

PROPOSED BUDGET OVERVIEW FISCAL YEAR 2025/26

Mesa City Council

Presenters: Brian A. Ritschel – Management & Budget Director
Kristi Griffin – Operations Budget Coordinator

April 3, 2025



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

"CORE SERVICES"

FISCAL YEAR 2025/26 PROPOSED BUDGET



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

Budget Pressures

- The FY 2025/26 Proposed Budget focuses on the City's effort in providing quality core services while addressing the following impacts
 - Loss of residential rental tax
 - Public Safety Sworn Personnel Benchmark
 - Fleet maintenance and repairs
 - Software and licensing
 - Building maintenance and custodial services

Budget Strategy - Impact

- Striving towards a structurally balanced budget in FY 28/29 by reducing the ongoing budget.
 - City Manager requested departments to submit a net 2% reduction of their ongoing base budget.

GENERAL GOVERNMENTAL FUNDS FORECAST UPDATE MARCH 2025

	Actuals FY 23/24	Projected FY 24/25	Forecast FY 25/26	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29	Forecast FY 29/30
Beginning Reserve Balance	\$219.7	\$247.5	\$225.1	\$163.5	\$119.0	\$79.9	\$57.2
Total Sources	\$704.0	\$692.1	\$648.5	\$667.4	\$693.4	\$724.2	\$746.3
Total Uses	\$676.2	\$714.5	\$710.1	\$711.9	\$732.4	\$746.9	\$759.2
Net Sources and Uses	\$27.8	(\$22.4)	(\$61.6)	(\$44.5)	(\$39.1)	(\$22.7)	(\$12.9)
Ending Reserve Balance	\$247.5	\$225.1	\$163.5	\$119.0	\$79.9	\$57.2	\$44.3
Ending Reserve Balance Percent*	34.6%	31.7%	23.0%	16.2%	10.7%	7.5%	5.6%

data as of February 2025
dollars in millions

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

Core Services

Budget Strategy - Reductions

- A total of \$11.2M in FY 25/26 of ongoing expenditures have been reduced from the budget and forecast.
- The Police Department (\$5.0M) and Mesa Fire & Medical Department (\$3.0M) was asked to phase their reductions in over three fiscal years.
 - Police Department reductions in FY 25/26
 - \$2.36M: reduction in overtime, incentive pay for perfect attendance, material and supplies, 6 part-time vacant positions
 - MFMD reductions in FY 25/26
 - \$1.96M: 8 positions programmed in the 5-year forecast for a Medical Response (MR) unit, one pre-recruit position

Budget Strategy – Reductions, Cont.

- \$4.5M: Removal the Downtown Wifi program in the 5-year forecast starting in FY 28/29
 - Initiated with America Rescue Plan Act (ARPA) funds
- Reduction of 13 vacant positions across City departments
- Continue to support street safety and operations by reallocating Police Motor Officers to Local Streets Sales Tax Fund

Budget Strategy - Resources

- \$11.8M: Reallocation of available one-time resources
- \$5.7M: Increase projected ongoing revenues for building permits
- \$1.5M: Adjustment of Parks, Recreation and Community Facilities fees

