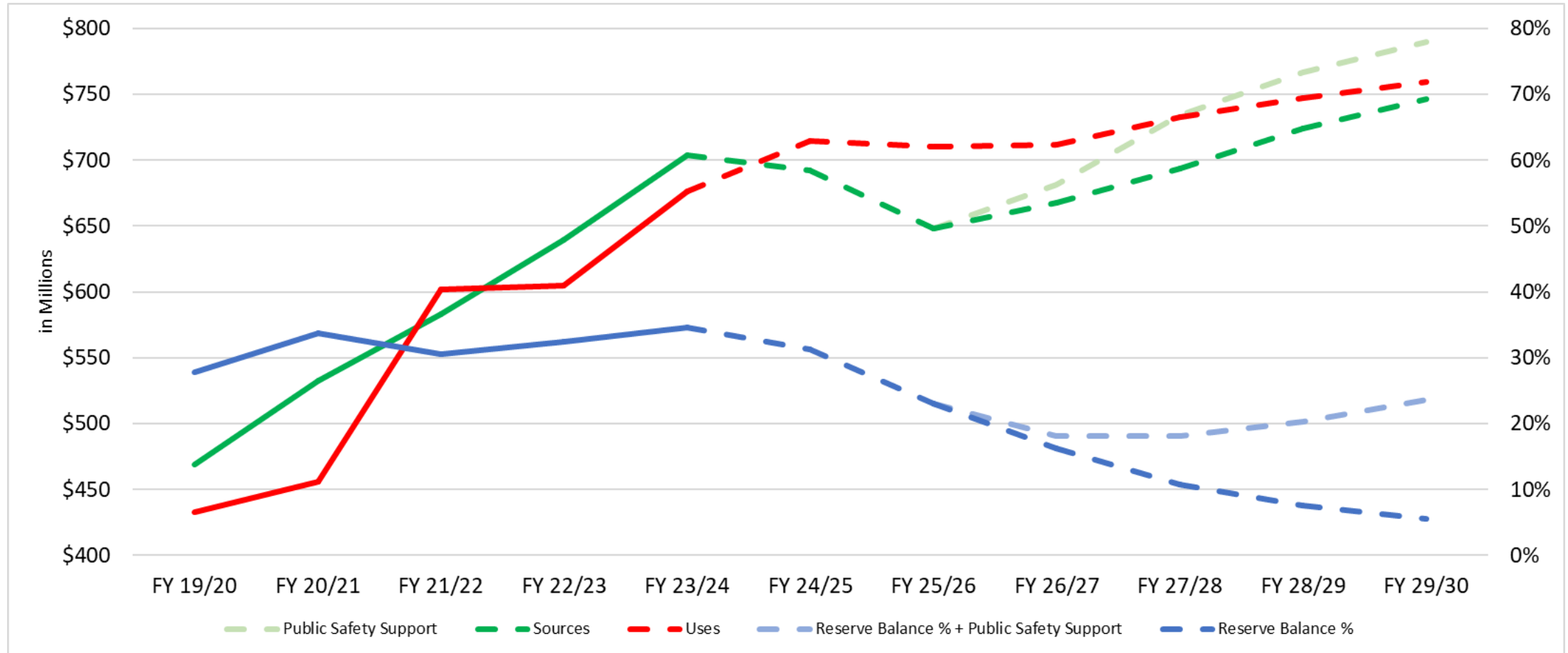
Total Uses Trends

General Governmental Funds



Total Sources & Uses

General Governmental Funds (including Public Safety Support consideration)



Utility Fund

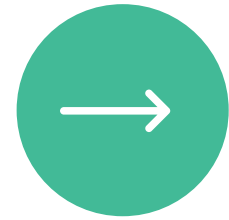
Utility Fund Financial Principles



BALANCE NET
SOURCES AND
USES



20% OR HIGHER
RESERVE FUND
BALANCE



RATE ADJUSTMENTS
THAT ARE
PREDICTABLE AND
SMOOTHED
THROUGHOUT THE
FORECAST



EQUITY BETWEEN
RESIDENTIAL AND NON-
RESIDENTIAL RATES



AFFORDABLE
UTILITY SERVICES

Utility Operations

- Each utility is operated as a separate business center
- Reserve balance can be used to smooth rate adjustments year-to-year
- Reserve balance can be used to phase in new programs or changes in operations



