



## City Council Report

Date: April 2, 2026  
To: City Council  
Through: Michael Kennington, Deputy City Manager/Chief Financial Officer  
From: Brian A. Ritschel, Management and Budget Director  
Subject: Fiscal Year 2026/27 Summary of City Manager's Proposed Budget

### Overview of Proposed Budget

In March, the Council received an update on significant impacts to the City of Mesa's (City) financial forecast. At that time, available resources were projected for Fiscal Year (FY) 2026/27 and forecasted for FY 2027/28 and beyond. The cost of the current level of service was also projected for FY 2026/27 and forecasted for FY 2027/28 and beyond. Over the next few fiscal years, the City is estimating negative net sources and uses that is forecasted to become positive by the end of the 5-year forecast period. The negative net sources and uses are primarily due to the State Legislature passing a state income flat tax and eliminating the ability for municipalities to collect transaction privilege tax on residential rental properties; significant inflation on the cost of commodities, services, and contracts; and significant personnel wage growth to provide competitive salaries and benefits for City employees.

Executive Staff has met with each department to discuss reducing their on-going base budget by 2.0% for the upcoming fiscal year. All departments were asked to review items in their base budgets that they could reduce that is not part of their core services. For FYs 2024/25 to 2026/27, a total of \$55.7M in General Governmental Funds ongoing expenditures have been reduced from the budget and the forecast.

The proposed budget continues the City's focus on a commitment to providing quality core services to residents in a fiscally responsible manner. The City's budget continues to focus on public safety, quality service, and investment in neighborhoods, investment in city employees and the leveraging of technology.

The City's fiscal year runs from July 1<sup>st</sup> to June 30<sup>th</sup>. The City is required to adopt a balanced budget as well as a secondary property tax levy each year. An annual budget is determined to be balanced if the anticipated resources are sufficient to cover the anticipated/budgeted expenditures. Resources include both new revenues as well as reserve balances.

The City's Adopted Budget sets the maximum expenditure level that can take place in a fiscal year. The provision of services and programs is fluid in nature. Budget modifications occur during the fiscal year to better align resources. Modifications may

increase or decrease the budget of a particular department. The following are some reasons for budget modifications, although not an exhaustive list.

- Unanticipated grant award
- Unanticipated expense
- Change in statutory requirements
- Conversion of temporary positions to permanent positions
- Addition of positions to meet service and/or workload requirements
- Addition of pilot programs to gather data
- Transfer of positions from one department to another
- Reduction/reorganization of positions to better meet needs

This document summarizes the significant budget modifications that took place during FY 2025/26, as well as new expenditures that are anticipated for FY 2026/27.

### **General Government Operating Budget**

General Governmental revenues in the City of Mesa come from three primary sources: local sales and use tax, state shared revenues, and a contribution from the Utility Fund.

#### *Local Sales Tax*

Local sales tax collections, the largest of these sources, are projected to end FY 2025/26, the current fiscal year, 0.4% higher than what was collected in the prior fiscal year. It is anticipated that total Local Sales Tax collections in FY 2026/27 will be 2.0% above collections in FY 2025/26. Sales tax collections can be analyzed by transaction category.

- Retail sales contribute the largest portion of the total local sales tax in the City. At the end of FY 2025/26, actual collections are expected to be 4.2% higher than FY 2024/25 actuals.
- Rental sales tax has historically been collected as a tax on residential rental properties and commercial equipment and property rentals. In January 2025, tax on residential rentals was preempted by the Arizona State Legislature. This is anticipated to have a \$25.0M annual impact on the City's revenues and continues to be a revenue pressure in future fiscal years.
- Other categories for sales tax collections include Restaurants, Utilities, Contracting, and other Miscellaneous collections. Collections in these categories in FY 2025/26 are expected to be 5.5% higher than FY 2024/25 actuals.

#### *Public Safety Sales Tax*

The Public Safety Sales Tax (PSST) Fund is a voter approved sales tax revenue restricted to public safety programs and projects. The proposed FY 2026/27 budget for both the Mesa Fire & Medical Department (MFMD) and Police Department is consistent with the FY 2025/26 budget.

### *Quality of Life Sales Tax*

The funding for the Quality of Life Fund is voter-approved sales tax revenue and is dedicated to public safety and other enhanced City services. The FY 2026/27 budget covers the estimated costs of up to 120 sworn full-time equivalent (FTE) in the Police Department and up to 65 sworn FTEs in the Mesa Fire and Medical Department. The Quality of Life Fund has seen increased revenues, which now exceeds the expenditures to cover all allowable public safety positions. Therefore, the FY 2026/27 proposed budget shifts support of some Mesa Arts Center positions from the General Fund to the Quality of Life Fund. This shift in funding maintains service levels at the Mesa Arts Center and alleviates expense pressures on the General Fund to continue to support public safety services.

### *State-Shared Revenues*

State-shared revenue consists of urban revenue sharing (state-shared income tax), state sales tax, and vehicle license tax. All state-shared revenue is based on population formulas.

Urban Revenue Sharing: The growth in urban revenue sharing is the result of gains in taxable income from individuals and corporations. Since Urban Revenue Sharing revenue has a two-year lag between income reported and the receipt of revenues by the City, the budget amount is known. In FY 2026/27, Urban Revenue Sharing revenues will increase 9.8% from FY 2025/26.

State-Shared Sales Tax: State sales tax is projected to increase 2.6% in FY 2026/27 over FY 2025/26. The State is showing slight growth in their sales tax categories. The State has not collected sales tax on residential rentals, so the elimination of that category does not impact the State-Shared Sales Tax forecast.

Vehicle License Tax: The smallest contributor to state revenue sharing is vehicle license tax, and it is expected to increase 0.8% in FY2026/27 over FY 2025/26 anticipated actuals.

### *Utility Fund Contribution*

The Utility Fund contribution is one of the City's methods of providing funding for general governmental services such as police and fire as well as libraries and parks. The City Council in 1945 eliminated the City's primary property tax and implemented a contribution from the Utility Fund to the General Fund. On March 16, 2020, the City Council adopted Ordinance No. 5559, which states that the Utility Fund contribution is no more than 30.0% of utility gross operating revenues, 25.0% for public safety and 5.0% for general City services. Based on utility revenue estimates, the FY 2026/27 contribution is budgeted at \$157.9M.