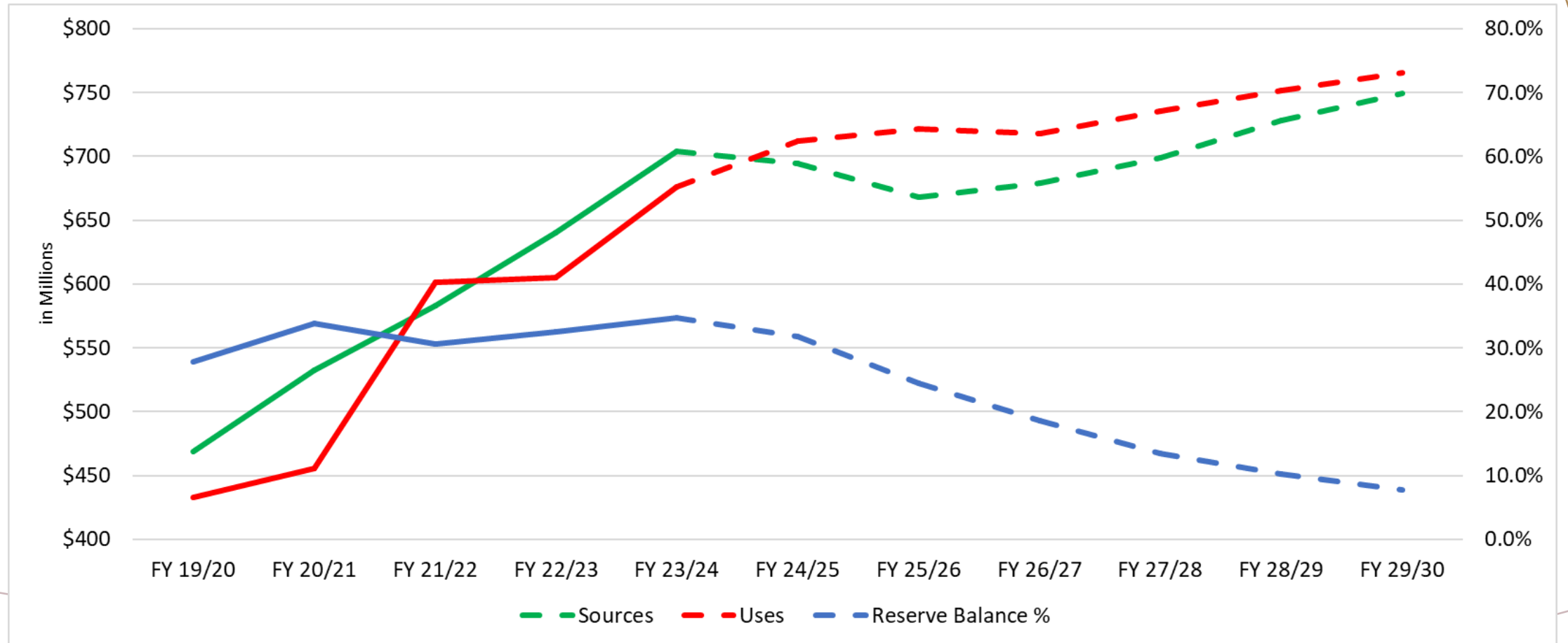
Budget Strategy – Enhancement Requests

- Departments submitted \$10.2M in one-time and ongoing requests to increase services/programs or start new programs
- \$7.1M in requests were approved. Some of the requests include:
 - \$500K: Increase funding for MFMD cancer screening
 - \$1.1M: Public safety support services
 - \$352K: Real Time Crime Center additional staffing for expanded hours.
 - Net \$1.3M: Funding for Sunaire operations while phasing out Windemere operations
 - \$363K: One-time funding for current Heat Relief program and support for Summer 2026

*Budget Strategy –
Enhancement
Requests, Cont.*

- Enhancement requests not approved
 - \$100K: Expansion of the Heat Relief program to the east part of Mesa
 - \$573K: Ongoing funding for Community Outreach and Heat Relief program
 - \$101K: A Community Outreach and Read Runner position for the Library
 - \$6.0M: Deferred City facilities maintenance
 - \$3.0M: Deferred parks maintenance

TOTAL SOURCES & USES GENERAL GOVERNMENTAL FUNDS



GENERAL GOVERNMENTAL FUNDS PROPOSED BUDGET FISCAL YEAR 2025/26

	Actuals FY 23/24	Projected FY 24/25	Budget FY 25/26	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29	Forecast FY 29/30
Beginning Reserve Balance	\$219.7	\$247.5	\$229.4	\$175.6	\$137.0	\$100.6	\$77.7
Total Sources	\$704.0	\$694.1	\$668.0	\$679.2	\$698.9	\$728.4	\$749.2
Total Uses	\$676.2	\$712.3	\$721.7	\$717.8	\$735.3	\$751.3	\$765.1
Net Sources and Uses	\$27.8	(\$18.1)	(\$53.7)	(\$38.6)	(\$36.4)	(\$22.9)	(\$15.9)
Ending Reserve Balance	\$247.5	\$229.4	\$175.6	\$137.0	\$100.6	\$77.7	\$61.8
Ending Reserve Balance Percent*	34.7%	31.8%	24.5%	18.6%	13.4%	10.2%	7.8%
data as of March 2025 dollars in millions							
*As a % of all Next Year's uses of funding							

Core Services

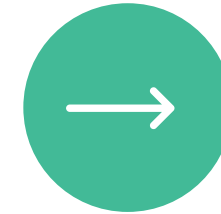
Utility Fund Financial Principles



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

Budget Pressures

- The FY 2025/26 Proposed Budget focuses on the City's effort in providing quality core services while addressing the following impacts
 - Fleet maintenance and repairs
 - Solid Waste Disposal
 - Water Commodity
 - Water/Wastewater plant chemicals
 - 91st Ave. Water Reclamation Plant
 - Val Vista Water Treatment Plant

Budget Strategy - Impact

- City Manager requested departments to submit a net 2% reduction of their ongoing base budget.

