

Quarterly Financial Status Report FY 2021/2022 4th Quarter

Executive Summary:

The City of Mesa has closed the fourth quarter of the 2021/22 fiscal year, July through June. This snapshot shows the financial projections compared to the Adopted Budget.

Overall, the General Governmental Funds revenue year end estimate is above budget. City Sales Tax revenue growth continues to be strong, despite economic disruptions from the COVID-19 pandemic and high inflation. The combination of increased local spending, residual impacts from federal stimulus packages, increased construction activity, and higher prices have contributed to the strong tax growth. In addition, higher than anticipated growth in commercial activity across the City fueled commercial building permits revenue above budget, seen in the Licenses, Fees, and Permits Summary.

The General Governmental Funds expenditure year end estimate is above budget largely due to setting aside one-time funding for investments in City infrastructure projects. Additionally, the one-time payment to all City employees, which was not included in the Adopted Budget, also contributes to the increased year end estimate above budget. The Law Enforcement expense year end estimate includes the increased costs for Axon body cameras as well as contract to provide dispatch services for the Town of Queen Creek and forensics services for the City of Tempe. Lastly, funding for the Industrial Commission in support of the Municipal Firefighters Cancer Reimbursement Fund, which funds firefighters' cancer claims, were included in Transfers Out year end estimate.

Overall, the projected net sources and uses of the Utility Fund is slightly improved from budget. Both Electric and Gas uses are above budget due to the volatility in the electric and natural gas commodity markets. However, energy commodity costs are passed through to the customer, therefore also increasing sources above budget. The sources year end estimate for Water is below budget due to shifting funding for the Water Interconnect Pipes project to a later fiscal year. The Water Interconnect Pipes project is still in an alignment study and construction will not begin in FY 2021/22.

For additional details on the City's budget and expenditure data, please visit the City of Mesa Open Data Portal at data.mesaaz.gov.

FY 2021/22 4th Quarter: Financial Status Summary

The data below represents the financial status of the General Governmental Funds and the Enterprise Fund.

Legend

Exceeding

On Track

Caution

Monitoring

General Government Funds

Revenues

Taxes

Intergovernmental

Sales and Charges for Services

Licenses, Fees, and Permits

Fines and Forfeitures

Other Revenues

Transfer In

Expenditures

Community Development and Services

Parks and Library

Law Enforcement

Fire and Medical

Other Departments

Transfers Out

Utility Fund

Net Sources and Uses

District Cooling

Electric

Natural Gas

Solid Waste

Wastewater

Water

General Government Funds

Revenues

Expenditures

Net

Adopted Budget

\$ 503,363

\$ 504,000

\$ (637)

Year to Date Actuals

\$ 552,106

\$ 508,098

\$ 44,008

Year End Estimate

\$ 585,423

\$ 612,339

\$ (26,916)

(In Thousands)

Utility Fund*

Sources

Uses

Net

Adopted Budget

\$ 419,657

\$441,762

\$ (22,104)

Year to Date Actuals

\$ 436,757

\$429,278

\$ 7,479

Year End Estimate

\$ 437,586

\$450,028

\$ (12,443)

(In Thousands)

*Beginning in FY 2021/22, the Electric Cost Adjustment Factor and Natural Gas Cost Adjustment Factor subfunds were created for better tracking of commodity cost recovery. Prior to FY 2021/22, the Cost Adjustment Factor activities were recorded in the Electric and Natural Gas subfunds. The Electric Summary combines the Electric and Electric Cost Adjustment Factor subfunds, and the Natural Gas Summary combines the Natural Gas and Natural Gas Cost Adjustment Factor subfunds. The Utility Fund Sources and Uses amounts do not contain the one-time Electric subfund balance transfer to the Electric Cost Adjustment Factor subfund, as well as the one-time Natural Gas subfund balance transfer to the Natural Gas Cost Adjustment Factor subfund.

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General Fund and Quality of Life - FY 2021/22 4th Quarter Revenues

Revenue Categories	Adopted Budget	Year to Date Actuals	Year End Estimate
Taxes	\$ 166,314	\$ 197,381	\$ 219,007
Intergovernmental	\$ 152,707	\$ 166,046	\$ 169,604
Sales and Charges for Services	\$ 24,438	\$ 26,206	\$ 26,312
Licenses, Fees, and Permits	\$ 20,479	\$ 27,939	\$ 27,823
Fines and Forfeitures	\$ 4,399	\$ 4,493	\$ 4,534
Other Revenues	\$ 2,929	\$ 4,439	\$ 4,347
Transfers In	\$ 132,097	\$ 125,602	\$ 133,796
Total	\$ 503,363	\$ 552,106	\$ 585,423

(In Thousands)

Exceeding
On Track
Caution
Monitoring

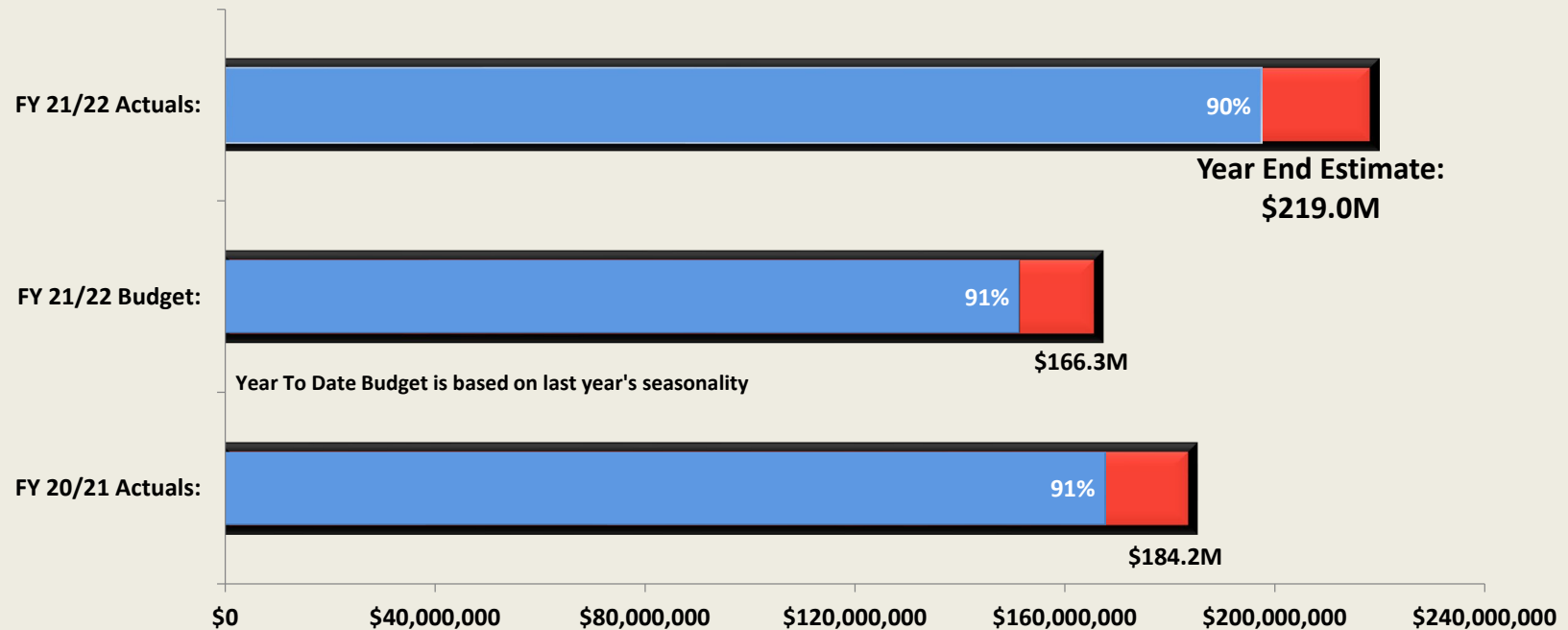
FY 2021/22 4th Quarter Revenues: Taxes Summary

The data below represents revenue collections from sales and use taxes in the General Fund and Quality of Life Fund.

	Adopted Budget	Year to Date Actuals	Year End Estimate
General Fund	\$ 137,645	\$ 166,284	\$ 181,313
Quality of Life Fund	\$ 28,669	\$ 31,097	\$ 37,694
Total Tax Revenue	\$ 166,314	\$ 197,381	\$ 219,007

(In Thousands)

Taxes - Revenues



The Taxes revenue year end estimate is above budget primarily due to continued high levels of growth in the retail and construction categories. Growth in sales tax revenues is attributed to federal stimulus packages as a result from the COVID-19 Pandemic and increased prices and spending in the economy.

