



Proposed Budget Overview

Fiscal Year 2026/27

Mesa City Council

Presented By:

Brian A. Ritschel – Management & Budget Director
Samuel Schultz – Management & Budget Assistant Director

Date:

April 2, 2026



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
- **The City of Mesa's FY 2026/27 Proposed Budget is balanced**

“Elevate Mesa”

FISCAL YEAR 2026/27 PROPOSED BUDGET





General Governmental Funds



General Governmental Funds – Financial Policies & Principles

Financial Policies (Council Adopted)

- Adoption of a Balanced Budget
- Maintain a Reserve Balance of **8-10%**
- Forecasts will be Provided over a Multi-Year Period
- Fees & Charges will be Reviewed on an Annual Basis
- Adoption of a 5-Year Capital Improvement Plan

Financial Principles (City Management Practice)

- Balance Net Sources & Uses
- **10-15%** Reserve Fund Balance over 5-Year Forecasted Period
- Sustainability of Programs & Services
- Keep Wages & Benefits Competitive to Retain & Recruit Quality Staff
- Investment in Capital & Lifecycle Replacement Projects

- The FY 2026/27 Proposed Budget focuses on the City's effort in providing quality core services while addressing the following impacts
 - Loss of on-going revenue due to state legislation
 - Market-Driven Compensation & Competitive Benefits
 - Fleet maintenance & repairs
 - Software & licensing
 - Building maintenance and utilities
 - Continuing ARPA initiatives with ongoing General Fund support



Budget Pressures



Budget Strategy - Impact

- Striving towards a structurally balanced budget in FY 29/30 by reducing the ongoing base budget.
- City Manager requested departments to submit a net 2% reduction of their ongoing base budget.

General Governmental Funds Forecast Update – February 2026

	Actuals FY 24/25	Projected FY 25/26	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29	Forecast FY 29/30	Forecast FY 30/31
Beginning Reserve Balance	\$247.5	\$264.3	\$228.0	\$211.1	\$183.8	\$167.3	\$169.6
Total Sources	\$733.6	\$700.9	\$701.5	\$715.0	\$745.4	\$773.0	\$808.9
Total Uses	\$716.8	\$737.2	\$718.3	\$742.3	\$761.9	\$770.7	\$793.2
Net Sources and Uses	\$16.8	(\$36.3)	(\$16.8)	(\$27.3)	(\$16.5)	\$2.3	\$15.8
Ending Reserve Balance	\$264.3	\$228.0	\$211.1	\$183.8	\$167.3	\$169.6	\$185.4
Ending Reserve Balance Percent*	35.8%	31.7%	28.4%	24.1%	21.7%	21.4%	22.6%

data as of February 2026
dollars in millions


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





Budget Strategy – Reductions

- A total of **\$55.7M** in ongoing expenditures have been reduced from the budget and forecast for fiscal years 2024/25 to 2026/27.
- For FY 2026/27 the Police Department (\$4.4M) and Mesa Fire & Medical Department (\$1.4) were asked to phase their reductions in over two fiscal years.
 - Police Department reductions in FY 26/27
 - \$1.7M: Conversion of 3 vacant sworn positions to civilian positions, 9 full-time and 1 part-time vacant positions, and recruit signing bonus pay
 - MFMD reductions in FY 26/27
 - \$831K: Marketing/Communications Specialist II position and reallocating 4 firefighter positions from the General Fund to the Public Safety Sales Tax Fund



Budget Strategy – Reductions, Cont.

- City departments were able to make reductions through process review and efficiencies. Some reductions were:
 - 25 vacant positions across City departments
 - Subscription costs through discontinuing rarely used software
 - Contract costs through renegotiations
 - Equipment costs to meet staff needs
 - Insurance premiums to align with City needs
- Off the Streets – Sunaire operations funding reallocated to American Rescue Plan Act (ARPA) interest and HOME ARP funds

- \$2.0M: Credit card purchase and cooperative contract rebates.
- \$250K: Increase projected ongoing revenues building permits.

Budget Strategy – Resources





Budget Strategy – Enhancement Requests

- Departments submitted \$6.6M in one-time and ongoing requests to increase services/programs or start new programs
- \$4.8M in requests were approved. Some of the requests include:
 - \$3.0M: Redevelopment Toolkit Pilot
 - Assistant City Prosecutor II (1 FTE)
 - Senior Internal Auditor (1 FTE)
 - HVAC Controls Technician (1 FTE)
 - \$65K: 3rd party process server for Code Compliance
 - I.T. Technician III (1 FTE) for city WIFI maintenance



***Budget
Strategy –
City
Infrastructure***

- \$6.0M: Facility maintenance and improvements
- \$3.0M: Parks maintenance and improvements
- \$295K: Main Library Saguaro Room updates
- \$730K: Red Mountain Library
 - \$500K: Children’s Room renovation
 - \$230K: Program Room updates