### *Transit Fund Contribution*

The City receives transit revenues from the State and a portion of the fares for light rail ridership, however the revenues do not cover the total operating costs. The remainder of the costs are covered by a transfer from the General Fund to the Transit Fund. The projected FY 2026/27 transfer is \$29.5M, which is above the FY 2025/26 transfer of \$26.9M. The increase in the transfer is largely due to cost increases for labor, maintenance, systemwide improvements, and project developments related to Light Rail services.

## Utility Operating Budget

Planning for new accounts and incorporating trends in consumption, FY 2026/27 operating revenues are estimated at \$530.5M, increasing from \$490.7M projected for FY 2025/26 (excluding the EECAF/PNGCAF commodity cost pass throughs).

In recent years, Mesa has experienced an increase in the number of utility customers. However, increased efficiency in homes and appliances, and mild winter conditions have resulted in lower usage per account in several of the City's utilities in years past.

With the increase in utility customers comes demand to provide additional capacity and infrastructure to meet future needs. Of importance is Mesa's southeast region where less infrastructure is available but significant growth in development is anticipated. This is particularly true of water and wastewater utilities in need of new and upgraded facilities to meet new and future customers' growth demands.

The current forecast calls for declining reserve balances for the next few years in anticipation of a scheduled increase in existing debt service expenses. Additionally, the current forecast includes cost increases for various budget items including power and chemicals at water treatment and reclamation plants, as well as increased water supply costs as the region continues to experience drought conditions. The City forecasts expenses, revenues, and reserve balances over a multi-year period and reviews them on an on-going basis to allow for proactive response to economic changes.

## Reserve Balance

The City's financial policies call for a forecasted fund balance (reserves) of at least 8.0-10.0% per fiscal year for the General Governmental and Utility funds. City finances have benefitted from increased local sales tax and state shared revenues, however, there is a gap between on-going revenues and on-going expenditures. The City forecasts expenses, revenues and reserve balances over a multi-year period and reviews them on an on-going basis to allow for proactive response to economic and programmatic changes. Based on the current 5-year forecast, the reserve fund balance percentage does not fall below 18.4% for the General Governmental Fund, which is sufficiently more than the City's policies and principles.

## Restricted Funds Highlights

### *Transportation Related Funds*

Transportation funds come from two sources. The State of Arizona collects Highway User Revenue Funds (HURF) and a portion of these are provided to cities and towns. This is mainly comprised of the fuel tax paid at the fuel pump by the consumer (44.8%) and part of the vehicle license tax (33.7%). The remainder is comprised of miscellaneous State fees. Cities in Arizona with populations above 300,000 people also receive an additional allocation of the revenues referred to as HURF 3%. The other transportation funding source is a voter approved 0.3% Mesa city sales tax dedicated to street expenditures referred to as Local Street Sales Tax (LSST).

Highway User Revenue Fund (HURF): In years past, HURF and HURF 3.0% revenues experienced volatility due to adjustments and diversions in the distribution by the State. The current forecast does not include any adjustments for potential diversions in distributions by the State, however adjustments will be made if additional action is taken by the State. In FY 2026/27, expected revenues are estimated to increase by 4.1% over anticipated collections in FY 2025/26.

Local Streets (LS) Fund: LS Fund revenue collection is tied to the rest of city sales tax and other Transportation related fees, including the temporary traffic control fee. Anticipated revenues for FY 2026/27 are expected to be below FY 2025/26 by 4.6% due to a slowdown in fees related the Fiber to the Premise program.

HURF and LS Fund are managed together as both funds are restricted to street-related expenditures. The City’s street maintenance program outlines the highest priorities for allocation of available resources. Expenditures are modified to remain within available resources. The available ending reserve balance for HURF and LS Fund combined is estimated to be \$131.5M in FY 2025/26 and decrease to \$127.3M in FY 2026/27.

*Trust Funds*

The City contributes to three trust funds related to liabilities. City contributions for FY 2026/27 include \$10.5M to the Property and Public Liability Trust Fund, \$114.5M to the Employee Benefits Trust Fund, and \$7.3M to the Workers’ Compensation Trust Fund. Programmatic updates to these trust funds can be found in the Trust Fund section.

Employee Benefit Trust (EBT) Fund: The EBT Fund is used to fund employee health benefits and other employee benefit programs the City sponsors. Resources for the fund come from the setting of medical and dental premiums paid partially by employees and retirees, and partially by the City. Historic total EBT Fund expenses and cost of claims are shown below:

<b>Fiscal Year</b>	<b>Total Expenses</b>	<b>% Increase</b>	<b>Cost of Claims</b>	<b>% Increase</b>
FY 2020/21 Actual	\$99.3M	2.9%	\$89.5M	3.4%
FY 2021/22 Actual	\$102.2M	2.9%	\$91.4M	2.1%
FY 2022/23 Actual	\$101.8M	(0.4%)	\$90.3M	(1.2%)
FY 2023/24 Actual	\$116.6M	14.6%	\$104.3M	15.4%
FY 2024/25 Actual	\$138.2M	18.5%	\$124.5M	19.3%
FY 2025/26 Projected	\$149.3M	8.1%	\$134.2M	7.8%
FY 2026/27 Forecast	\$161.0M	7.8%	\$143.9M	7.2%

Medical, prescription, and dental claims costs continue to rise. In FY 2025/26 the City experienced a continued increase in claim costs higher than forecasted. This is the third year of higher than normal claim costs, which is primarily due to high-cost specialty drugs and high costs associated with GLP-1 medications for diabetes management and weight loss. With costs trending up, claims costs are projected to increase from FY 2025/26 to FY 2026/27 by \$9.7M, or 7.2%, based on historical patterns of years with high increases followed by a moderate increase. Increases in claims are attributed to membership increases, utilization increases, and healthcare cost inflation.

Medical and dental premiums are set on a calendar year (CY) basis. To address the projected increased costs, the FY 2026/27 budget includes an increase of 10.0% for the City, employee, and retiree contributions for both calendar years 2026 and 2027 and additional minor plan design changes. In the summer of 2026, plan design and premiums will be reviewed. Specific rate recommendations will be presented to the City Council in the fall of 2026. The City's contribution included in the FY 2026/27 budget is \$114.5M, which is \$11.6M more than the FY 2025/26 Adopted Budget. The FY 2026/27 proposed budget City contribution is slightly higher compared to what was presented at the Trust Fund Board meeting as the proposed budget will account for new and vacant positions contributing to the fund.