Priority Utility Capital Projects

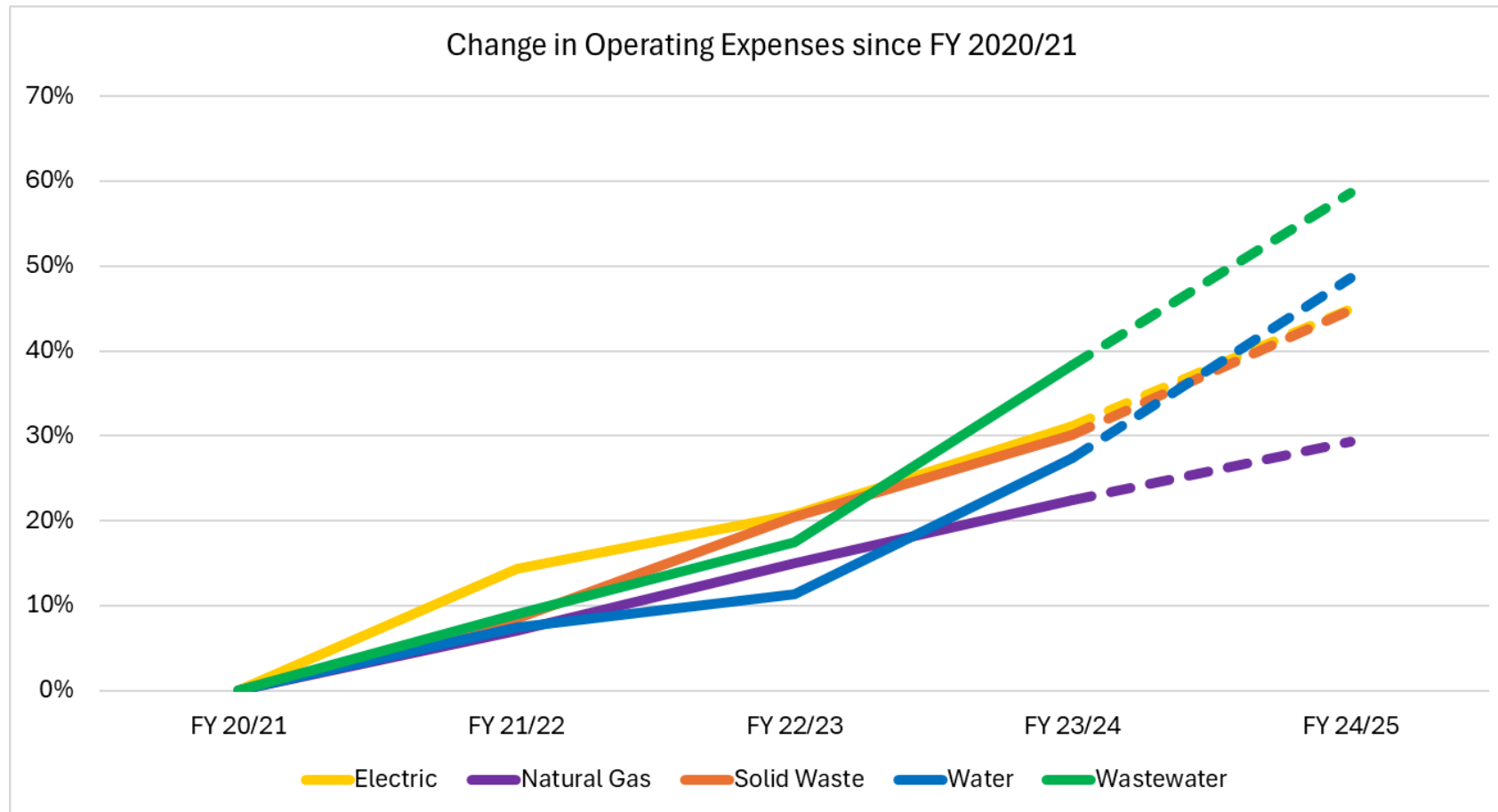
- Significant Capital Projects:
 - Central Mesa Reuse Pipeline
 - Signal Butte Water Treatment Plant Expansion
 - Advanced Metering Infrastructure
 - Gantzel Road Pipe Expansion
 - Broadway Road Improvements w/ Transportation