UTILITY FUND FORECAST UPDATE MARCH 2025

	FY 23/24 Actuals	FY 24/25 Projected	FY 25/26 Budget	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
WATER	(\$0.2)	\$1.8	(\$6.6)	(\$14.6)	(\$11.8)	(\$8.2)	\$2.2
WASTEWATER	(\$13.8)	(\$10.2)	(\$7.8)	(\$5.4)	(\$2.1)	\$3.2	\$8.5
SOLID WASTE	(\$8.2)	(\$5.9)	(\$0.9)	\$1.5	\$3.4	\$6.6	\$10.8
ELECTRIC	(\$0.3)	(\$0.0)	(\$0.8)	(\$1.0)	(\$1.3)	(\$1.7)	(\$2.2)
NATURAL GAS	(\$4.5)	(\$3.2)	(\$2.7)	(\$3.2)	(\$2.7)	\$0.7	\$0.6
DISTRICT COOLING	(\$0.4)	(\$0.2)	(\$0.0)	(\$0.0)	(\$0.1)	(\$0.0)	(\$0.0)
TOTAL NET SOURCES AND USES	(\$27.4)	(\$17.6)	(\$18.9)	(\$22.7)	(\$14.6)	\$0.4	\$19.9
Beginning Reserve Balance	\$144.4	\$117.0	\$99.4	\$80.5	\$57.7	\$43.2	\$43.6
Ending Reserve Balance	\$117.0	\$99.4	\$80.5	\$57.7	\$43.2	\$43.6	\$63.5
Ending Reserve Balance Percent*	22.0%	18.0%	12.8%	9.2%	6.6%	6.4%	8.9%
data as of March 2025 dollars in millions							
*As a % of Next Fiscal Year's Expenditures							

Core Services

Budget Strategy - Reductions

- A total of \$1.4M in ongoing expense reductions were submitted by the departments
- \$1.1M was reduced from the budget
 - Efficiencies in operations and additional revenue strategies are continued to be explored

Budget Strategy - Resources

- \$240K: Update gas utility development agreements to recover administrative costs
- \$168K: New Mesa Public Schools solid waste contract to assist in cost recovery
- \$150K: Increase revenue from solid waste barrel audits which have not been performed since 2017.

Budget Strategy – Enhancement Requests

- Departments submitted \$1.4M in one-time and ongoing requests to increase services/programs or start new programs
- \$949K in requests were approved. Some of the requests include:
 - \$586K: Five additional utility locators
 - \$273K: Bartlett Dam and SRP/CAP Interconnect Facility (SCIF) feasibility study
 - \$90K: Fire hydrant maintenance program

UTILITY FUND PROPOSED BUDGET FISCAL YEAR 2025/26

	FY 23/24 Actuals	FY 24/25 Projected	FY 25/26 Budget	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
WATER	(\$0.2)	\$1.8	(\$5.8)	(\$13.2)	(\$10.9)	(\$4.7)	\$5.3
WASTEWATER	(\$13.8)	(\$10.2)	(\$10.2)	(\$7.6)	(\$3.7)	\$0.9	\$6.0
SOLID WASTE	(\$8.2)	(\$5.1)	(\$3.6)	\$1.4	\$0.3	\$3.7	\$9.9
ELECTRIC	(\$0.3)	\$0.8	(\$0.9)	(\$1.0)	(\$1.4)	(\$1.8)	(\$2.3)
NATURAL GAS	(\$4.5)	(\$2.9)	(\$3.2)	(\$2.7)	(\$2.3)	\$1.0	\$0.9
DISTRICT COOLING	(\$0.4)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.3)	(\$0.2)	(\$0.2)
TOTAL NET SOURCES AND USES	(\$27.4)	(\$15.8)	(\$23.9)	(\$23.3)	(\$18.3)	(\$1.0)	\$19.7
Beginning Reserve Balance	\$144.4	\$117.0	\$101.2	\$77.4	\$54.1	\$35.8	\$34.8
Ending Reserve Balance	\$117.0	\$101.2	\$77.4	\$54.1	\$35.8	\$34.8	\$54.4
Ending Reserve Balance Percent*	22.0%	18.1%	12.1%	8.5%	5.4%	5.0%	7.5%
data as of March 2025 dollars in millions							
*As a % of Next Fiscal Year's Expenditures							

Core Services

BUDGET PROCESS CALENDAR

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



mesa·az