In CY 2026, all EBT related contracts are in either initial up to 5-year term phases or standard contract supported multi-year renewal phases. In CY 2025, the City awarded a contract following a competitive Request For Proposal (RFP) for a five-year contract with an optional 6th and 7th year extension for all of the City's Welfare Benefit insurances including Basic and Supplemental Life, Accidental Death and Dismemberment Insurance, Business Travel Accident/Commuter Travel Accident Insurance, Short Term Disability Insurance and Long-Term Disability Insurance for Sworn Personnel and Elected Officials. Improvements in unit pricing and/or benefit coverage levels in CY 2026 and beyond are beneficial to both the City and eligible employees with reduced financial liability and favorable support of total rewards compensation strategies. Additionally, in 2025 the City awarded a contract for a stop-loss insurance policy on medical/prescription drug expenses that reduces unit costs on City paid premium liabilities for this insurance for CY 2026 and beyond. In CY 2026, three EBT related contracts will be evaluated for renewal options that maintain or reduce administrative fee structures or increase credit guarantees.

Workers' Compensation (WC) Trust Fund: The WC Trust Fund is used to fund claims related to employee work-related injuries and is funded by the City. Total annual expenses have remained consistent in the past several years and are expected to remain around the same.

The City contributes to the WC Trust Fund each pay period based on the salary of each employee. Rates are established based on the risk level of the job classification. Contributions are calculated in the total cost of the position and included in departments' operating budgets. Expenses are reviewed during the fiscal year and rates can be modified if needed. The expenses also include an offset from the Municipal Firefighters Cancer Reimbursement based on prior year claims. Pending

WC claims are valued at the total estimated payment, which may occur over many years based on the type of injury.

The reserve target has been modified based on feedback from the Trust Fund Board. The prior reserve plan set the fund balance reserve target equal to the next fiscal year's total WC Trust Fund expenses. The FY 2026/27 proposed budget reserve target for the WC Trust Fund is set at \$7.0M to account for the potential of five large claims which sets a similar practice to the Property and Public Liability Trust Fund reserve target.

Based on the FY 2025/26 projected reserve balance and the expenditures forecasted for FY 2026/27, an increase to the WC rates from the previous year is included in FY 2026/27. The FY 2026/27 budget includes a City contribution of \$7.3M.

Property and Public Liability (PPL) Trust Fund: The PPL Trust Fund is used to pay claims related to lawsuits against the City. The value of claims paid can vary significantly by year, therefore, the PPL Trust Fund minimum fund balance target is between \$10.0M and \$15.0M. The length of time from the submission of a claim to its final resolution can take over a year, contributing to a high variability of annual costs. Claims are projected to be \$2.5M in FY 2025/26. The cost of claims included in the FY 2026/27 budget is \$5.0M.

City contributions into the fund are based upon the prior year PPL Trust Fund claims experience. A majority of the City contributions come from general governmental funds. The contribution needed to maintain the target reserve balance is estimated each year and included in the budget. The FY 2026/27 City contribution estimate is \$10.5M to decrease the fund balance from the projected FY 2025/26 of \$14.9M to \$14.3M. Expenses are reviewed during the year and the contribution amount is modified as necessary.

#### *Environmental Compliance Fee Fund (ECF)*

The Environmental Compliance Fee is applied to each utility account customer to meet the projected costs of Federal, State, and County unfunded environmental mandates. The current monthly fee is anticipated to generate \$19.3M in revenue in FY 2026/27. The fee funds the City's environmental activities such as air quality, storm channel drainage, and hazardous waste management. Budgeted on-going operational expenses are \$18.7M. The current fee has been in place since July 1, 2014 and is expected to remain the same for FY 2026/27. Savings experienced each year are accumulated and applied to future one-time expenditure needs.

#### *Grants*

The City pursues grants to fund projects, implement or enhance programs, and fund the acquisition of new equipment. While the application for grant funding requires preparation time by City staff as well as subsequent tracking of grant expenditures, grant awards provide the City with the means to fund services that would not otherwise be funded in the City's budget. Not all grants applied for are awarded to the City. The City includes grants currently being applied for in the Adopted Budget to allow for budget authorization capacity.

### Police Department Grants

The Police Department (PD) is budgeting to apply for approximately \$7.3M in grant awards for FY 2026/27. Notable proposed grant awards include the following:

- \$3.6M Homeland Security Grants to provide funds for training and equipment to support Homeland Security initiatives.
- \$1.5M in multiple Department of Justice (DOJ) Byrne Justice Assistance Grant (JAG) and Community Oriented Policing Services (COPS) Technology and Equipment grants. The Byrne JAG funding provides resources for the City's acquisition of seven unmarked police department vehicles to enhance the operational capacity of the City's Domestic Violence Unit. The COPS Drone as First Responder (DFR) Program Expansion will support the acquisition of one drone to enhance the PD's DFR program. The COPS Biometric Identification Enhancement funding will provide resources for the acquisition of 150 handheld fingerprint devices to equip nearly half of the PD's patrol officers. The COPS Mobile Camera Trailer Expansion funding will support the acquisition of five additional mobile, solar-powered camera trailers. The COPS Patrol LIDAR Expansion funding will support the acquisition and deployment of twenty LIDAR speed-enforcement devices in the City.
- \$634K for support for the Mesa Family Advocacy Center, including Victims of Crime Act grant.
- \$530K in a Governor's Office of Highway Safety (GOHS) Grant to provide resources, overtime for DUI and traffic enforcement activities, and safety equipment for the City's Traffic Safety Program included support for Prop 207 related activities.
- \$500K in a Department of Public Safety (DPS) Anti-Human Trafficking grant to provide funding for officer overtime to coordinate activities that address human trafficking in Arizona.
- \$355K for a High Intensity Drug Trafficking Areas (HIDTA) Grant to provide funding for officer overtime to coordinate activities that address drug trafficking in specific designated areas of the United States.
- \$200K in a Justice Assistance Grant (JAG) to support improving technology services in the Police Department.

### Mesa Fire and Medical Department Grants

Mesa Fire and Medical Department (MFMD) plans to apply for approximately \$3.7M in grant awards for FY 2026/27. Notable grant awards include the following:

- \$1.8M Assistance to Firefighters Grant Program from the (Federal Emergency Management Agency) FEMA.
- \$1.4M from the Arizona Department of Administration for a Fire Incident Management System.
- \$100K from the Salt River Pima Maricopa Indian Community for immunization supplies
- \$10K for the immunization program from the Arizona Department of Health Services
- \$367K from the Arizona Department of Homeland Security to include \$273K for the Rapid Response Taskforce and \$46K for equipment, \$12K for the Threat

Liaison Officer program, \$33K for Emergency Management Training, and \$4K for the Community Service Response Team.