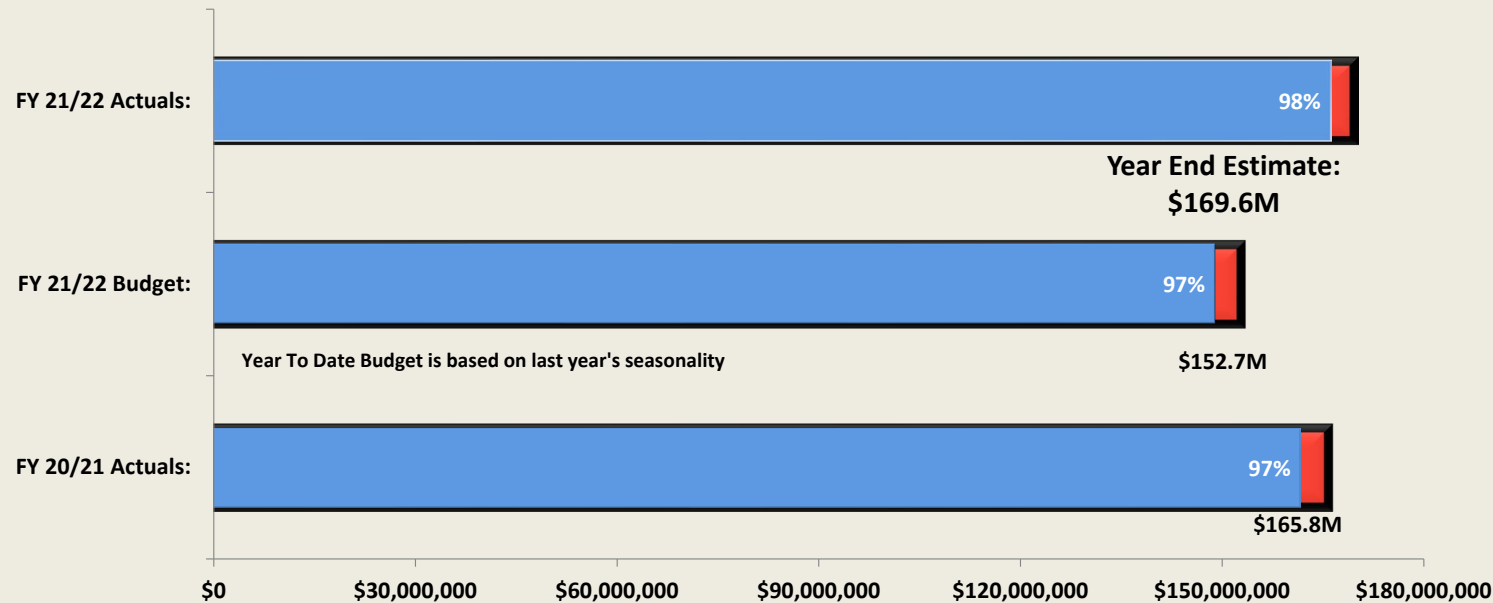
FY 2021/22 4th Quarter Revenues: Intergovernmental Summary

The data below represents revenue collections from federal grants and reimbursements, urban revenue sharing (state income tax), state shared sales tax, vehicle license tax, state grants and reimbursements, and county and other government revenues in the General Fund and Quality of Life Fund.

	Adopted Budget	Year to Date Actuals	Year End Estimate
Urban Revenue Sharing	\$ 68,585	\$ 66,684	\$ 66,684
State Shared Sales Tax	\$ 55,619	\$ 68,682	\$ 71,339
Vehicle License Tax	\$ 22,273	\$ 23,290	\$ 23,990
Other	\$ 6,230	\$ 7,390	\$ 7,591
Total Intergovt Revenue	\$ 152,707	\$ 166,046	\$ 169,604

(In Thousands)

Intergovernmental - Revenues



State shared revenues are received based on the City's share of the State's population. The Intergovernmental revenues year end estimate is above budget largely due to greater than anticipated growth in State Shared Sales Tax. Similar to City Sales Tax, State Sales Tax has increased due to increased activity in the retail category. Additionally, the year end estimate includes revenues related to the new dispatch agreement with the Town of Queen Creek's Police Department and the new forensics agreement with the City of Tempe and Town of Gilbert. The expenditures associated with these agreements are included in the Law Enforcement Summary.

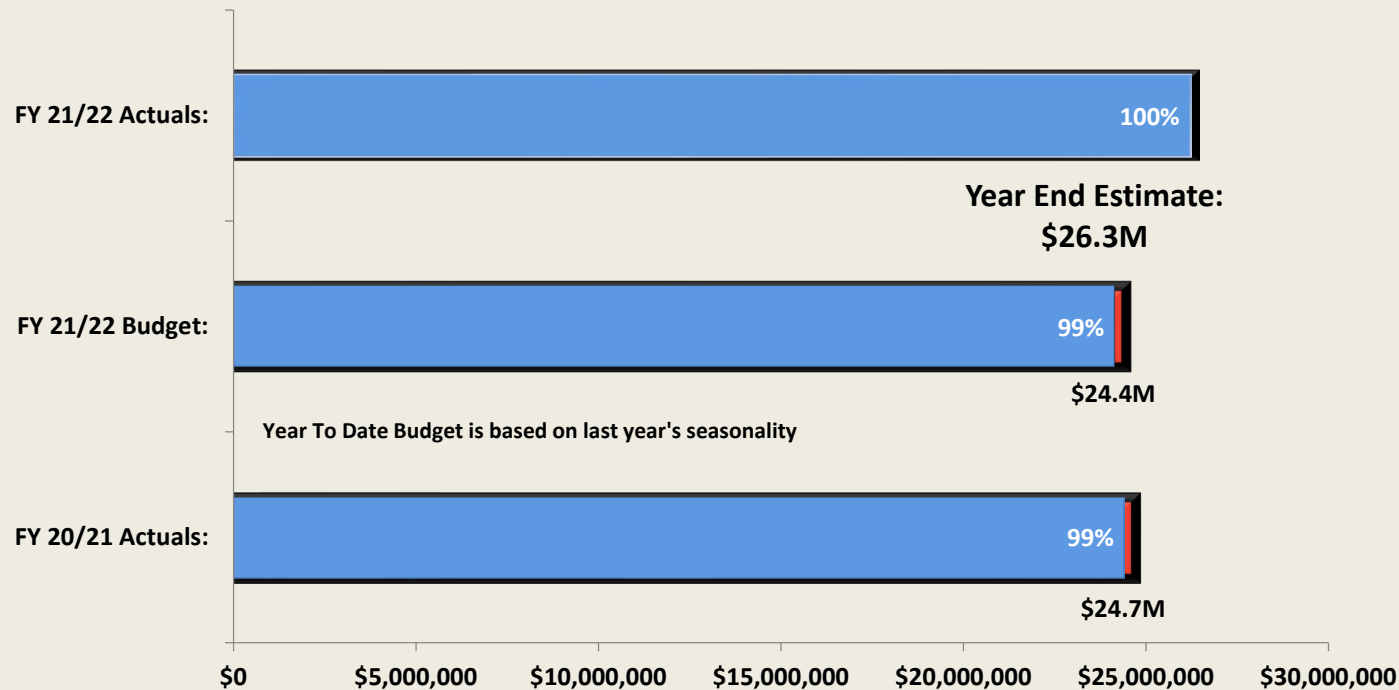
FY 2021/22 4th Quarter Revenues: Sales and Charges for Services Summary

The data below represents revenue collections from general services, recreation services, and enterprise services in the General Fund and Quality of Life Fund.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 24,438	\$ 26,206	\$26,312

(In Thousands)

Sales and Charges for Services - Revenues



The Sales and Charges for Services year end estimate is above budget. This is due primarily to greater than anticipated revenues from Engineering inspections and charges for services as a result of increased construction activity across the City.

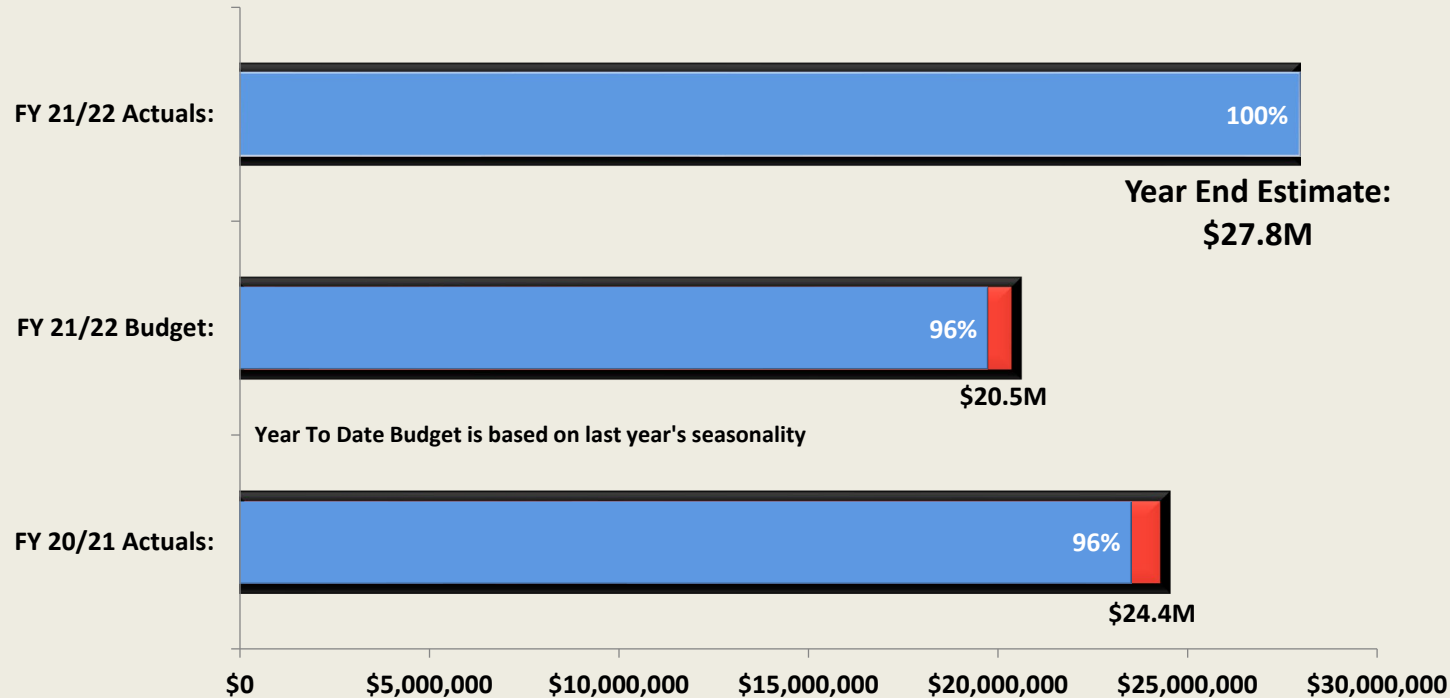
FY 2021/22 4th Quarter Revenues: Licenses, Fees, and Permits Summary

The data below represents revenue collections from business licenses, permits, fees, court fees, and culture and recreation fees in the General Fund and Quality of Life Fund.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 20,479	\$ 27,939	\$ 27,823

(In Thousands)

Licenses, Fees, and Permits - Revenues



The License, Fees, and Permits revenue year end estimate is above budget primarily due to higher than anticipated revenues in commercial building permit fees.

