



City Council Report

Date: May 15, 2023
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 2023/24 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 FY23/24 is \$2.56 billion. This includes an annual operating budget of about \$1.86 billion and the annual portion of the five-year capital improvement program (CIP) budget of about \$701.7 million. Included within the operating budget is \$158.5 million in carryover and \$86.8 million in contingency budget authorization.

The tentative adoption of the budget sets the maximum expenditure budget amount for FY23/24. 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.

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 FY23/24 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 FY23/24 through FY26/27.

Modifications since Proposed Budget Summary

Community Services Department

Increases in Mesa K Ready and Mesa Promise funding in the amount of \$35K each for a total of \$70K and an increase in contract services for Animal Control in the amount of \$100K were presented to Council but added after the proposed budget summary was distributed.

Office of Economic Development

Quality Retail Attraction Initiative was presented to Council but added after the proposed budget summary was distributed.

Comparison of FY 23/24 to FY 22/23 General Governmental Funds Budget

The expenditure budget for the General Governmental Funds for FY23/24 is \$652.1 million (excludes carryover), compared to \$579.9 million (excludes carryover) for the FY22/23 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, and increase costs to commodities, services, and contracts.