### Arts & Culture Grants

The Arts & Culture Department's proposed budget includes spending capacity of \$1.5M in grant funding for various potential small grants.

### Housing & Community Development Grants

The Mesa Housing Authority oversees a variety of programs designed to provide safe, decent, and affordable housing and a suitable living environment within the City. To accomplish this task, the City has assumed several vital roles within the community.

- Housing Choice Voucher Program (Section 8) - the U.S. Department of Housing & Urban Development (HUD) funded program provides rental assistance to low-income families for decent, safe, and sanitary housing by contracting with private owners and subsidizing a portion of the family's monthly rent. Since housing assistance is provided on behalf of the family or individual, participants can find their own housing, including single-family homes, townhouses, and apartments.
- Mainstream Voucher Program (Section 8) - mainstream program vouchers enable families having a person with disabilities to lease affordable private housing of their choice. Mainstream program vouchers also assist people with disabilities who often face difficulties in locating suitable and accessible housing on the private market.
- The City of Mesa Housing Authority operates the HUD-Veterans Affairs Supportive Housing (VASH) program (Section 8), which provides rental assistance for chronically homeless veterans and their families, while the Veterans Administration in Phoenix provides case management and clinic services at its medical centers and community clinics.
- Family Self-Sufficiency (FSS) Program - FSS is a voluntary HUD program for families in the voucher rental assistance program to set goals and achieve self-sufficiency through education and increased earned income. FSS provides case management and connections with community resources and services for guidance and opportunities, such as referrals for college access or job training, career guidance and job search, financial coaching, homebuyer pathways, and more.

Section 8 programs funding totaled \$30.8M in FY 2025/26 and \$27.5M in FY 2026/27.

The City is a designated entitlement community by the HUD. The Community Services Department oversees the following Community Development programs designed to revitalize neighborhoods, promote economic development, and improve community facilities and services:

- Community Development Block Grant (CDBG) - ensures decent affordable housing, provides services to the most vulnerable in our communities, and

creates jobs through the expansion and retention of businesses. Total funding for this program was \$4.6M in FY2025/26 and \$3.9M in FY 2026/27.

- HOME Investment Partnership (HOME) - helps communities expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to housing for low-income families. The HOME Program funds a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. Total funding for this program totaled \$1.4M in FY 2025/26 and \$1.3M in FY 2026/27.
- Emergency Solutions Grant (ESG) - provides essential services related to emergency shelter, rehabilitation, and conversion of buildings to be used as emergency shelters, operation of emergency shelters, and homelessness prevention services. Total funding for this program totaled \$336K in FY 2025/26 and \$340K in FY 2026/27.

**City-wide Adjustments Impacting Budget**

Some budget adjustments affect all funds and departments across the City in varying degrees, such as changes in the cost of personal services. These types of adjustments are discussed here.

*State Retirement Plan Contributions*

FY 2026/27 contribution rates for State-run retirement plans changed as follows:

Retirement Plan	FY 2025/26 Rate	FY 2026/27 Rate	Rate Change
Arizona State Retirement System (ASRS)	12.00%	11.98%	(0.02%)
Elected Officials Retirement System (EORP)	70.70%*	70.70%*	0.00%
Public Safety Personnel Retirement System (PSPRS) - Fire	57.84%	59.41%	1.57%
Public Safety Personnel Retirement System (PSPRS) - Police	59.49%	61.75%	2.26%

*\*New rates not posted*

In the FY 2026/27 proposed budget, the City continues to address the increases in the unfunded liability with the Public Safety Personnel Retirement System (PSPRS) plan and works to smooth out future cost increases for the unfunded liability.

**History**

Due to investment losses and a series of court rulings that reversed prior pension reforms, PSPRS rates increased significantly in FY 2017/18. The State allowed municipalities the option to extend the amortization period for unfunded PSPRS liability from 20 years to up to 30 years. The City opted to extend the amortization rate for the

unfunded liability from 20 years to 30 years but committed to paying off the unfunded liability over 25 years.

#### Status

The City continues its approach in paying down the unfunded liability in quarterly payments, providing the City more flexibility to meet the desired total contribution amounts with the ability to adjust with the market or new assumptions. The FY 2026/27 PSPRS rates have increased when compared to FY 2025/26. The City is projected to contribute a total of \$106.0M to PSPRS for FY 2026/27, compared to \$102.3M in FY 2025/26. This amount includes additional contributions above the projected Annual Required Contribution.

The Arizona State Retirement System (ASRS) contribution rate for FY 2026/27 is 11.98%, a decrease of 0.02% from the current rate of 12.00%. This slightly decreases the City's expected contribution to ASRS compared to FY 2025/26.

The Elected Officials Retirement Plan (EORP) contribution rate for FY 2026/27 is 70.70%. This is equal to the rate of FY 2025/26 as the updated contribution rates are not available at this time.

#### *Salary Step Pay:*

Pay ranges for positions operate with minimum and maximum amounts. Movement through the pay range (step pay) is reviewed on an annual basis during an employee's performance review. Successful performance is required for an employee to be eligible for step pay increase, but the increase is dependent on funding availability. Each year, as part of the budget process, citywide funding availability is determined. During the last recession, funds were not available, and step pay increases were not authorized. For the last few fiscal years, the authorized step pay amounts were a 3.0% step increase in July of 2023/24 with a 5.0% citywide salary adjustment, a 3.0% increase in July of 2024/25, and a 4.0% increase in July of 2025/26. The City will continue to provide all employees with competitive pay and benefits going into FY 2026/27.

#### *Health Plan Contributions – Employee Benefit Trust (EBT)*

To minimize cost, the City funds many of its employee and retiree benefits internally through the EBT Fund. This includes medical, dental and vision benefits. The FY 2026/27 budget anticipates increasing the contribution by 10.0% for the City, employees, and retirees effective January 2027. Premiums will be reviewed in full over the summer and will be presented to City Council in the fall of 2026. The increase in medical premiums results in an increase in the costs of personal services for each department.