Inflationary Pressures – Baseline Operating Expenses

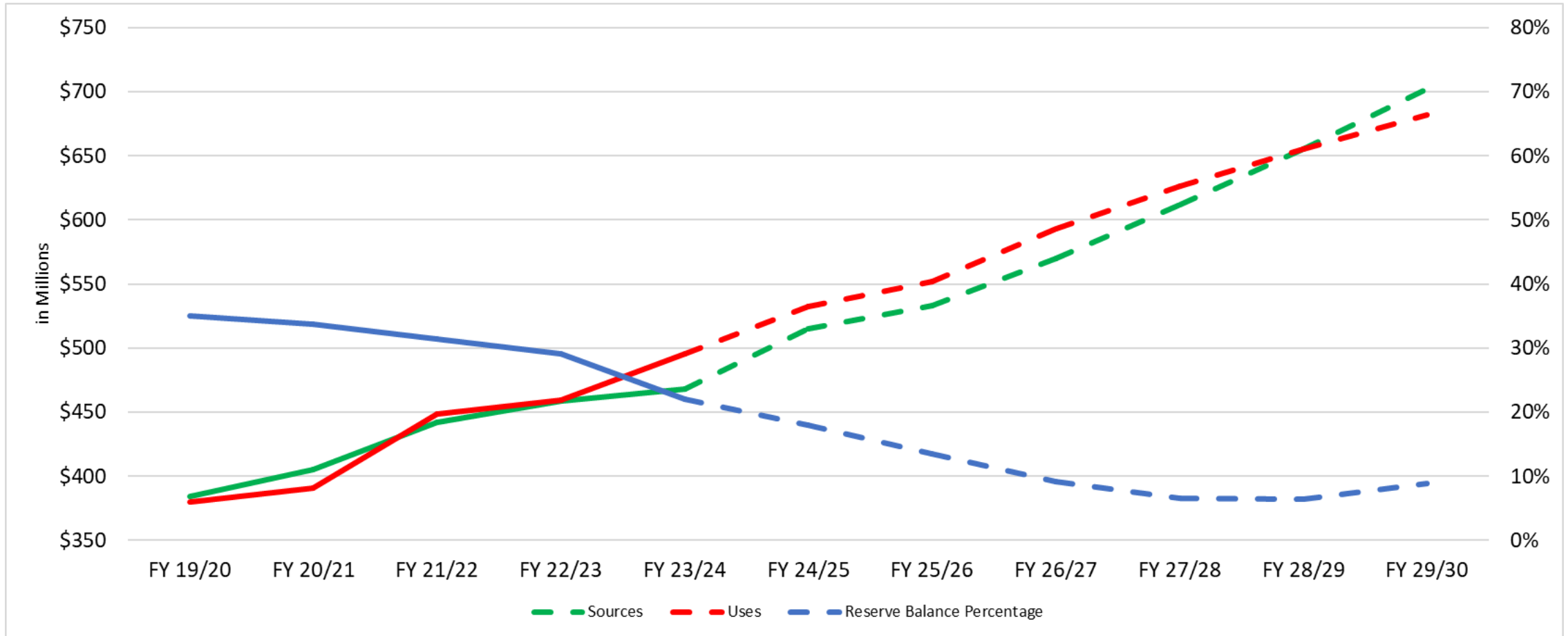
	FY 20/21	FY 23/24	3-Year Increase
Fleet Maintenance & Repair	\$10.2M	\$16.4M	+61%
Solid Waste Disposal	\$8.4M	\$9.3M	+11%
Water Commodity	\$10.2M	\$16.8M	+65%
WTR/WW Plant Chemicals	\$3.1M	\$4.7M	+52%
Val Vista Water Treatment Plant	\$8.7M	\$10.4M	+20%
91 st Ave. Water Reclamation Plant	\$3.7M	\$8.6M	+132%

Inflationary Pressures – Total Operating Expenses



Total Sources & Uses

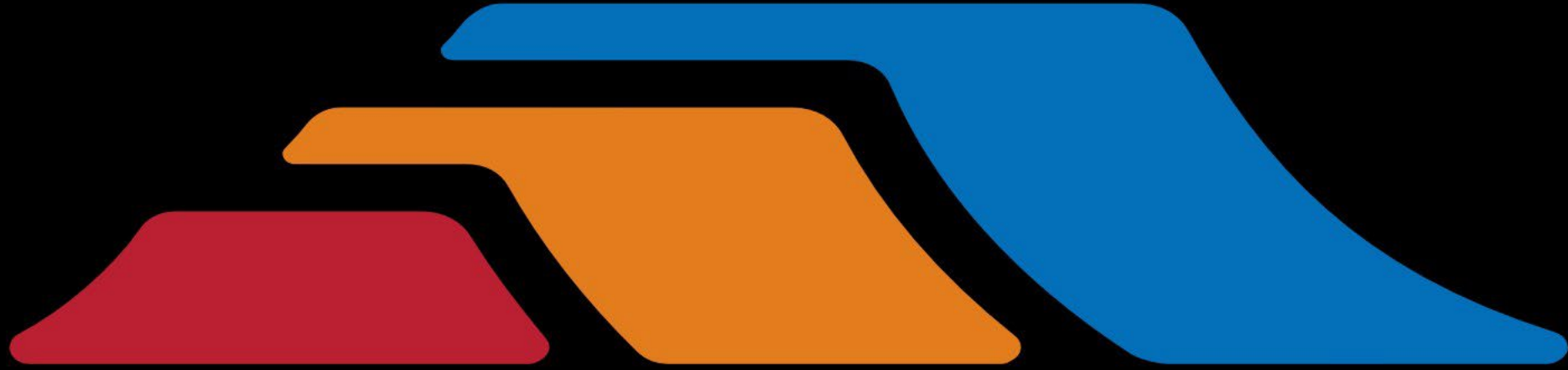
Utility Fund





Budget Process Calendar

- April 3** Review FY 2025/26 Proposed Budget
- April 3 – April 24** Department Budget Presentations to City Council
Review of Utility Projects Plan (CIP)
- May 1** Review FY 2025/26 Tentative Budget
Review of Non-Utility Projects Plan (CIP)
- * May 7** City Budget & Finance Community Meeting – Red Mountain Recreation Center
- * May 14** City Budget & Finance Community Meeting – The Post
- May 19** Adoption of FY 2025/26 Tentative Budget
- June 2** Public Hearing and Adoption of Capital Improvement Program
Final Adoption of FY 2025/26 Budget
Public Hearing on Secondary Property Tax
- June 16** Adoption of Secondary Property Tax Levy



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