General Governmental Funds Proposed Budget – Fiscal Year 2026/27

	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 FY 30/31
Beginning Reserve Balance	\$247.5	\$264.3	\$235.3	\$204.2	\$167.7	\$145.5	\$147.2
Total Sources	\$733.6	\$703.4	\$701.7	\$716.6	\$748.3	\$779.2	\$815.9
Total Uses	\$716.8	\$732.4	\$732.7	\$753.1	\$770.5	\$777.4	\$802.2
Net Sources and Uses	\$16.8	(\$29.0)	(\$31.1)	(\$36.5)	(\$22.2)	\$1.8	\$13.7
Ending Reserve Balance	\$264.3	\$235.3	\$204.2	\$167.7	\$145.5	\$147.2	\$160.9
Ending Reserve Balance Percent*	36.1%	32.1%	27.1%	21.8%	18.7%	18.4%	19.3%

data as of March 2026
dollars in millions

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





Utility Fund



Utility Fund – Financial Policies & Principles

Financial Policies (Council Adopted)

- Adoption of a Balanced Budget
- Maintain a Reserve Balance of **8-10%**
- Forecasts will be Provided over a Multi-Year Period
- Utility Rates Examined Annually
- Adoption of a 5-Year Capital Improvement Plan

Financial Principles (City Management Practice)

- Balance Net Sources & Uses
- **20%** or Higher Reserve Fund Balance
- Smoothed Rate Adjustments throughout the Forecast
- Equity between Residential & Non-Residential Rates
- Affordable Utility Services

- The FY 2026/27 Proposed Budget focuses on the City's effort in providing quality core services while addressing the following impacts
 - Market-Driven Compensation & Competitive Benefits
 - Fleet maintenance & repairs
 - Solid Waste disposal
 - Water Commodity
 - 91st Ave. Water Reclamation Plant
 - Val Vista Water Treatment Plant



Budget Pressures



Budget Strategy - Impact

- Striving towards a structurally balanced budget in FY 29/30 by reducing the ongoing base budget.
- City Manager requested departments to submit a net 2% reduction of their ongoing base budget.

Utility Fund Forecast Update – February 2026



	Actuals FY 24/25	Projected FY 25/26	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29	Forecast FY 29/30	Forecast FY 30/31
Beginning Reserve Balance	\$117.0	\$119.4	\$95.9	\$86.0	\$79.4	\$92.6	\$121.0
Total Sources	\$510.8	\$534.4	\$572.1	\$617.4	\$662.1	\$710.0	\$763.4
Total Uses	\$508.4	\$558.0	\$581.9	\$624.1	\$648.9	\$681.7	\$728.1
Net Sources and Uses	\$2.4	(\$23.5)	(\$9.8)	(\$6.7)	\$13.2	\$28.4	\$35.3
Ending Reserve Balance	\$119.4	\$95.9	\$86.0	\$79.4	\$92.6	\$121.0	\$156.3
Ending Reserve Balance Percent*	21.4%	16.5%	13.8%	12.2%	13.6%	16.6%	20.3%
					data as of February 2026		
*As a % of all Next Year's uses of funding					dollars in millions		





Budget Strategy – Reductions

- A total of **\$3.8M** in ongoing expenditures have been reduced from the budget and forecast for fiscal years 2024/25 to 2026/27.
- A total of \$1.7M in ongoing expense reductions were submitted by the departments
 - \$320K: Overtime and temporary staff due to the slowing down of fiber to premise

- ≈\$24M annually: Capacity fee
 - Growth pays for growth
 - Will be reviewed with the Utility Master Plan

***Budget
Strategy –
Resources***





Budget Strategy – Enhancement Requests

- Departments submitted and were approved \$2.1M in one-time and ongoing requests to increase services/programs or start new programs. Some of the requests include:
 - \$252K: Lead and Copper Rule (LCR) and Per- and Polyflouroakyl Substances (PFAS aka forever chemicals) analytical services
 - \$242K: Bartlett Dam feasibility study and Salt River/Central Arizona Project (CAP) Interconnect Facility (SCIF) technical review
 - \$1.2M: 3rd shift at East Mesa Service Center (10 FTEs) for Fleet Services



Utility Fund Proposed Budget – Fiscal Year 2026/27

	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 FY 30/31	
Beginning Reserve Balance	\$117.0	\$119.4	\$96.6	\$85.0	\$84.1	\$100.3	\$125.5	
Total Sources	\$510.8	\$526.8	\$569.5	\$616.1	\$662.9	\$715.8	\$771.5	
Total Uses	\$508.4	\$549.6	\$581.1	\$617.0	\$646.7	\$690.6	\$734.1	
Net Sources and Uses	\$2.4	(\$22.8)	(\$11.6)	(\$0.9)	\$16.2	\$25.2	\$37.4	
Ending Reserve Balance	\$119.4	\$96.6	\$85.0	\$84.1	\$100.3	\$125.5	\$162.9	
Ending Reserve Balance Percent*	21.7%	16.6%	13.8%	13.0%	14.5%	17.1%	20.9%	
data as of March 2026								
*As a % of all Next Year's uses of funding								dollars in millions





mesa·az