#### *Fleet Maintenance and Commodity Costs*

Due to the rising costs of labor, parts, fuel, and other materials, the City has provided \$2.0M in additional budget capacity to departments to cover fleet allocated costs. The rising costs are a result of continued supply chain constraints, delays in receiving replacement and new vehicles, increase in 3<sup>rd</sup> party contract maintenance, as well as increased fuel pricing.

## **Capital Improvement Program (CIP) Highlights**

As outlined in the Council's Economic Development strategic initiative, the City continues to place a high priority on infrastructure investment to attract and service future development.

The proposed CIP includes significant investment for public safety infrastructure. Construction is underway in the remodeling of the PD's headquarters in downtown Mesa. Additionally, construction will begin on two new fire stations, 223 and 224, enhancing emergency response capabilities in underserved areas. These projects are funded by Public Safety Sales Tax and General Obligation (GO) bond authorization approved by voters in 2022. The 2024 GO bond authorization projects are also underway, including Fire apparatus purchases and fiber network improvements.

Roadway improvements are underway on Broadway Road, Val Vista Drive from Pueblo to the US 60, and Ellsworth Road from City Limits to Ray Road using GO bond authorization approved by voters in 2020. In conjunction with the street projects, the City will replace and upgrade utility infrastructure. Coordinating this effort not only ensures the reliability of utility service lines, but it also maximizes the life of the pavement. The utility infrastructure is funded with utility revenue obligations.

Parks and Recreation initiatives in this CIP feature a variety of community enhancements across the City. Design work is underway at the Red Mountain Aquatic Center and Southeast Aquatic Center. Improvement projects are included for playground renovations at Heritage Park, Meadowgreen Park, Woodglen Park, Carriage Lane Park, Shepherder's Park, and Augusta Ranch Park, as well as the renovation of Monterey Dog Park. These projects are funded by the GO bond authorization approved by voters in 2024, emphasizing the city's commitment to developing Parks and Recreation facilities that enhance the quality of life in the City of Mesa.

As part of Mesa's on-going commitment to utility infrastructure development, the proposed CIP highlights critical investments in water and wastewater facilities. Over the next five years, Mesa's estimated cost share for capital improvements at the Val Vista Water Treatment Plant (40.0% ownership) is \$68M, supporting its production of approximately 35.0% of the city's water supply. At the 91st Avenue Wastewater Treatment Plant (20.0% ownership), Mesa will contribute \$154.0M to ensure continued efficiency in wastewater management. Additionally, Mesa will allocate \$16.0M toward expanding treatment capacity at the Greenfield Water Reclamation Plant, a joint venture with Gilbert and Queen Creek, as part of a \$177.0M total project cost. These initiatives reinforce Mesa's dedication to sustaining essential services for its residents.

## **Secondary Property Tax**

Secondary property tax revenue can only be used to pay the debt service on voter approved GO bonds. The City Council adopts a secondary tax levy and associated rate each year as a separate action after final adoption of the budget.

The secondary property tax levy included in the FY 2026/27 proposed budget is \$46.4M. The corresponding secondary property tax rate is \$0.8500 per \$100 of taxable value, a decrease by \$.0082 from the previous year.

A residential property with a median taxable value of \$194,975 (\$458,171, sale value) would be billed \$166 for the year in City of Mesa property tax.

**Figure 1. Mesa Secondary Property Tax Levy and Rate: FY 2025/26 to FY 2026/27**

	FY 2025/26	FY 2026/27 Tentative	\$ Change	% Change
<b>Secondary Property Tax Levy</b> (Taxable Value * Tax Rate)	\$44.3M	<b>\$46.4M</b>	+\$2.1M	+4.6%
<b>Secondary Property Tax Rate</b> (per \$100 of Taxable Value)	\$0.8582	<b>\$0.8500</b>	-\$0.0082	-1.0%
<b>Annual Cost to Median Homeowner</b>	\$160	<b>\$166</b>	\$6	+3.6%

There is a decrease to the proposed secondary property tax rate for FY 2026/27. Since the value of taxable property has increased, the City is able to decrease the current rate and cover the debt requirements.

**Lifecycle Replacement Program**

The lifecycle replacement effort focuses on identifying and developing a multi-year plan for purchase/replacement/upgrade of items (or technology) that have a mid-range useful life and should be addressed on a regular basis. Scheduled replacement allows the City to avoid expenditure spikes that can impact the City’s ability to deliver services. A citywide plan is evaluated and prioritized to meet the operational needs and available resources of the City. Examples include computer cycle replacement, pool equipment replacement, and the vehicle replacement program. On an on-going basis, departments review and identify large periodic operational expenditures which cannot be covered within their annual operations budget.

The FY 2026/27 proposed budget for the lifecycle replacement program is \$183.3M (no carryover). Additional funding has been allocated for street overlay improvements, traffic signal controller cabinet upgrades, Falcon Field pavement restoration, convention center event space enhancements, updates to the meetings rooms at the Main and Red Mountain Libraries, renovation of the children’s room at the Red Mountain Library, and sewer manhole rehabilitation. Investments also include support for public safety and operational needs such as forensic equipment, police support operations, and public training initiatives, along with continued funding for technology replacements and lifecycle equipment. Lifecycle needs are identified each year and staff develops a comprehensive plan to prioritize citywide needs.

## Department Highlights

The following section highlights the budgetary impacts within each department and is not meant as an overall highlight of all activities occurring around the City.

### *Public Safety Departments*

#### Mesa Fire and Medical

The General Fund FY 2026/27 proposed budget includes continued support for the cancer screening program, in which Mesa Fire and Medical Department (MFMD) Sworn members would be on a three-year screening schedule to prevent and detect cancer related illnesses. The proposed budget also includes funding for a fall and spring firefighter recruit academy, two in-house medic school academies, and capacity for the City's contribution to the State's Municipal Firefighters Cancer Reimbursement Program. In addition to the continued support, the FY 2026/27 proposed budget includes an increase of \$40K for the Medical Director contract that provides consultation and direction in medical services.

MFMD will be reducing their General Fund budget by \$1.4M on-going over the next three years. To meet this reduction target, the FY 2026/27 proposed budget will include the shifting of four Firefighter positions (4.0 FTEs) from the General Fund to the PSST Fund to serve as rovers, with a reduction in overtime in the PSST Fund, thus resulting in no impact to the PSST fund. Additionally, a vacant Marketing/Communications Specialist II position (1.0 FTE) will be removed, which allowed the department to have a specialized role within its PIO department that now will be generalized amongst other staff.

