

PROPOSED BUDGET OVERVIEW FISCAL YEAR 2023/24

MARCH 30, 2023
CITY OF MESA



**Community
Health & Safety**



**Sustainable
Environment**



**Neighborhoods &
Placemaking**



**Thriving
Economy**



**Skilled & Talented
Workforce**



**Strong Community
Connections**



- Presented by:
 - Brian A. Ritschel, Management and Budget Director
 - Kristi Griffin, Management and Budget Operations Coordinator

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

“Innovation & Inclusivity”

Fiscal Year 2023/24 Proposed Budget



The FY 2023/24 Proposed Budget focuses on the City's effort to ***innovation and inclusivity*** while addressing the following impacts:

- Labor cost increases and attracting qualified workforce
- Higher than normal inflation on commodities, services, and contracts
- Utility cost increases related to water and power
- Trees Are Cool/Mesa Climate Action Plan
- Cost overruns and delays in receiving capital construction materials
- Shortages 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



Revenue Forecasting

- The City subscribes to a forecast group out of the University of Arizona which allows for access to raw data to use econometrics
- Statistical software is applied in house to analyze the correlation between economic trends and the City's revenue sources
- Relevant economic indicators are considered such as: population growth, wages, unemployment, building permits, gas prices, etc.
- Mesa specific factors are applied such as economic development activities, retail trends, etc.
- Includes estimated impact of the economic correction



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, 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



Personnel Priority Expenditures

- **Public Safety Personnel Retirement System employer** contributions in FY 23/24 will remain consistent with FY 22/23, including additional funding paid towards unfunded liability
- **Arizona State Retirement System employer** contribution rate increases to 12.29% (from 12.17% in FY22/23)
- **Medical premiums** increased at 5% for CY2023. Premiums are forecasted to increase at 5% for CY2024
- Continue to provide competitive pay and benefits for all City employees

Other Priority Expenditures

- Capital projects costs are coming in significantly higher than originally estimated due to significant increases in material costs and delays in receiving construction materials
- Mesa Climate Action Plan Implementation
 - Examples: Flare to Fuel, Community EV Master Plan, Lighting at City Buildings, Solar at Red Mountain Ballfields
- Facility Improvements and Renovation
 - Examples: Neon Garden, City Council Chambers, Fire Station 223 (Lehi)

Proposed Budget FY 2023/24

- The Proposed Budget for FY 2023/24 highlights the following themes:
 - Increasing Public Safety Staffing
 - Downtown Safety
 - Park Security
 - Neighborhood Clean-up
 - Increasing Pedestrian Access
 - Homelessness Resources
 - Workforce Development
 - “Trees Are Cool” Program/Mesa Climate Action Plan

Increasing Public Safety Staffing

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Increase total public safety staffing by holding 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.





Neighborhoods &
Placemaking

Downtown Safety

Increase public safety presence in downtown by providing for a Downtown Police Ambassador Program and cameras connected to the Real Time Crime Center.

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Park Security

- Increase security in parks along with additional activities and programs
- Provide additional Park Rangers and CCTV cameras in 7 parks
- Add a Park Ranger position to the Real Time Crime Center to assist in monitoring the cameras
- Increase city-sponsored activities in Pioneer Park

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Neighborhood Clean-up

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Neighborhoods &
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Community Services Department and Solid Waste Department are teaming up to provide an expanded roll-off service in neighborhoods. This service will provide roll-off dumpsters to pilot areas around the city.

Increasing Pedestrian Access

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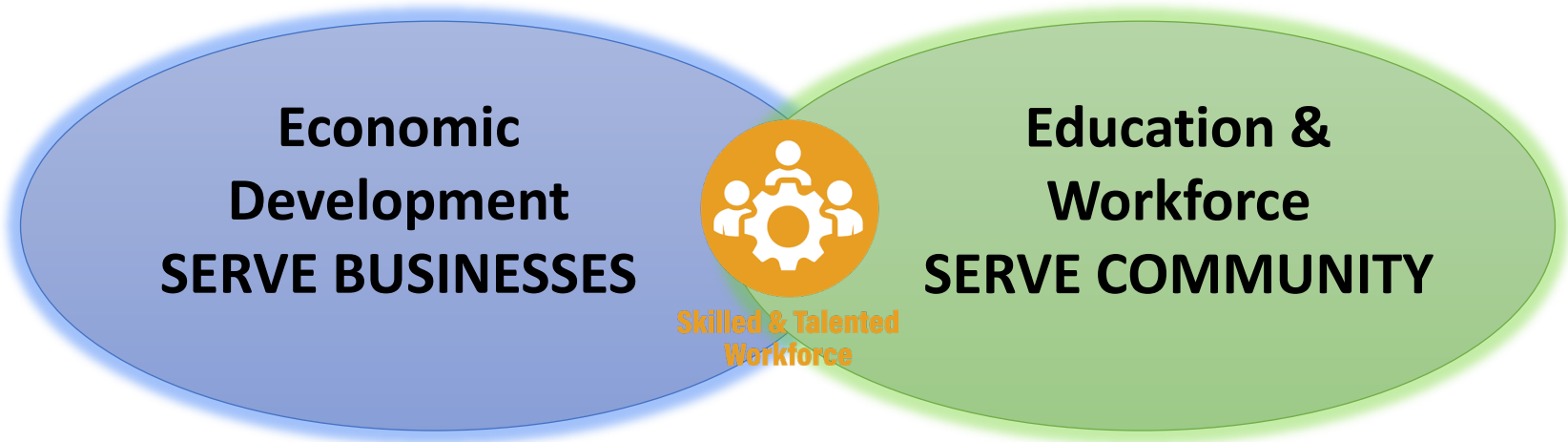
Promote a safe and efficient multi-modal transportation system. Reduce response times to repair safety hazards by adding an in-house concrete crew and necessary equipment. The addition of staffing and equipment will repair gutters, curbs, and sidewalks in a timely manner.



