

PROPOSED BUDGET OVERVIEW FISCAL YEAR 2024/25

MARCH 28, 2024
CITY OF MESA



**Community
Health & Safety**



**Sustainable
Environment**



**Neighborhoods &
Placemaking**



**Thriving
Economy**



**Skilled & Talented
Workforce**



**Strong Community
Connections**



- Presented by:
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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

“Financial & Environmental Sustainability”

Fiscal Year 2024/25 Proposed Budget



The FY 2024/25 Proposed Budget focuses on the City's effort to ***balance current levels of service and future needs*** while addressing the following impacts:

- Reduced on-going revenues
- Labor cost increases due to staff overtime and attracting qualified workforce
- Continued higher than normal inflation on commodities, services, and contracts
- Utility cost increases related to water and solid waste services
- Continuation of the Mesa Climate Action Plan
- Cost overruns and delays in receiving capital construction materials
- Delays and costs increase related to fleet fuel supplies and parts



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

Financial Forecasting

- ▶ The City uses current expenditures and revenues along with historical trends as a basis to forecast future expenditures 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



Operational Expenditure Forecasting

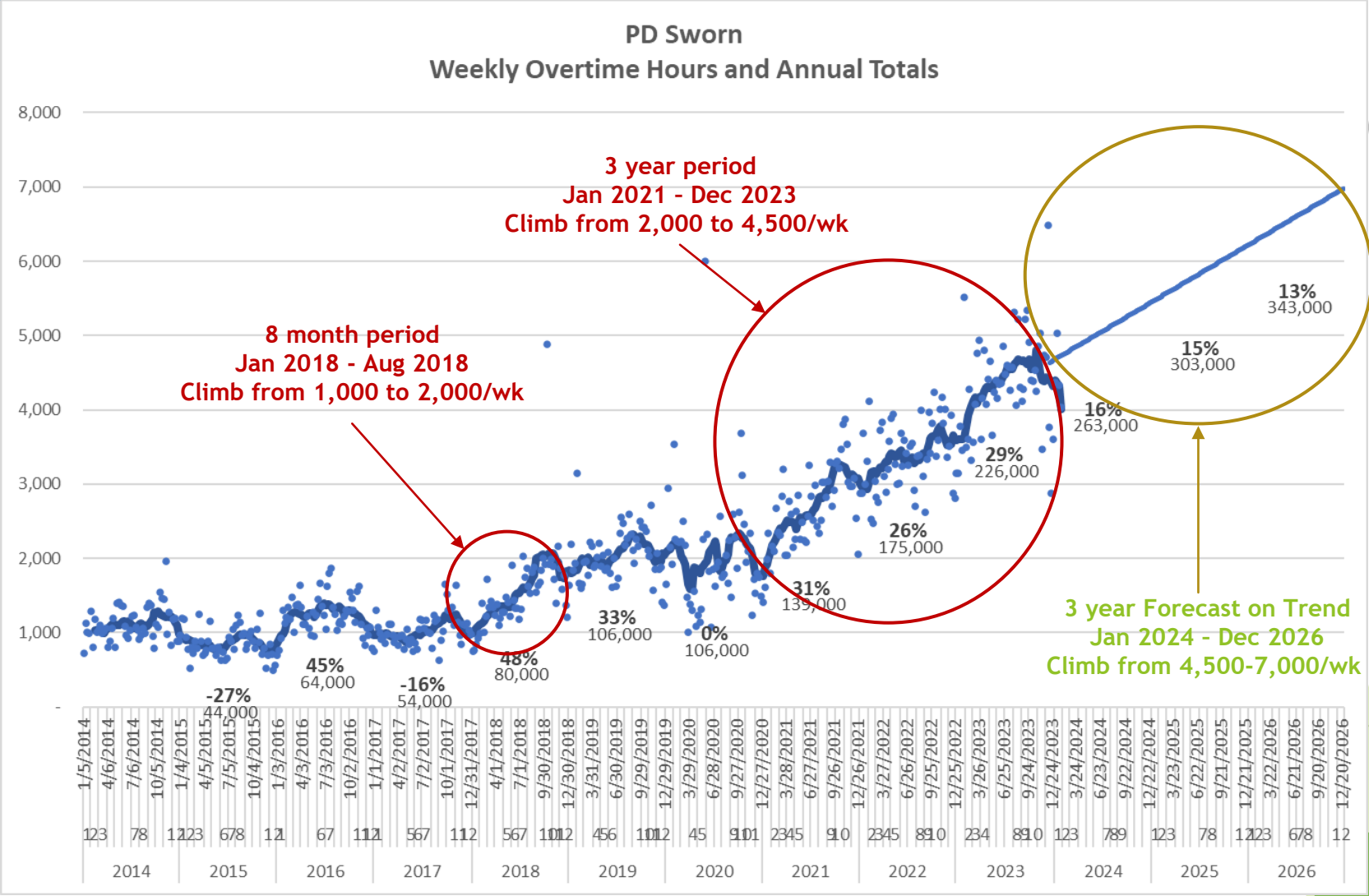
- ▶ Expenditure categories are analyzed and forecasted individually
- ▶ **Personal Services**
 - Many factors contribute to overall estimates such as pension rates, medical premiums, salary movement, overtime, etc.
- ▶ **Other Services/Commodities**
 - Large specialty contracts are handled separately while forecasted consumer price index is applied to general expenditures
- ▶ **Capital**
 - Majority of expenditures are related to construction projects and vehicle purchases. Multi-year plans are developed and included in the forecast