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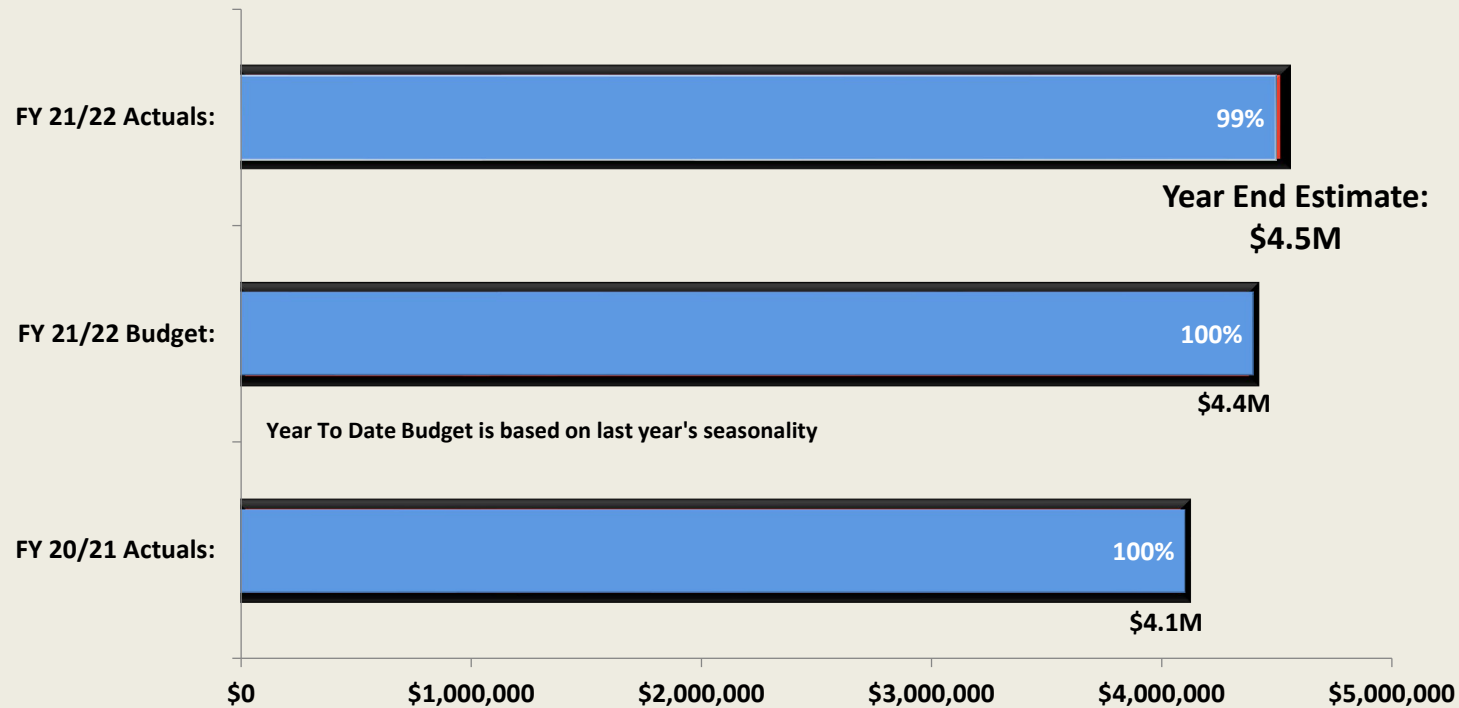
FY 2021/22 4th Quarter Revenues: Fines and Forfeitures Summary

The data below represents revenue collections from court and other fines in the General Fund and Quality of Life Fund.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 4,399	\$ 4,493	\$ 4,534

(In Thousands)

Fines and Forfeitures - Revenues



The Fines and Forfeitures revenue year end estimate is on track with budget.

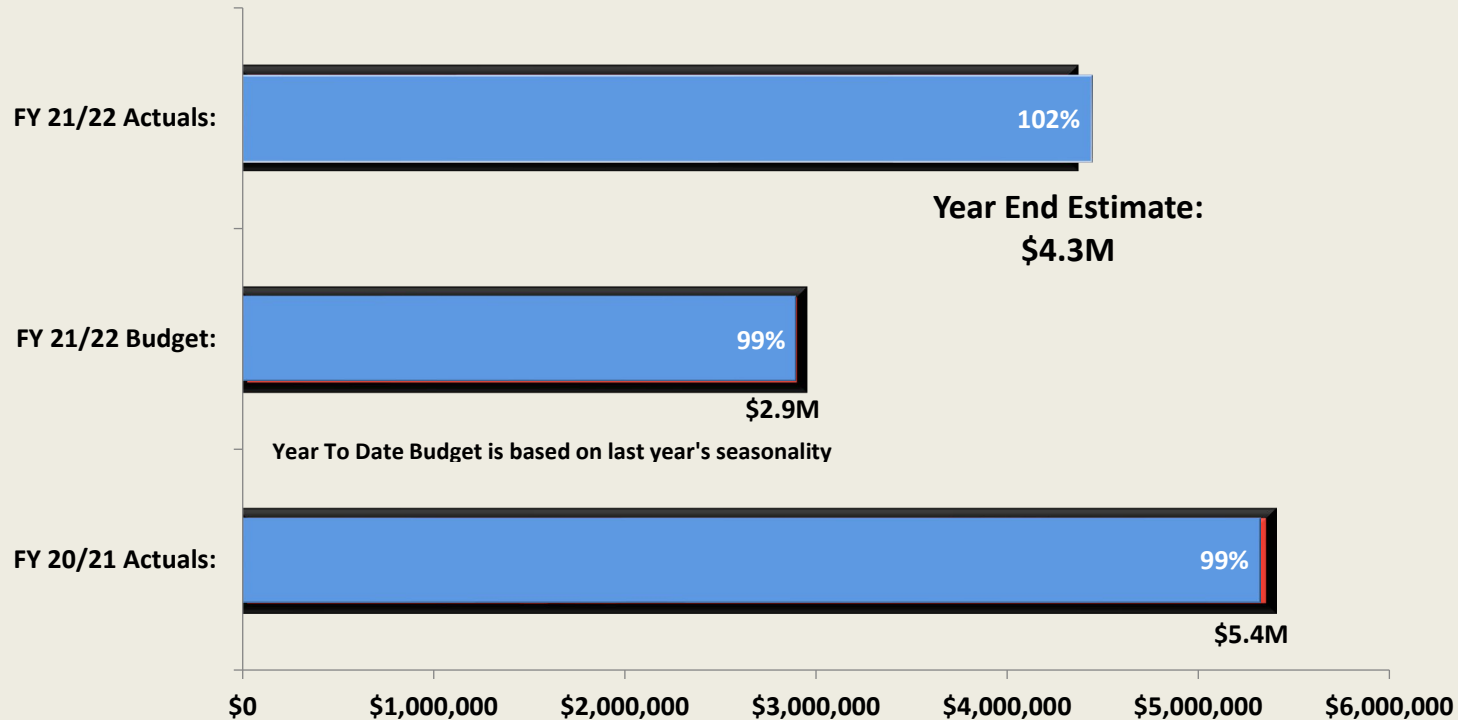
FY 2021/22 4th Quarter Revenues: Other Revenues Summary

The data below represents revenue collections from interest, contributions and donations, other financing sources, sale of property, self insurance contributions, and other revenues in the General Fund and Quality of Life Fund.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 2,929	\$ 4,439	\$ 4,347

(In Thousands)

Other Revenues - Revenues



The Other Revenues year end estimate is above budget due to greater than anticipated rebate revenues from the City's participation in various purchasing agreements.