Neighborhoods &
Placemaking

Workforce Development

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Mesa Job Connect Platform: A One-Stop Portal.

- Businesses connect to Mesa's workforce.
- Mesa students create a path to employment, starting in high school. Access to jobs, resources.
- Mesa job seekers connect to open jobs in Mesa.

Build partnerships with school districts, local businesses to ensure wide-spread use and success.

Focused Homelessness Assistance/ Prevention

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- Creation of the Office of Homeless Solutions
 - Coordination of Housing Path to Recovery resources
 - Coordinate and ensure quality service for the Off-the-Streets program
 - Coordinate and ensure quality service for the Community Navigator program
- Increased support for housing voucher programs
- New Housing Stability Case Management program – pending grant
- Dedicated support for education/marketing of existing programs

Trees Are Cool Initiative



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Sustainable
Environment

Launch the Trees Are Cool initiative by conducting community outreach and City-sponsored tree planting education and activities.



FY 2023/24 Proposed Budget

City of Mesa

General Governmental Funds

	Actuals FY 21/22	Budget FY 22/23	Projected FY 22/23	Budget FY 23/24	Forecast FY 24/25	Forecast FY 25/26	Forecast FY 26/27	Forecast FY 27/28
Beginning Reserve Balance	\$203.1	\$187.2	\$184.9	\$179.5	\$159.0	\$137.0	\$119.0	\$96.4
Total Sources	\$583.4	\$587.8	\$621.1	\$626.0	\$593.5	\$605.1	\$623.4	\$651.7
Total Uses	\$601.6	\$591.2	\$626.5	\$646.6	\$615.4	\$623.1	\$646.0	\$660.1
Net Sources and Uses	(\$18.2)	(\$3.4)	(\$5.4)	(\$20.6)	(\$21.9)	(\$18.0)	(\$22.6)	(\$8.4)
Ending Reserve Balance	\$184.9	\$183.8	\$179.5	\$159.0	\$137.0	\$119.0	\$96.4	\$88.0
Ending Reserve Balance Percent*	29.5%	29.3%	27.8%	25.8%	22.0%	18.4%	14.6%	13.4%
*As a % of all Next Year's uses of funding Note: Includes economic recession beginning FY 23/24								data as of March 2023 dollars in millions

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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



Personnel Priority Expenditures

- **Arizona State Retirement System employer** contribution rate increases to 12.29% (from 12.17% in FY22/23)
- **Medical premiums** increased at 5% for CY2023. Premiums are forecasted to increase at 5% for CY2024
- Continue to provide competitive pay and benefits for all City employees

Utility Fund Departments Challenges

- Costs have significantly increased for commodities such as water, chemicals, and electricity.
- 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 and maintain current service levels
- To support the growth in solid waste accounts
- To support several significant gas and electric growth projects and maintain current service levels



**Sustainable
Environment**

FY 2023/24 Proposed Budget

UTILITY FUND NET SOURCES AND USES	FY 21/22 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
WATER	\$2,588	(\$8,686)	(\$764)	(\$649)	(\$2,937)	(\$8,288)	(\$8,883)
WASTEWATER	(\$5,311)	(\$9,736)	(\$12,828)	(\$10,295)	(\$8,776)	(\$5,660)	(\$448)
SOLID WASTE	(\$4,764)	(\$2,535)	(\$6,636)	(\$88)	\$408	\$681	(\$498)
ELECTRIC	\$1,806	\$26	(\$1,554)	(\$990)	(\$1,284)	(\$1,166)	(\$1,230)
NATURAL GAS	(\$514)	(\$2,602)	(\$6,177)	(\$1,674)	(\$1,282)	(\$857)	(\$687)
DISTRICT COOLING	(\$495)	(\$290)	(\$211)	(\$463)	(\$134)	(\$106)	(\$107)
TOTAL NET SOURCES AND USES	(\$6,690)	(\$23,823)	(\$28,171)	(\$14,159)	(\$14,005)	(\$15,396)	(\$11,852)
Beginning Reserve Balance	\$151,261	\$144,572	\$120,749	\$92,578	\$78,419	\$64,414	\$49,018
Ending Reserve Balance	\$144,572	\$120,749	\$92,578	\$78,419	\$64,414	\$49,018	\$37,166
Ending Reserve Balance Percent*	30.9%	24.4%	18.6%	15.0%	11.8%	8.6%	6.4%

*As a % of Next Fiscal Year's Expenditures

data as of March 2023
Dollars in Thousands

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Budget Process Calendar

 **April 3 – 27**

Departmental Presentations

 **May 4**

Budget Wrap-up

 **May 15**

Adoption of Five-Year Capital
Improvement Program
Tentative Adoption of Annual Budget

 **June 5**

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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