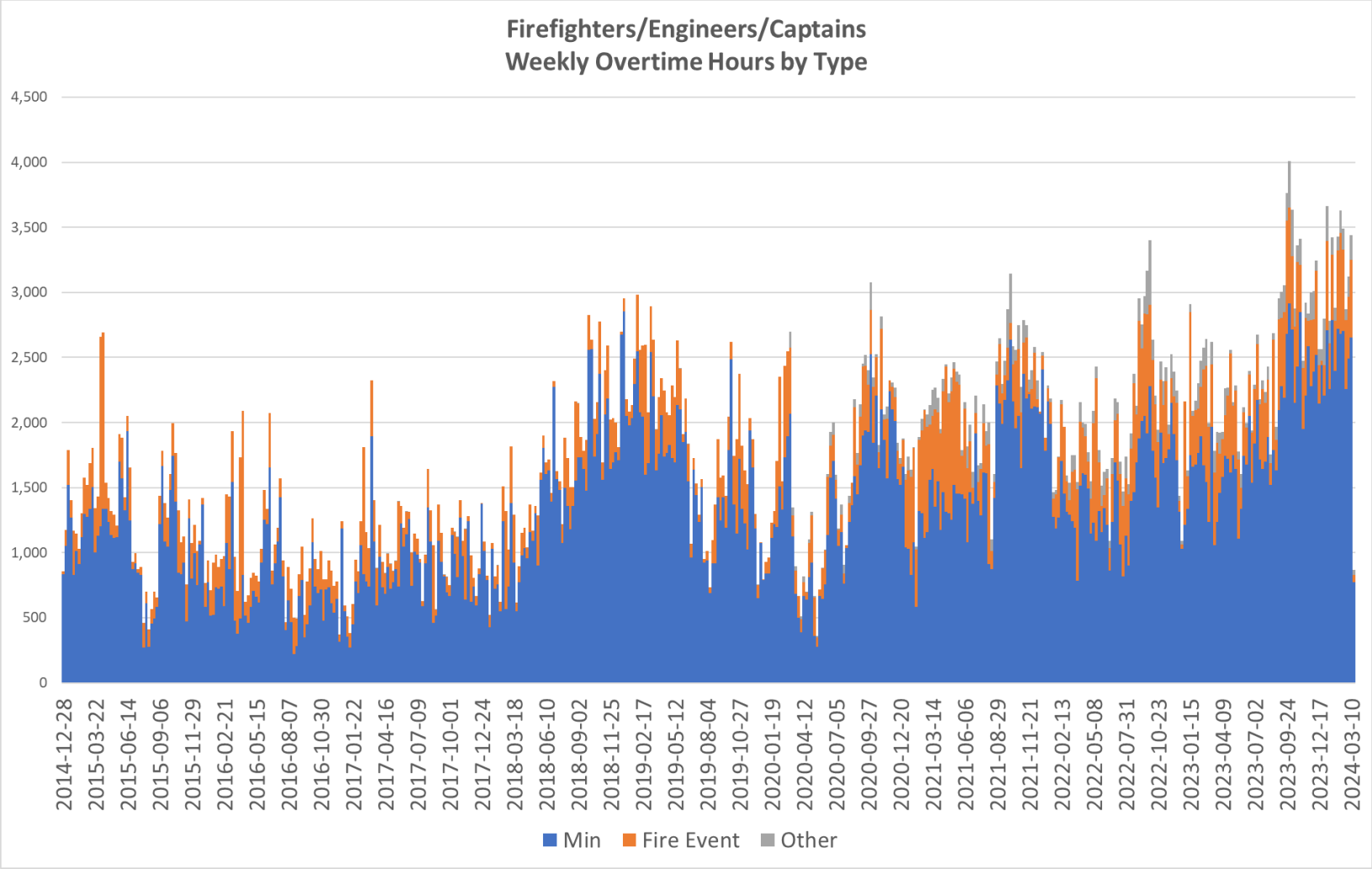
Other Significant Pressures

- Public Safety Sworn Overtime
- Capital projects costs continue to come in significantly higher than originally estimated due to significant increases in material costs and delays in receiving construction materials
- Facility Maintenance and Improvements

Police Sworn Overtime



Mesa Fire & Medical Sworn Overtime



Proposed Budget FY 2024/25

- The Proposed Budget for FY 2024/25 highlights the following themes:
 - Financial Sustainability
 - Public Safety Staffing
 - Infill/Redevelopment
 - Workforce Development
 - Mesa Climate Action Plan

Financial Sustainability



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The City is targeting to align forecasted on-going expenditures with on-going resources.

On-going revenues were reduced due to the implementation of the state income flat tax and elimination of residential rental tax.

Departments were asked to review items in their base budgets that they could reduce through operational efficiencies.

Public Safety Staffing

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The FY 24/25 Proposed Budget includes capacity for three police recruit academies and two firefighter recruit academies. The estimated number of recruits for these academies are 110 for Police and 50 for Fire & Medical.

The academies include 5 additional sworn police officers, 12 fire fighters for Station 224, and 8 fire fighters for a new 12-hour Medical Response Unit.

Civilization of the vacant Special Operations Organized Crime Interdiction Detective position with 2 FTEs.



Infill/ Redevelopment

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Neighborhoods &
Placemaking

Support the implementation of Mesa's Redevelopment Areas (RDA) with the addition of two new positions. These positions will specifically support infill/redevelopment initiatives and projects. The proposed positions will identify target areas for redevelopment, incentives, and policy adjustments needed to attract infill development city-wide.

Workforce Development

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- Provide the resources needed to support the efforts between Economic Development and the Education Workforce Development staff to cultivate a skilled and competent workforce that meets the current and future needs of high-wage job markets.
- Implement strategies to equip individuals with the necessary skills, training, and education required to succeed in various industries and occupations by focusing on initiatives that foster collaboration between public and private organizations and create pathways to employment. (ex: internships, apprenticeships, mentorships, etc.)



**Skilled & Talented
Workforce**

Mesa Climate Action Plan



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Adding the following types of projects to the MCAP:

- Solar and electric vehicle charging
- Watershed protection
- Neighborhoods tree planting programs
- Removal of non-functional grass to xeriscape at City facilities
- LED lighting conversions at city sports fields