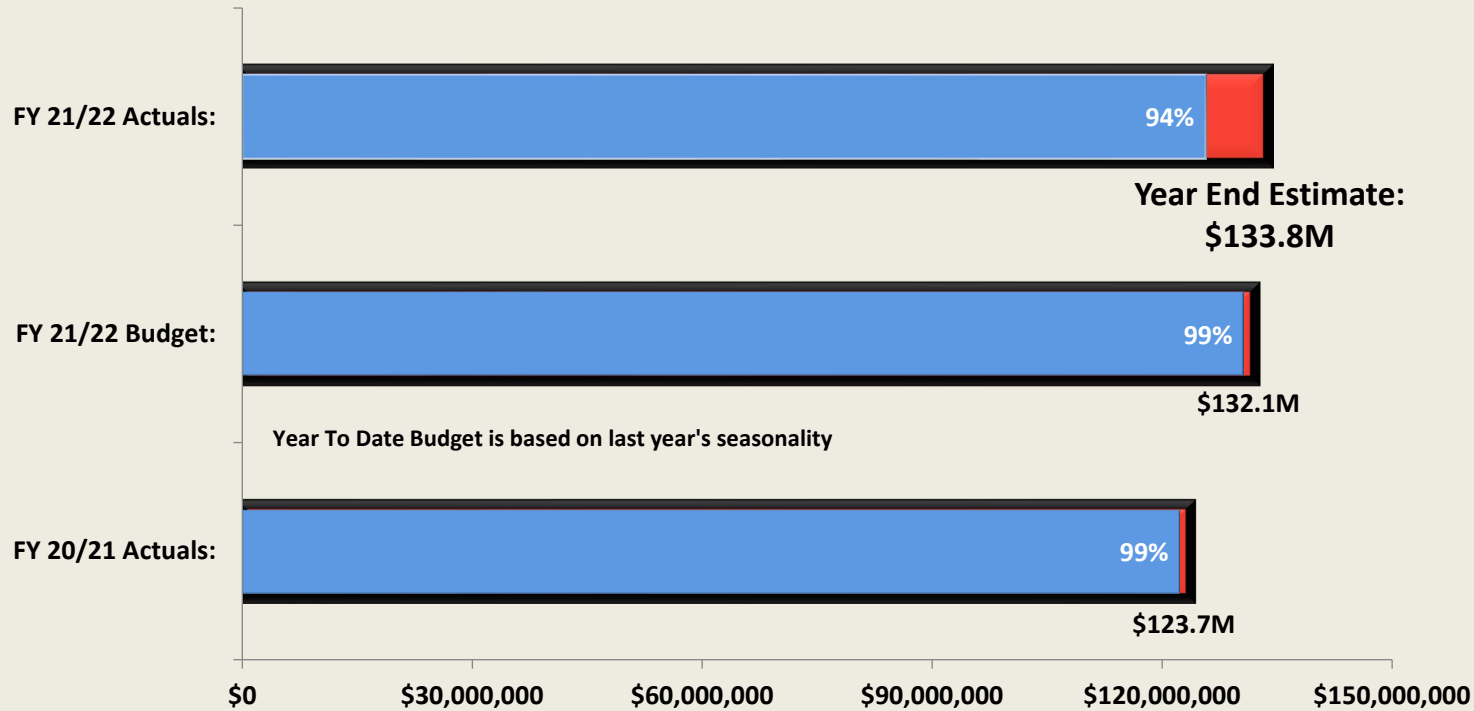
FY 2021/22 4th Quarter Revenues: Transfers In Summary

The data below represents transfers into the General Fund and Quality of Life Fund from other funds within the City.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 132,097	\$ 125,602	\$ 133,796

(In Thousands)

Transfers In - Revenues



Transfers into the General Fund are mainly comprised of quarterly contributions of 30% operating revenues from the Utility Fund. The year end estimate is slightly higher than budget due to higher than anticipated utility revenues.

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General Fund and Quality of Life - FY 2021/22 4th Quarter Expenditures

Expenditures	Adopted Budget	Year to Date Actuals	Year End Estimate
Community Development and Services	\$ 13,473	\$ 12,839	\$ 13,452
Parks and Library	\$ 29,800	\$ 27,064	\$ 28,874
Law Enforcement	\$ 211,567	\$ 220,807	\$ 224,609
Fire and Medical	\$ 91,970	\$ 94,810	\$ 95,422
Other Departments	\$ 111,792	\$ 90,168	\$ 100,757
Transfers Out	\$ 45,398	\$ 62,410	\$ 149,225
Total	\$ 504,000	\$ 508,098	\$ 612,339

(In Thousands)

Exceeding
On Track
Caution
Monitoring

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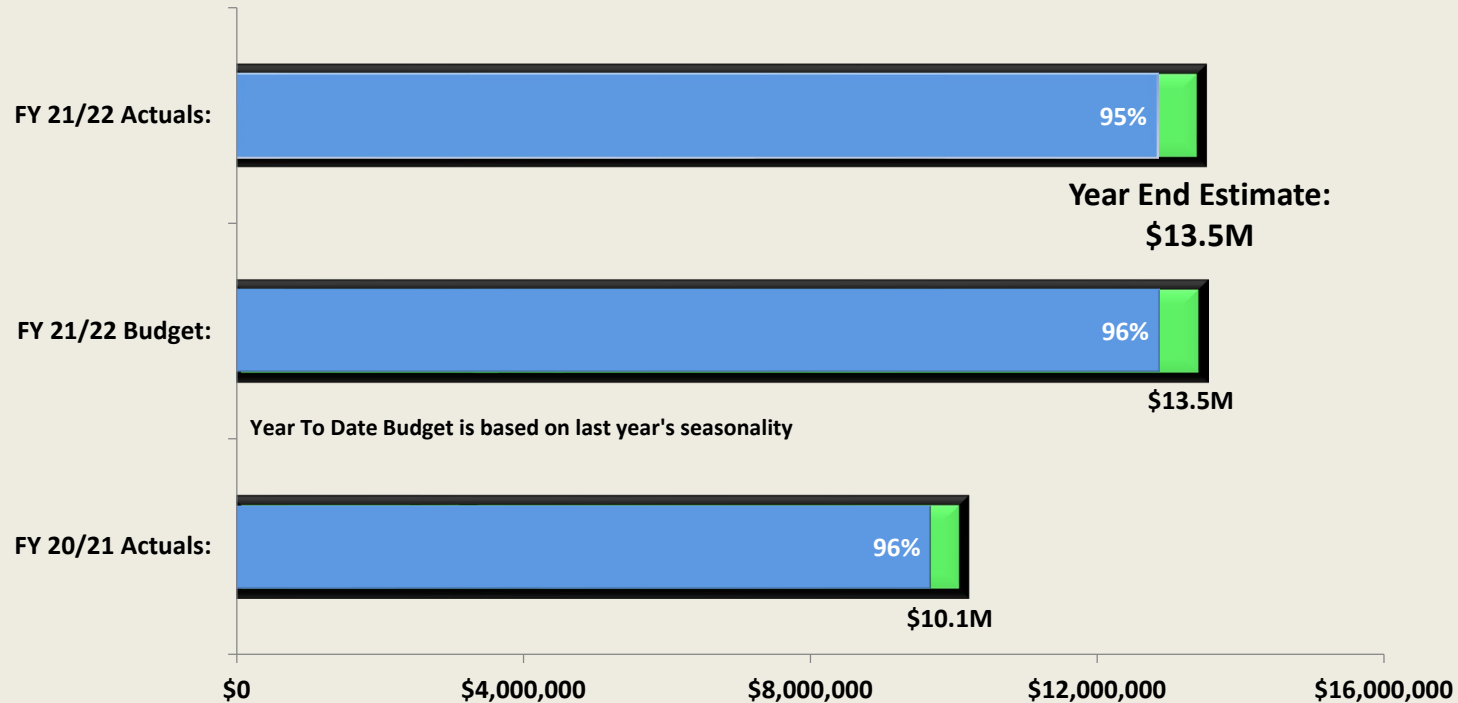
FY 2021/22 4th Quarter Expenditures: Community Development and Services Summary

The data below represents posted expenditures in the General Fund and Quality of Life Fund from the Development Services Department, Code Enforcement Department, and the Community Services Department.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 13,473	\$ 12,839	\$ 13,452

(In Thousands)

Community Development and Services - Expenditures



The Community Development and Services expenditures year end estimate on track with budget.

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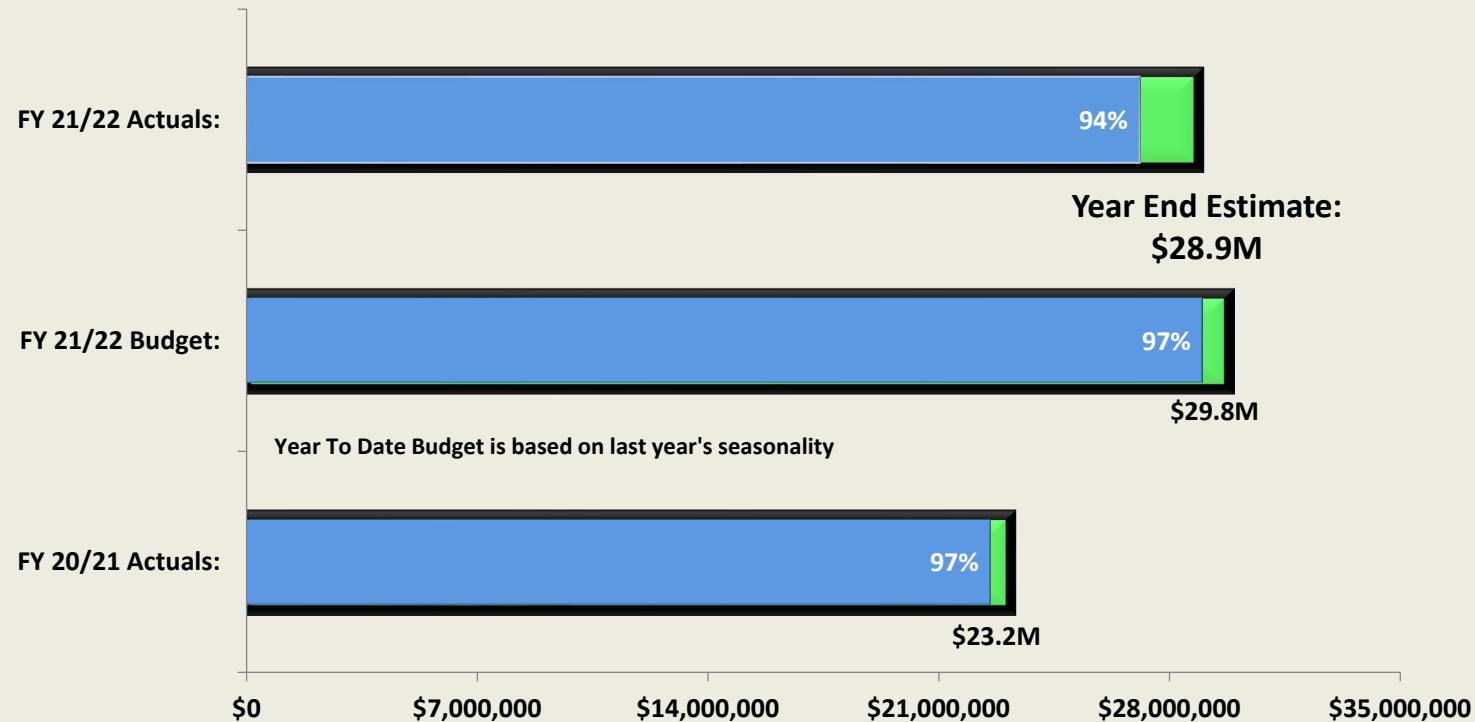
FY 2021/22 4th Quarter Expenditures: Parks and Library Summary

The data below represents posted expenditures in the General Fund and Quality of Life Fund from the Library Department and the Parks, Recreation and Community Facilities Department.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 29,800	\$ 27,064	\$ 28,874

(In Thousands)

Parks and Library - Expenditures



The Parks and Library expenditures year end estimate is slightly below budget due largely to position vacancies.

