



City Council Report

Date: May 19, 2025
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 2025/26 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 FY25/26 is \$2.79 billion. This includes an annual operating budget of about \$2.05 billion and the annual portion of the five-year capital improvement program (CIP) budget of about \$741.2 million. Included within the operating budget is \$186.6 million in carryover and \$70.0 million in contingency budget authorization.

The tentative adoption of the budget sets the maximum expenditure budget amount for FY25/26. 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 capital investments to enhance core services. A few examples of this are the construction of three new fire stations, one new police substation, new ambulances for the transport program, Gateway Library which is the first full service library since 1995, and the Eastmark Great Park Phase II.

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 FY25/26 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 FY25/26 through FY26/27.

Comparison of FY 25/26 to FY 24/25 General Governmental Funds Budget

The expenditure budget for the General Governmental Funds for FY25/26 is \$718.8 million (excludes carryover), compared to \$670.2 million (excludes carryover) for the FY24/25 adopted budget.

The change is primarily due to the combination of increase costs of existing positions to recruit and retain quality employees, increase in overtime costs, and increase costs to commodities, services, and contracts.