FY 2024/25 Proposed Budget

City of Mesa

General Governmental Funds

	Actuals FY 22/23	Projected FY 23/24	Budget FY 24/25	Forecast FY 25/26	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29
Beginning Reserve Balance	\$184.9	\$219.7	\$229.7	\$207.7	\$172.8	\$137.3	\$107.6
Total Sources	\$639.9	\$688.3	\$644.3	\$627.9	\$648.1	\$678.2	\$700.2
Total Uses	\$605.1	\$678.2	\$666.4	\$662.9	\$683.5	\$708.0	\$720.5
Net Sources and Uses	\$34.7	\$10.1	(\$22.0)	(\$35.0)	(\$35.4)	(\$29.8)	(\$20.3)
Ending Reserve Balance	\$219.7	\$229.7	\$207.7	\$172.8	\$137.3	\$107.6	\$87.2
Ending Reserve Balance Percent*	32.4%	34.5%	31.3%	25.3%	19.4%	14.9%	12.0%
*As a % of all Next Year's uses of funding				data as of March 2024			
Note: Includes economic recession beginning 2024				dollars in millions			

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Sustainability***

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

Sources Forecasting

- The City's forecasting approach to utility revenues includes statistical analysis and collaboration with departments
- Statistical software is applied in house to analyze the correlation between economic trends and the City's utility sources
- Relevant economic indicators are considered, such as population growth, along with reviewing historical trends in account growth and consumption/usage
- Mesa specific factors are applied such as economic development activities, additional large customers, etc.

Uses Forecasting

- Departments provide specific forecasts for large budget items where costs can fluctuate over time, including water commodity purchases, water and wastewater treatment plant chemicals, and solid waste tipping fees
- Debt service payments are included in the Utility Fund forecast, where funds are transferred according to utility debt service schedules

Utility Fund Departments Challenges

- Costs have significantly increased for commodities such as water, chemicals, and landfill fees.
- Capital projects costs are coming in significantly higher than originally estimated due to significant increases in material costs and delays in receiving project materials (e.g., AMI meters)

Meeting Community Needs and Growth

Utility Fund

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- To support several significant water and wastewater projects, increase additional water resources, and maintain current service levels
- To support the growth in solid waste; fleet replacement
- To support several significant gas and electric growth projects and maintain current service levels



**Sustainable
Environment**

FY 2024/25 Proposed Budget

UTILITY FUND NET SOURCES AND USES	FY 22/23 Projected	FY 23/24 Budget	FY 24/25 Budget	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast
WATER	\$664	(\$5,464)	\$785	(\$3,824)	(\$4,916)	(\$4,151)	(\$3,578)
WASTEWATER	(\$4,836)	(\$15,518)	(\$9,178)	(\$6,446)	(\$2,815)	\$2,382	\$1,320
SOLID WASTE	(\$629)	(\$7,108)	(\$8,148)	(\$4,471)	(\$3,174)	(\$5,160)	(\$2,352)
ELECTRIC	\$1,272	\$1,521	(\$996)	(\$423)	(\$162)	(\$335)	(\$1,011)
NATURAL GAS	\$3,351	(\$8,335)	(\$5,297)	(\$3,950)	(\$3,066)	(\$2,875)	\$614
DISTRICT COOLING	\$19	(\$292)	(\$11)	\$20	\$50	\$44	\$52
TOTAL NET SOURCES AND USES	(\$158)	(\$35,196)	(\$22,844)	(\$19,094)	(\$14,083)	(\$10,094)	(\$4,954)
Beginning Reserve Balance	\$144,572	\$144,414	\$109,218	\$86,374	\$67,280	\$53,197	\$43,103
Ending Reserve Balance	\$144,414	\$109,218	\$86,374	\$67,280	\$53,197	\$43,103	\$38,149
Ending Reserve Balance Percent*	28.8%	20.7%	15.8%	11.9%	9.0%	7.1%	6.1%

*As a % of Next Fiscal Year's Expenditures

data as of March 2024
Dollars in Thousands

***Financial & Environmental
Sustainability***

Budget Process Calendar

 **April 1 – 25**

Departmental Presentations

 **May 2**

Tentative Budget Presentation & Non-Utility CIP

 **May 20**

Tentative Adoption of Annual Budget

 **June 3**

Adoption of Five-Year Capital
Improvement Program
Public Hearing on Annual Budget and
Secondary Property Tax Levy
Final Adoption of Annual Budget

 **June 19**

Adoption of Secondary Property Tax Levy



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