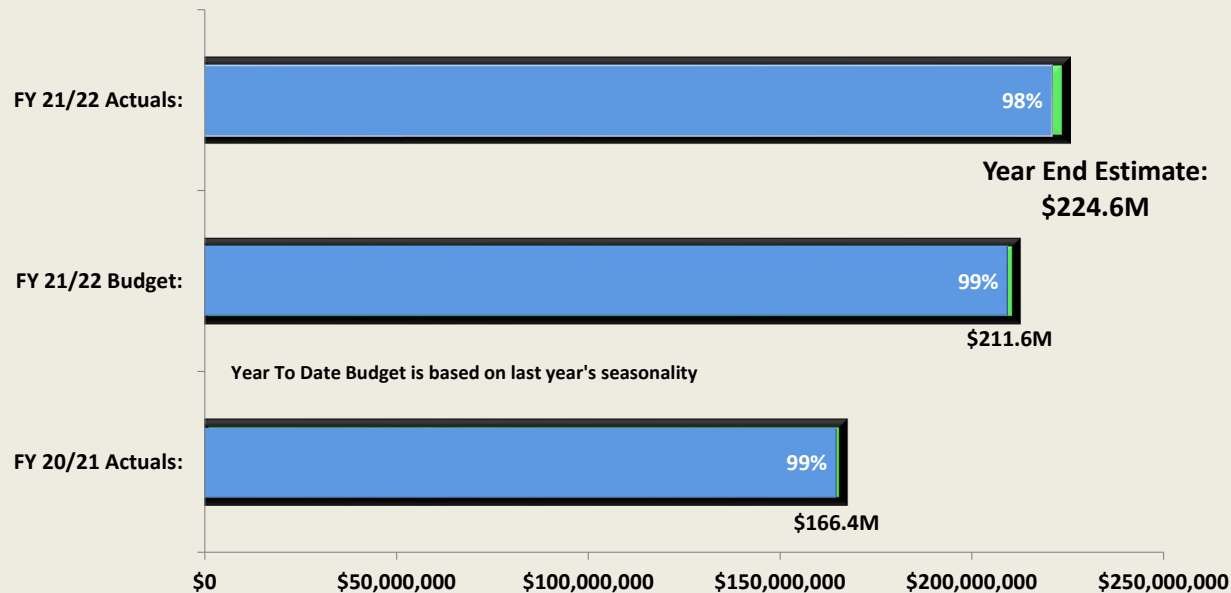
FY 2021/22 4th Quarter Expenditures: Law Enforcement Summary

The data below represents posted expenditures in the General Fund and Quality of Life Fund from the Police Department and the Municipal Court Department.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 211,567	\$ 220,807	\$ 224,609

(In Thousands)

Law Enforcement - Expenditures



The year end estimate for Law Enforcement expenditures is above budget largely due to increased personnel costs (\$14.2M) relating to a one-time payment to employees in January 2022 and a 5% salary increase, which were not included in the adopted budget. Additionally, the year end estimate includes updated contract costs for Axon body cameras as well as new contracts for dispatch services for the Town of Queen Creek and forensics services for the City of Tempe (\$2.1M). Lastly, the department is expecting savings for jail costs due to reduced bookings (\$1.4M).

FY 2021/22 budget and year to date expenditure actuals are greater than FY 2020/21 due to the shifting of personnel expenses (\$29.4M) from the General Fund to the Federal CARES Act funding for duties performed by public safety personnel throughout the COVID-19 pandemic in FY 2020/21. Additionally, the FY 2021/22 budget includes increased pension liability payments (\$13.6M) paid in July, which will reduce City pension payments in future years.

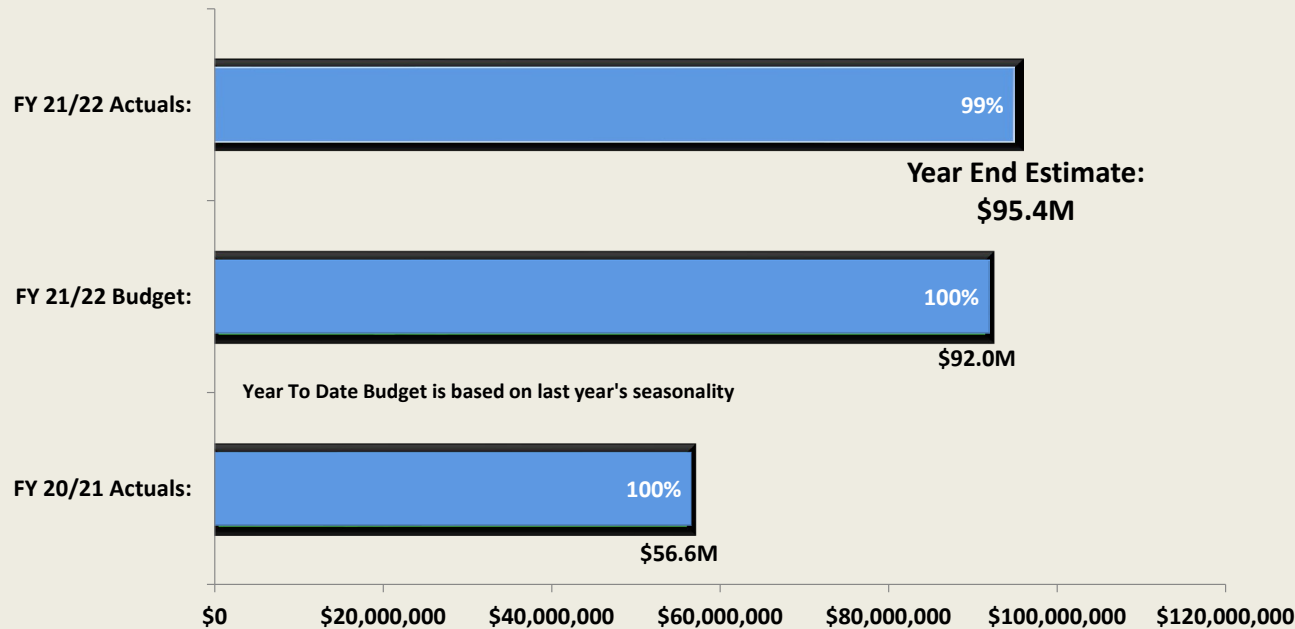
FY 2021/22 4th Quarter Expenditures: Fire and Medical Summary

The data below represents posted expenditures in the General Fund and Quality of Life Fund from the Fire and Medical Department.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 91,970	\$ 94,810	\$ 95,422

(In Thousands)

Fire and Medical - Expenditures



The year end estimate for Fire & Medical expenditures is above budget due to increased personnel costs (\$3.2M) relating to a one-time payment to employees in January 2022 and a 5% salary increase, which were not included in the adopted budget.

FY 2021/22 budget and year to date expenditure actuals are greater than FY2020/21 due to the shifting of personnel expenses (\$27.4M) from the General Fund to the Federal CARES Act funding for duties performed by public safety personnel throughout the COVID-19 pandemic in FY 2020/21. Additionally, the FY 2021/22 budget includes increased pension liability payments (\$6.1M) paid in July, which will reduce City pension payments in future years.

FY 2021/22 4th Quarter Expenditures: Other Departments Summary

The data below represents posted expenditures in the General Fund and Quality of Life Fund from the departments of:

