



City Council Report

Date: May 20, 2024
To: City Council
Through: Michael Kennington, Deputy City Manager/Chief Financial Officer
From: Brian A. Ritschel, Management and Budget Director
Subject: Tentative Adoption of the Fiscal Year 2024/25 Budget

Overview of Tentative Budget

The budget continues the City's commitment to providing quality services to residents in a fiscally responsible manner. The priority to provide and maintain quality core services is balanced with cost containment methods and program evaluations to achieve efficient use of resources.

The total tentative budget for FY24/25 is \$2.69 billion. This includes an annual operating budget of about \$1.99 billion and the annual portion of the five-year capital improvement program (CIP) budget of about \$697.0 million. Included within the operating budget is \$205.9 million in carryover and \$85.1 million in contingency budget authorization.

The tentative adoption of the budget sets the maximum expenditure budget amount for FY24/25. The budget summary is then published on the City's website and in the local paper for two consecutive weeks before the public hearing and final adoption of the budget take place.

The City also continues to place a high priority on infrastructure investment as outlined in the City Council's Economic Development strategic initiative. An example of this is moving forward with evaluating and making infrastructure improvements to the AzMNH in preparation for larger future improvements and working with a consultant to bring future concepts forward into feasible project options.

There are projects that will not be completed, and items ordered that will not be received before the end of the fiscal year. These expenditures will occur in the following fiscal year and therefore budget capacity will be needed. The City identifies these "carryover" expenses separately on the budget document to allow for better year-over-year budget comparisons.

The carryover expenses must be added to the FY24/25 budget and included in the City Council budget appropriation as State law does not allow prior year budget authorization to be used in a subsequent year.

State Expenditure Limitation/Home Rule

The State sets the maximum expenditure budget amount for municipalities based on the FY79/80 adopted budget adjusted for population and inflation. The Mesa voters approved a Home Rule option in November 2022 that allows the City to determine its own expenditure limitation, within available resources. Home Rule approval is effective for four fiscal years. In the case of Mesa's 2022 Home Rule option, this includes FY24/25 through FY26/27.

Modifications since Proposed Budget Summary

Recruitment and Retention of Quality Employees

Double the City's contribution to 1% for all eligible employee participants in the City's deferred compensation plan that are not covered by a memorandum of understanding (MOU).

Community Services

An estimated amount of \$390K has been set aside in the FY 24/25 to expand efforts in reducing the number of feral cats throughout the City. One Animal Control Specialist II position and one Animal Control Specialist I position have been added along with providing veterinarian services.

Funding in the amount of \$561K to address immediate needs for heat relief to housed individuals and add six additional navigators to assist with housed and unhoused individuals along with navigation services throughout the year.

Comparison of FY 24/25 to FY 23/24 General Governmental Funds Budget

The expenditure budget for the General Governmental Funds for FY24/25 is \$670.2 million (excludes carryover), compared to \$652.1 million (excludes carryover) for the FY23/24 adopted budget.

The change is primarily due to the combination of adding additional positions to meet the increase in demand for services, increase costs of existing positions, increase in overtime costs, and increase costs to commodities, services, and contracts.