The Ambulance Transport Fund's FY 2026/27 proposed budget includes on-going increase in overtime capacity of \$230K alongside \$56K for minor equipment, and \$290K for the addition of one Civilian EMT position (1.0 FTE), one Paramedic position (1.0 FTE) and the conversion of two EMT positions (2.0 FTEs) from 12 hour to 24 hour, and two Paramedic positions (2.0 FTEs) from 12 hour to 24 hour. These resources are added to accommodate future call volume/revenue growth with the full build-out of the program that commenced in March 2025. The operations of the Ambulance Transport Fund are self-sustaining, and the expected revenues from the added service lines will fund the program.

#### Municipal Court

The FY 2026/27 proposed budget reductions include eliminating one vacant Court Specialist position (1.0 FTE), shifting credit-card processing fees to cardholders, and reducing administrative expenses such as software license renewals, legal subscriptions and materials, meetings, conferences, training, travel, computer replacements, and other equipment purchases.

Revenue in FY 2026/27 is estimated to be \$6.2M. Included in this anticipated revenue are civil fines, criminal fines, photo safety fees, defensive driving classes, and fees for court monitoring services.

### Police

The Police Department (PD) receives miscellaneous revenue from many resources including donations, seizures, range fees, and grants. As new resources are identified during the year, the department budget is modified to create budget capacity to use the funds.

The General Fund FY 2026/27 proposed budget includes one-time acquisition and on-going operating funding for a vehicle for the Police Dispatch Lieutenant position, which was approved this fiscal year as part of the new staffing plan for dispatch communications.

PD will be reducing their budget by \$4.4M on-going over the next three years. The FY 2026/27 proposed budget includes the elimination of the recruit signing bonus, the conversion of three vacant sworn positions to civilian positions, and the reduction of other professional services. Additionally, three sworn Crime Gun Intelligence Center Detective positions (3.0 FTEs) will be eliminated, and six vacant full-time and one vacant part-time civilian staff positions will be eliminated, which include three Park Ranger positions (3.0 FTEs), two Civilian Investigation Specialist positions (2.0 FTEs), a Photo Safety/Towing Police Investigator positions (1.0 FTE) and a part-time Range Firearm Instructor position (0.5 FTE).

The Public Safety Sales Tax Fund FY 2026/27 proposed budget is consistent with the FY 2025/26 budget.

Information on PD grants is included in the grant section of this report.

### Mesa Public Safety Support (MPSS)

MPSS was created during FY 2025/26 to centralize the 911 call taking process between MFMD and PD and segregate Forensics to improve operational efficiencies. 143.50 FTEs were shifted from PD to MPSS with an additional 1.0 FTE, a Telecommunications Shift Supervisor, added during the fiscal year. Additionally, \$5.2M of capacity outside of personnel services was also shifted over to MPSS from PD's Telecommunications and Forensics to shift over the General Fund operational budget, and one-time capacity was added for a recruiting contract to help with current vacancies.

The FY 2026/27 Proposed budget includes a one-time \$50K for Forensics accreditation completed every four years to meet international standards and a Public Communications Shift Supervisor position (1.0 FTE) to improve coverage stability.

MPSS is reducing their budget by \$388K with supply savings from changing to a new instrument that allows toxicology tests to run more efficiently with decreased supplies and maintenance costs, grant edibility for instrument

maintenance, eliminating a firearms maintenance contract due to a newly added assist tool that lowers maintenance costs, reducing service of the Crisis contract, freezing a Crime Scene Specialist position (1.0 FTE) and a Telecommunicator III position (1.0 FTE) until other vacancies are filled.

### *Utility Departments*

#### Energy Resources

The FY 2026/27 proposed budget includes additional on-going and one-time funding to cover the increased cost of fleet services and maintenance.

Budgeted purchases for the electric energy commodity are anticipated to decrease from \$25.0M in FY 2025/26 to \$23.1M in FY 2026/27. The reduction in the electric energy commodity budget is due to favorable pricing on new contracts. Budgeted purchases for the natural gas commodity are anticipated to increase from \$11.5M in FY 2025/26 to \$15.8M in FY 2026/27. Commodity costs are constantly monitored throughout the year to assess supply, demand, and pricing.

The FY 2026/27 proposed budget includes reductions by reducing overtime and temp services for Electric System Planning and Utility Locating. Reductions are also being offset by increasing the Natural Gas Administrative Fee charged to developers from 8% to 10%.

#### Solid Waste

The FY 2026/27 proposed budget includes an increase for vehicle operation and maintenance expenses due to increases in the cost of labor, parts, and fuel. The budget also includes expense reductions for Solid Waste tipping fees due to favorable contract negotiations with various vendors for landfill and disposal pricing.

Additionally, the proposed budget also includes one-time funding for a front load solid waste truck rental to assist with trash collection routes.

#### Water Resources

The FY 2026/27 proposed budget includes cost increases across both water and wastewater operations due to inflationary pressures. Wastewater chemicals costs are expected to increase due to increased pricing and operational flows; however, water chemicals are expected to remain at FY 2025/26 levels. Due to rising electric rates, electricity costs for both Water and Wastewater operations are expected to increase \$1.3M.

Water commodity purchases are expected to increase by \$553K due increased unit costs from the Central Arizona Project (CAP) and anticipated supply cuts.

The department prioritizes allocating and purchasing water at preferred rates, but the cost of water continues to grow above prior year rates.

The City participates in various joint ventures with other municipalities to provide water and wastewater services. Budgeted joint venture participation costs at the 91<sup>st</sup> Ave Wastewater Treatment Plant participation costs are expected to decrease by \$38K, with increased costs being offset by reduced operational flows. The Val Vista Water Treatment Plant participation costs are expected to increase by \$351K. The City's percentage ownership of the Greenfield Wastewater Treatment Plant (GWRP) will remain at 35.0%, and participation costs for the plant are expected to decrease by \$17K based on projected plant operations.

The FY 2026/27 proposed budget includes five new positions (5 FTE) related to the operations and maintenance of the Signal Butte Water Treatment Plant Expansion project, which will begin operations in FY 2026/27. The new positions are one Plant Maintenance Planner, one Plant Maintenance Specialist, one Electrical Controls Specialist, one Utilities Systems Analyst, and one Chemist. The expansion project doubles the capacity of the Signal Butte Water Treatment plant from 24 million gallons per day (MGD) to 48 MGD.