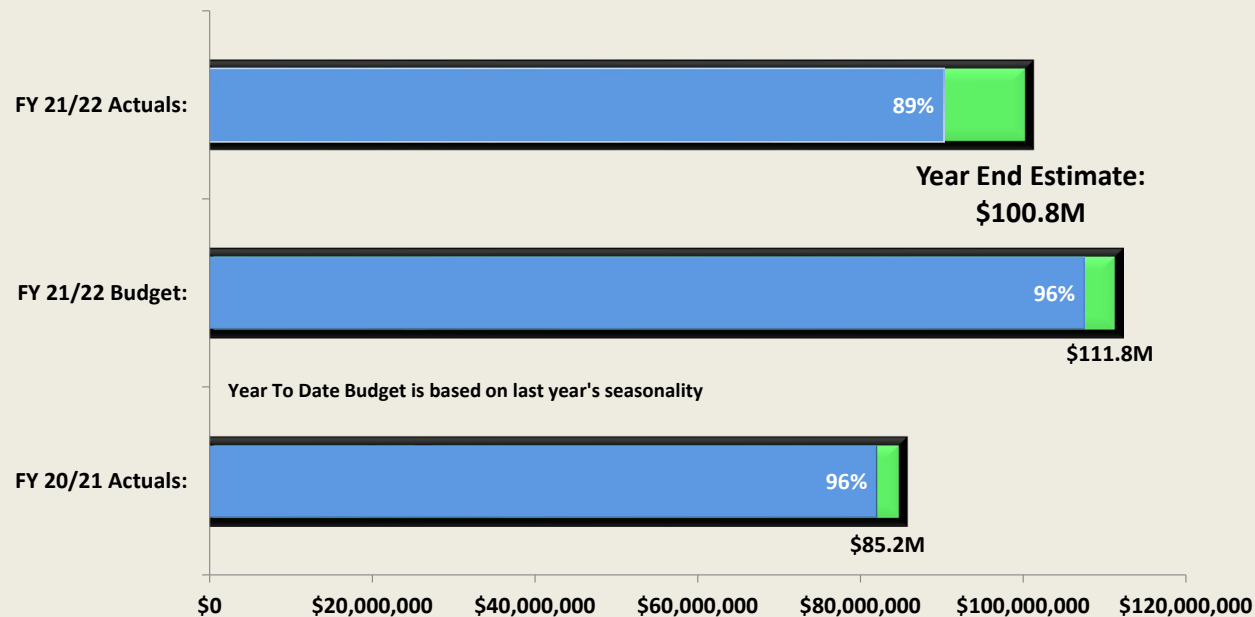
Business Services	Communications	Financial Services	Office of Management and Budget
Centralized Appropriations	Economic Development	Fleet Services	Public Information and Communications
City Attorney	Energy Resources	Human Resources	Environmental Mgmt and Sustainability
City Auditor	Engineering	Innovation & Technology	Transit Services
City Clerk	Facilities Maintenance	Mayor and Council	Transportation
City Manager	Falcon Field Airport	Office of ERP Management	Water Resources

Includes all departments not identified elsewhere. Some departments may not have expenditures in these funds.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 111,792	\$ 90,168	\$ 100,757

(In Thousands)

Other Departments - Expenditures



The Other Departments' expenditure year end estimate is below budget due to the removal of the City's payment (\$1.1M) to the Arizona Department of Revenue tax collection services as result of an adjustment in the State budget. Also, various departments' year end estimates are below budget due to savings from position vacancies (\$3.6M). Last, Facilities Maintenance projects expenditures (\$5M) was shifted from the General Fund to the General Capital Fund. The shift in Facilities Maintenance projects expenditures can be seen in the Transfers Out Summary.

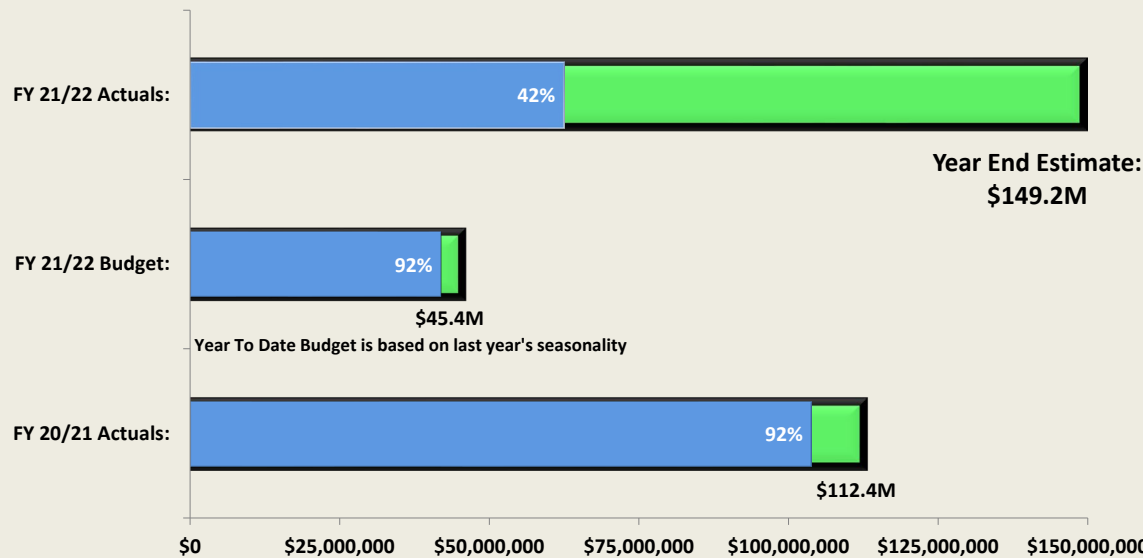
FY 2021/22 4th Quarter Expenditures: Transfers Out Summary

The data below represents transfers out of the General Fund and Quality of Life Fund to the Vehicle Replacement Fund, Capital - General Fund, Impact Fees Funds, General Obligation Debt and Transit Fund.

Adopted Budget	Year to Date Actuals	Year End Estimate
\$ 45,398	\$ 62,410	\$ 149,225

(In Thousands)

Transfers Out - Expenditures



With the exception of quarterly vehicle replacement and Arts & Culture transfers, all other transfers from the General Fund occur at the end of the fiscal year. The transfers out year end estimate is projected to be above budget. The General Capital Fund transfer increased (\$12.4M) due to the timing of project expenditures between FY 2020/21 and FY 2021/22, the purchase of an electric fire truck, and funding shifted from the Facilities Maintenance General Fund budget as seen in the Other Departments Summary. The Transit Fund transfer increased due to Valley Metro's adjusted allocation of American Rescue Plan Act (ARPA) funds that offset the General Fund contribution to Transit Services. The adopted budget anticipated that transit ARPA funding would be fully spent in FY 2021/22, however Valley Metro's latest allocation spreads this funding across FY 2021/22 and FY 2022/23 (\$3.8M). Additionally, the year end estimate includes a transfer to the Workers' Compensation Fund to cover a contribution to the Industrial Commission Assessment for the Municipal Firefighters Cancer Reimbursement Fund, which was enacted in the State's budget after the City's budget was adopted. Lastly, \$80.4M will be set aside for the Mesa Climate Action Plan, capital project increases due to high inflation, and investments in City infrastructure.

The FY 2021/22 Transfers Out budget is lower than FY 2020/21 due to transfers to the CARES Act Relief Fund to cover COVID-19 response related expenses that were no longer subsidized by the federal government.

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FY 2021/22 4th Quarter Net Sources and Uses - Utility Fund

Utility Net Sources and Uses	Adopted Budget	Year to Date Actuals	Year End Estimate
District Cooling	\$ (489)	\$ (430)	\$ (780)
Electric	\$ 2,080	\$ 9,787	\$ 2,649
Natural Gas	\$ 1,010	\$ (53)	\$ (1,816)
Solid Waste	\$ (6,036)	\$ (1,364)	\$ (5,841)
Wastewater	\$ (12,309)	\$ (6,140)	\$ (9,562)
Water	\$ (6,361)	\$ 5,679	\$ 2,907
Total Utility Fund	\$ (21,615)	\$ 7,909	\$ (11,663)

(In Thousands)

Exceeding
On Track
Caution
Monitoring

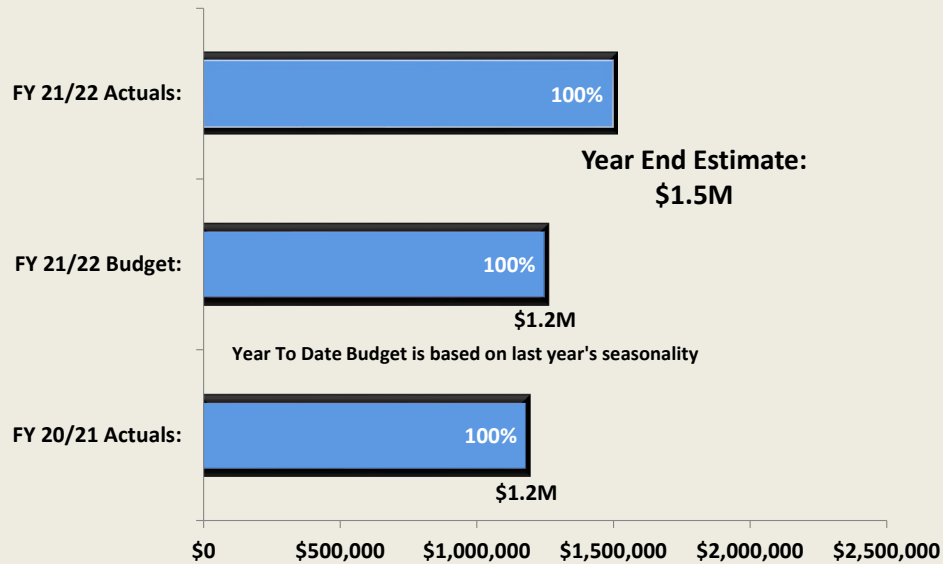
FY 2021/22 4th Quarter District Cooling Summary

The data below represents financial information from the Utility Fund for District Cooling sub-fund.
Both direct (Facilities Maintenance Department) and indirect (citywide) expenses are included.

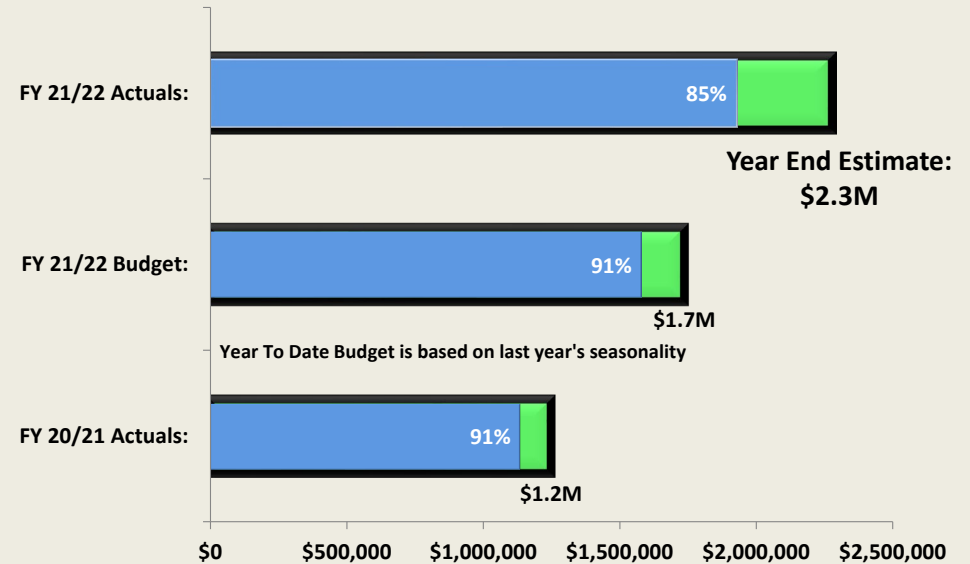
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 1,248	\$ 1,495	\$ 1,498
Uses	\$ 1,361	\$ 1,305	\$ 1,656
Debt/Capital Transfers Out	\$ 1	\$ 172	\$ 172
General Fund Transfers Out	\$ 374	\$ 448	\$ 449
Net Sources and Uses	\$ (489)	\$ (430)	\$ (780)

(In Thousands)

District Cooling - Sources



District Cooling - Uses and Transfers



The year end estimates for sources and uses are above budget. The uses increase is due to the increased cost of electricity to operate the district cooling system, and the sources have increased as district cooling charges have increased to cover the increased operating costs. Additionally, Capital Transfers Out is above budget due to the replacement of citywide EMS equipment as well as a roof repair project.

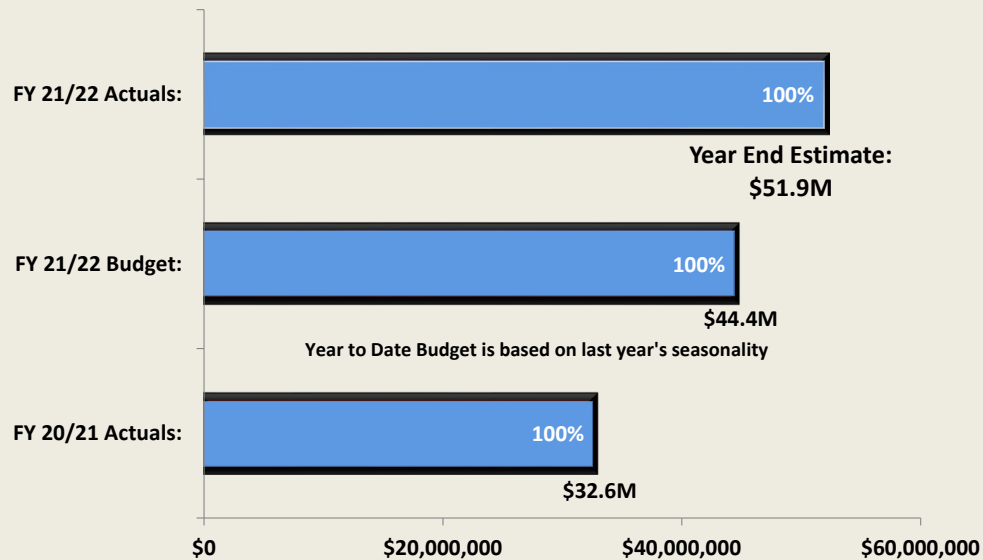
FY 2021/22 4th Quarter Electric Summary

The data below represents financial information for the Utility Fund for the Electric sub-fund.
Both direct (Energy Resources Department) and indirect (citywide) expenses are included.

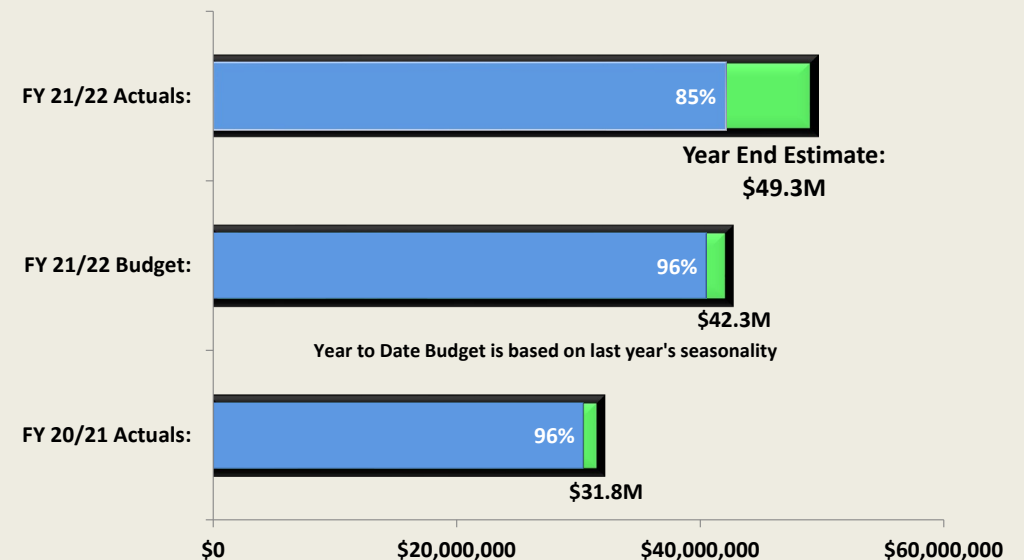
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 44,412	\$ 51,836	\$ 51,925
Uses	\$ 32,240	\$ 32,093	\$ 39,523
Debt/Capital Transfers Out	\$ 4,360	\$ 4,265	\$ 3,973
General Fund Transfers Out	\$ 5,731	\$ 5,691	\$ 5,780
Net Sources and Uses	\$ 2,080	\$ 9,787	\$ 2,649

(In Thousands)

Electric - Sources



Electric - Uses and Transfers



The cost of electric commodity is passed through to the customer. Both electric utility sources and uses are above budget as a result of greater than anticipated costs of the electric commodity. The high cost of the electric commodity is due to unanticipated supply disruptions from adverse weather events and retirement of generation plants. The Debt/Capital Transfers Out year end estimate is below budget due to savings from a utility system debt refinancing, which was not anticipated in the adopted budget.

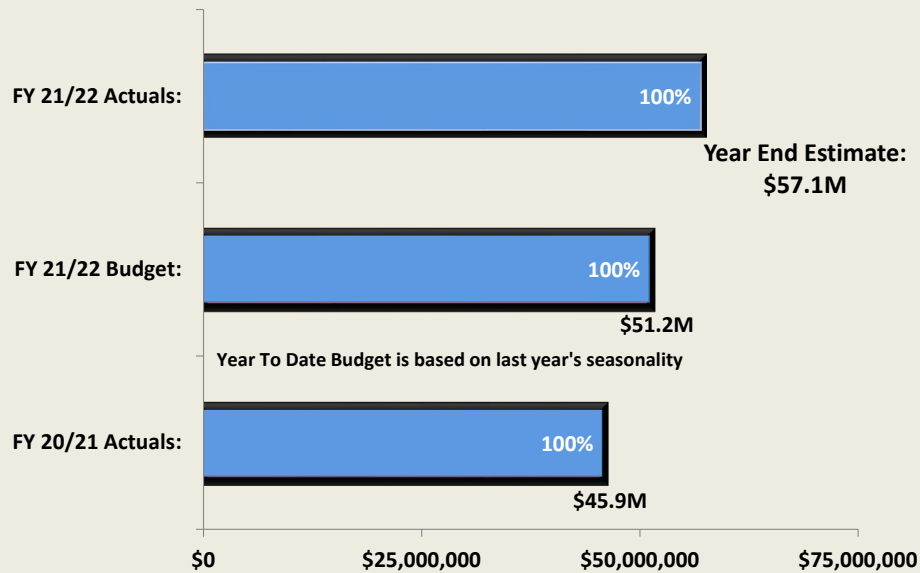
FY 2021/22 4th Quarter Natural Gas Summary

The data below represents financial information for the Utility Fund for the Natural Gas sub-fund.
Both direct (Energy Resources Department) and indirect (citywide) expenses are included.

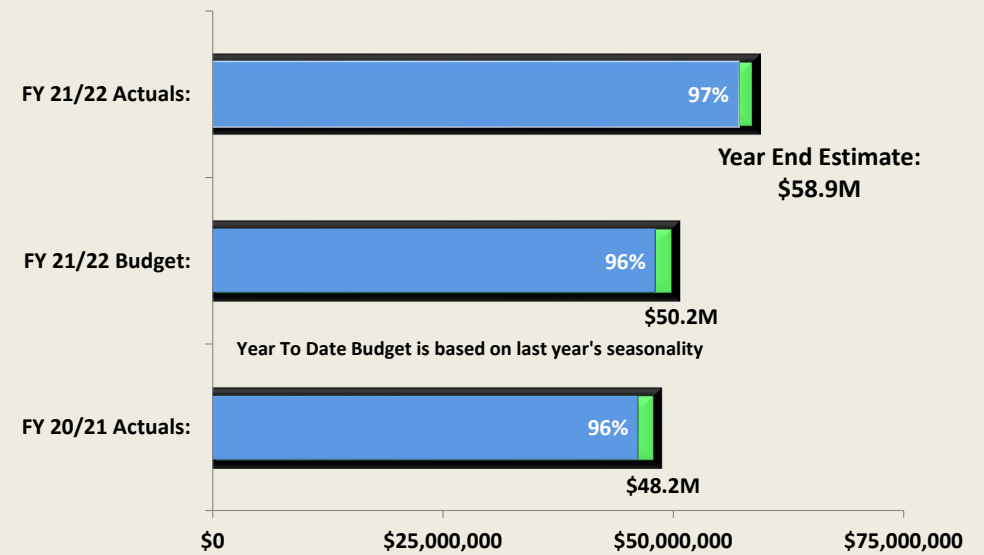
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 51,233	\$ 56,956	\$ 57,101
Uses	\$ 28,512	\$ 34,017	\$ 35,339
Debt/Capital Transfers Out	\$ 10,685	\$ 11,755	\$ 12,265
General Fund Transfers Out	\$ 11,027	\$ 11,237	\$ 11,313
Net Sources and Uses	\$ 1,010	\$ (53)	\$ (1,816)

(In Thousands)

Natural Gas - Sources



Natural Gas - Uses and Transfers



Both sources and uses year end estimate are above budget due to the purchase of the natural gas cost adjustment factor, which is the cost of the natural gas commodity that is passed through to the customer. Unanticipated supply disruptions as result of adverse weather events, decreased storage capacity, and increased international demand resulted in increased costs of the natural gas commodity.