The proposed budget also includes \$252K in on-going funding to comply with new monitoring and testing regulations associated with the Lead and Copper Rule Improvements program and National Primary Drinking Water Regulation established by the U.S. Environmental Protection Agency (EPA). Additionally, the proposed budget includes one-time funding for a feasibility study and a technical review. Funding of \$144K for the final year of the Bartlett Dam Modification Feasibility Study would increase available surface water supplies and reduce dependence on Colorado River water, and \$98K is for the final year of the Salt River Project/Central Arizona Project Interconnect Facility (SCIF) technical review to plan for infrastructure that would provide sustainable water supplies to East Mesa and new developments.

### *Other Departments*

#### Arts & Culture

The Arts & Culture Department forecasts expenses and related revenues as they vary from year to year based on the number and size of scheduled shows and events.

The FY 2026/27 proposed budget includes shifting some staff from foundation funded to Arts and Culture Fund funded, however this is offset by program funding shifting from the Arts and Culture Fund to the foundations. Additionally, the budget includes an increase for administrative costs at the Mesa Arts Center for Event Services and an AudienceView ticketing software contract increase.

Within the Arts and Culture Fund, the proposed budget includes funding for various additional one-time administrative and operating costs, including a pilot program for seasonal staff and an increase in cleaning supplies at the idea

Museum. The proposed budget also includes rebranding and needed theater repairs at the Mesa Arts Center and increased credit card fees at the idea Museum and the Arizona Museum of Natural History.

Lastly, as a portion of the General Fund reductions, the FY 2026/27 proposed budget includes a shift of three full-time positions and two part-time positions from General Fund support to the Arts and Culture Fund. The full-time positions are a Museum Graphics/Multimedia Specialist and two Arts Education Specialists. The part-time positions are two Arts Educator Instructor-PT. The proposed budget includes an additional reduction offset through revenue collection by increasing ticket fees at the idea Museum and piloting a ticket protection fee at the Mesa Arts Center.

#### Business Services

Fees and Charges are updated to reflect a \$15 increase in the business license fee to match the renewal fee of \$25 to allow for a more efficient process, alongside implementing a \$10 late fee for business license renewals to encourage timely renewals. For reductions, utility bills will include a paper mailing fee to cover mail and print costs for customers who prefer paper bills, as over 50.0% of customers have converted e-bills. This is expected to create operational efficiencies through a reduction in personnel time, print and mail costs, and minimize waste.

#### City Attorney

The City Attorney's Office oversees the Property and Public Liability (PPL) Fund. The City uses the PPL Fund to pay third party liability claims, administrative costs for the litigation team, and to purchase insurance coverage to protect the City against litigation past a certain threshold. The estimated claims paid for FY 2025/26 will be approximately \$2.5M, which is lower than the FY 2025/26 Adopted Budget of \$5.0M due to timing of litigation settlements. Estimated claims for FY 2026/27 are budgeted at \$5.0M.

The FY 2026/27 proposed budget includes reinstatement of a previously frozen Assistant City Prosecutor II position (1.0 FTE) that was part of last fiscal year's budget reduction. This position will assist in covering the increase in cases.

#### City Auditor

The FY 2026/27 proposed budget includes a new Senior Internal Auditor (1.0 FTE). The new position will be focused on more in-depth IT audits across city departments.

#### City Clerk

The FY 2026/27 Adopted Budget includes an increase for election related expenditures for the Fall 2026 scheduled election.

#### City Manager

The FY 2026/27 proposed budget includes continued support for the Workforce Center relating to the discontinuation of ARPA funding. The FY 2026/27 proposed budget also reflects organizational restructuring, including moving the

Office of Innovation & Efficiency into the department and moving out and establishing the Office of Urban Transformation as a standalone department.

#### Code Compliance:

The FY 2026/27 proposed budget provides an adjustment to include an abatement program intended to reduce blight on both residential and commercial properties. The FY 2026/27 proposed budget also includes funding for a third-party contractor to serve code complaints, where using this service will alleviate this responsibility from the code officers, supplying officers with additional time for code inspections and reviews.

#### Community Services

Community Services oversees the City's community services, community engagement, housing services, human services, and animal control. The Community Services Department is funded mostly by various federal grants and the General Fund.

For FY 2026/27, the proposed budget includes one-time funding to support key service areas. The department will carryover one-time funds to continue the following programs: heat relief vulnerable residents, utility cost increases at City of Mesa senior centers, street outreach partnership with Phoenix Rescue Mission, and maintenance and landscaping costs associated with Housing and Urban Development purchased properties.

To meet the FY 2026/27 budget reduction target, proposed adjustments include reductions to services and commodities, such as software renewals, supplies, and training, along with the reallocation of eligible expenses to appropriate grant funding sources where applicable.

#### Department of Innovation and Technology

The FY 2026/27 proposed budget for the Department of Innovation and Technology (DoIT) in Communications includes funding for Mesa public wi-fi network resources of one IT Technician III (1.0 FTE) and the acquisition of one aerial bucket truck. Additionally, 1.0 FTE IT Senior Project Manager is added to support the MPSS department. After review, the department determined the City would realize savings completing this work in-house compared to contracting it out.

The FY 2026/27 proposed budget includes reductions in personal services costs by leaving three vacant positions unfilled: one IT Engineer I (1.0 FTE), one IT Engineer II (1.0 FTE), and one IT Technician (1.0 FTE).

#### Development Services

The FY 2026/27 proposed budget includes funding for restricted software technology (4% of each permit fee) dedicated to land development processes.

The FY 2026/27 proposed budget includes the reclassification of a Deputy Director position to a Project Manager position.

### Economic Development

The FY 2026/27 proposed budget includes a funding adjustment to provide for a Creative Economy and Industry Development Office with one position (1.0 FTE). Additionally, funding is provided for consultants, training, and special events to draw in quality jobs; encourage quality retail, redevelopment and placemaking; and enhance existing department services. These initiatives are funded using repurposed budget capacity from AZ Labs facility operations and maintenance. The AZ Labs facility was sold in March 2026.

To meet the reduction target for the FY 2026/27 proposed budget, the department identified operational efficiencies in existing programs.

### Engineering

A significant portion of the Engineering Department is funded through the Capital Improvement Program (CIP), which supports both direct and indirect activities. The department is currently undergoing a reorganization to better align resources with operational needs. The FY 2026/27 proposed budget includes three new positions: an Electrical Engineer II, a Civil Engineer, and a Senior Civil Engineer, along with the removal of a Program Manager position. Additionally, three Contract Specialist positions are being reallocated from operating funds to project-based CIP funding to reflect their current workload.

### Environmental and Sustainability

The FY 2026/27 proposed budget includes one-time pass-through funding for the Water Use It Wisely (WUIW) marketing campaign, and for SRP projects related to Water Conservation and Solar Performance Rebates.

To meet the reduction target for the FY 2026/27 proposed budget, the department is reducing administrative costs related to equipment rentals, storage services, and telecommunications.

### Facilities Management

The FY 2026/27 proposed budget includes the addition of an HVAC Controls Technician (1.0 FTE) to manage the growing portfolio of Trane ensemble HVAC systems.

To meet the reduction target for the FY 2026/27 proposed budget, landscape contract efficiencies were identified as well as reducing service calls to Trane. In addition, the frequency of janitorial services in non-public facing buildings will be reduced.

### Falcon Field

The FY 2026/27 proposed budget includes an increase in legal budget and fees and charges, including a new landing fee. This will offset pavement maintenance spending and assist the airport in their efforts to remain self-sustaining.

### Financial Services

The FY 2026/27 proposed budget is consistent with the FY 2025/26 budget.

### Fleet Services

The Fleet Services Department is funded through the Fleet Internal Services Fund. The proposed FY 2026/27 budget includes the addition of 3<sup>rd</sup> shift staff at the East Mesa Service Center. This will improve vehicle availability across the departments, and in particular will improve the availability of trucks in the Solid Waste fleet.

To meet the reduction target for the proposed FY 2026/27 budget, vehicle equipment parts and supplies are reduced in the Fleet Internal Service Fund. This can be done without compromising the safety and reliability of City vehicles due to stabilized inflation over the past year for parts and supplies.

### Human Resources

The Human Resources Department is comprised of three divisions: the Personnel Division that manages recruiting, classification and compensation; the Safety Services Division that manages Workers' Compensation claims and worker safety training; and the Employee Benefits Administration that oversees employee and retiree wellness benefits, claims management, and plan administration.

The FY 2026/27 proposed budget is consistent with the FY 2025/26 budget.

### Library

The FY 2026/27 proposed budget reductions include eliminating vacant positions, including a part-time Library Page position (0.5 FTE), a part-time Library Assistant position (0.6 FTE), and a Library Equipment Assistant position (1.0 FTE). The proposal also includes reductions in administrative expenses such as subscriptions for collection management, investment and financial research, digital resource-mapping services, managed print services contracts (unnecessary following the payoff of equipment leases), and maintenance and repair of library technology.

### Mayor and Council

The FY 2026/27 proposed budget is consistent with the FY 2025/26 budget.

### Office of ERP Management

The FY 2026/27 proposed budget is consistent with the FY 2025/26 budget.

### Office of Management and Budget

The FY 2026/27 proposed budget includes funding for two positions (2 FTE) to create a Data and Reporting Team within the office. This team will manage cost allocation and other City operations models, be responsible for changes in the enterprise resource planning system, and improving the quality and frequency of reporting from the office.

### Office of Urban Transformation

The Office of Urban Transformation is a new department comprised of the City's economic development and redevelopment team focused on strengthening Mesa's economy by fostering redevelopment and revitalization, strategic partnerships, and the shaping of public spaces. Formerly part of the City Manager's Office, the Office of Urban Transformation will now function as a standalone department beginning in FY 2026/27.

The FY 2026/27 proposed budget includes \$3.0M in funding for the first year of a 3-year redevelopment pilot program and additional capacity for facility leases and maintenance for the post office located in downtown Mesa.

### Parks, Recreation and Community Facilities

The FY 2026/27 proposed budget includes an increase for utility costs and other contractual obligations. It also includes an increase for Active Net software license which will be offset by increased revenue from fee changes. Additionally, the proposed budget includes one Parks, Recreation and Community Facilities (PRCF) Foreman position related to the 2024 bond program. The capital improvement projects funded by the bond will expand the Parks system, and this position will support the contract management unit in Parks Maintenance.

To meet the reduction target for the FY 2026/27 proposed budget, three vacant full-time positions have been eliminated (Recreation Specialist, Recreation Programmer and Trades Worker). In addition, the department has eliminated one summer camp location, one Celebrate Mesa event, discontinued Summer Field Trips at Tri-Centers, eliminated the Park Ambassador program, and eliminated position costs for Fremont Pool and other vacant aquatics positions. The closure of Feemont Pool and elimination of one major event allow for the reallocation of budgeted labor hours to other existing programs. This results in a minimal impact on other service delivery areas.

### Public Information and Communication

The FY 2026/27 proposed budget includes funding for biannual community surveys to better assess community needs, perceptions, communication preferences, and overall satisfaction with City services. It also provides funding for increased Software-as-a-Service (SaaS) funding for DocAccess to ensure City of Mesa websites and PDFs comply with Department of Justice ADA regulations. Additionally, the budget includes an adjustment for expanded consulting services to support on-going training and product support.

The FY 2026/27 proposed budget includes a reduction in one vacant position related to Mesa Channel 11.

### Transit

The Transit Services budget is largely determined by contracts with the Regional Public Transportation Authority (RPTA) and Metro Light Rail for bus, paratransit, and light rail operations. The costs of services in FY 2026/27 are expected to increase \$1.8M due to contract and service agreement price increases, increased maintenance costs, and systemwide improvements for

Light Rail operations. Additionally, the FY 2026/27 proposed budget includes one-time funding to reimburse the City of Chandler for a Transit Corridor Study conducted in 2014 by Valley Metro. The contract for the 2014 study required that Mesa reimburse Chandler in FY 2026/27.

To meet the reduction target for the FY 2026/27 proposed budget, the department will be freezing a vacant Contract Specialist position (1.0 FTE). The duties associated with this position will be absorbed by existing staff and temporary personnel services.

#### Transportation

The FY 2026/27 proposed budget includes an increase for landscape and tree maintenance.

To meet the reduction target for the FY 2026/27 proposed budget, they have reallocated a position to more accurately reflect the position duties from the Environmental Compliance Fee (ECF) Fund to the Highway User Revenue Fund. They have also shifted contracted services to another area that is not ECF) funded. These cuts will have a minimal impact on the department.