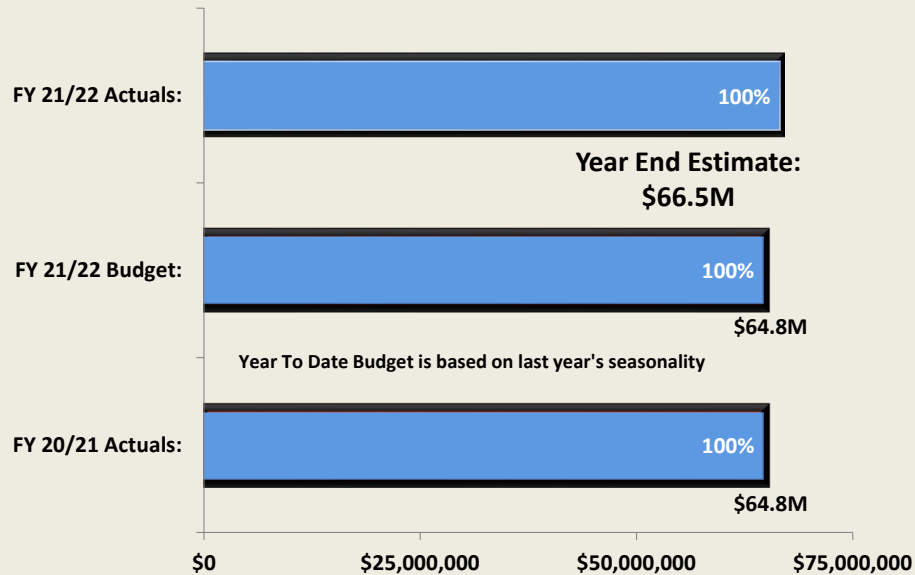
FY 2021/22 4th Quarter Solid Waste Summary

The data below represents financial information from the Utility Fund for the Solid Waste sub fund.
Both direct (Environmental Management and Sustainability Department) and indirect (citywide) expenses are included.

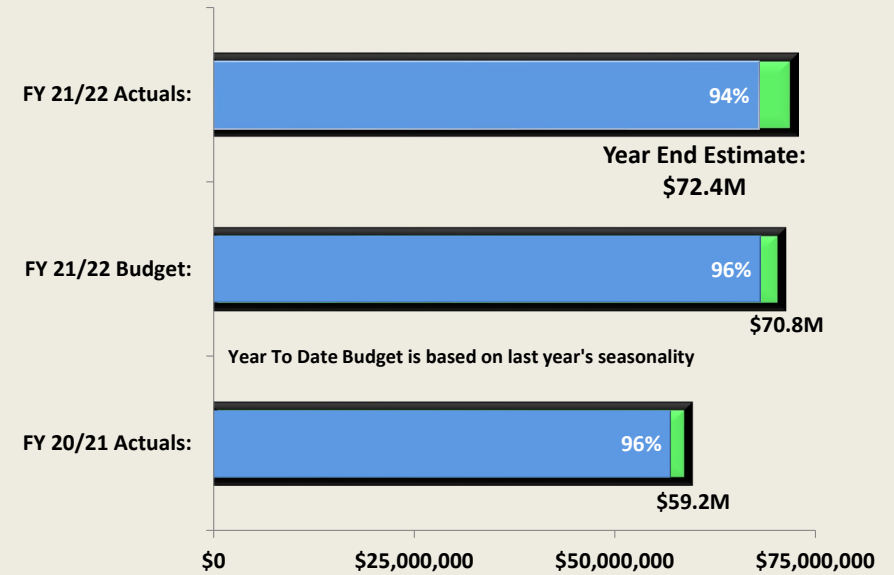
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 64,778	\$ 66,546	\$ 66,511
Uses	\$ 42,332	\$ 38,643	\$ 42,656
Debt/Capital Transfers Out	\$ 9,049	\$ 9,387	\$ 9,742
General Fund Transfers Out	\$ 19,434	\$ 19,880	\$ 19,953
Net Sources and Uses	\$ (6,036)	\$ (1,364)	\$ (5,841)

(In Thousands)

Solid Waste - Sources



Solid Waste - Uses and Transfers



The Solid Waste sources year end estimate is above budget due to greater than anticipated revenues from both residential and non-residential customers. However, uses year end estimate is also above budget. This is due largely to increased personnel costs relating to the one-time payment to employees in January 2022 and a 5% salary increase, which were not included in the adopted budget. Additionally, funding for the Flare to Fuel project, which will generate renewable natural gas from waste at the Northwest Water Reclamation Plant, and increased rates of vehicle replacements increased FY2021/22 budget above FY2020/21 uses actuals.

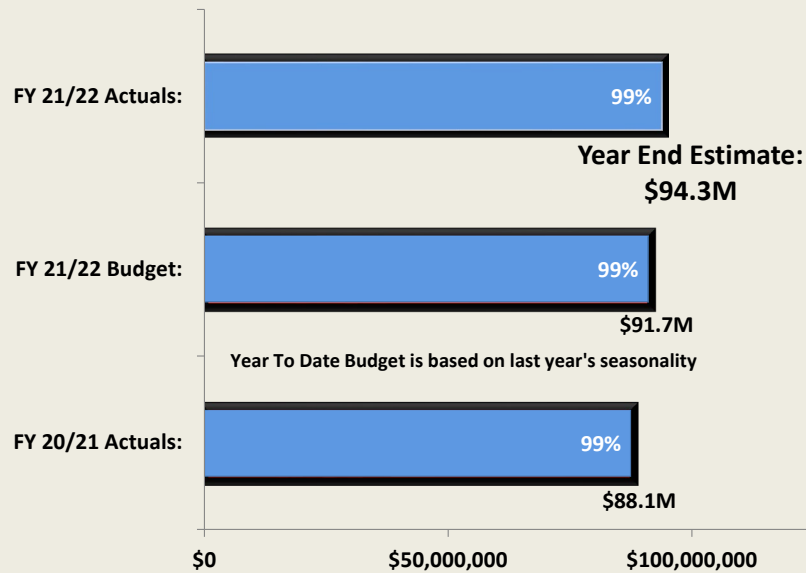
FY 2021/22 4th Quarter Wastewater Summary

The data below represents financial information from the Utility Fund for the Wastewater Sub-fund.
Both direct (Water Resources Department) and indirect (citywide) expenses are included.

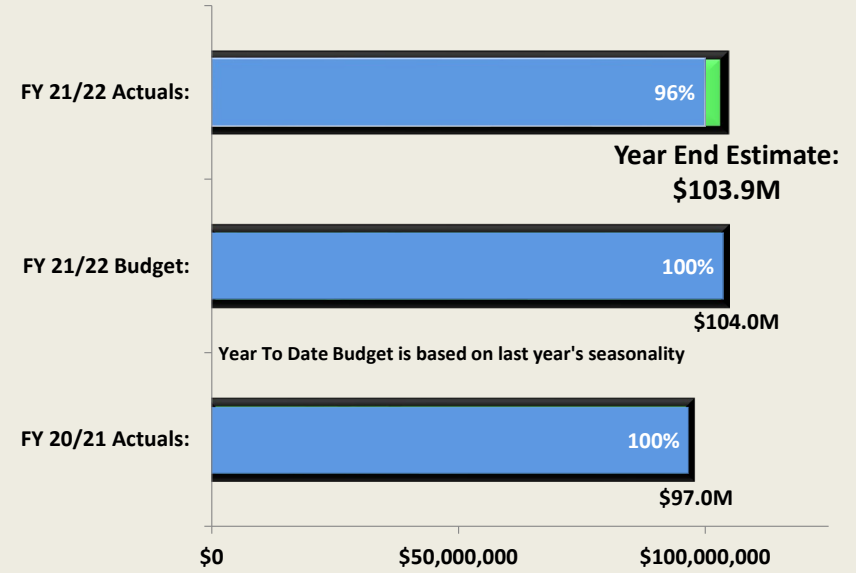
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 91,696	\$ 93,649	\$ 94,295
Uses	\$ 35,034	\$ 30,131	\$ 33,900
Debt/Capital Transfers Out	\$ 41,462	\$ 41,642	\$ 41,668
General Fund Transfers Out	\$ 27,509	\$ 28,016	\$ 28,289
Net Sources and Uses	\$ (12,309)	\$ (6,140)	\$ (9,562)

(In Thousands)

Wastewater - Sources



Wastewater - Uses and Transfers



The sources year end estimate is slightly above budget due to greater than anticipated revenues from non-residential customers. The uses year end estimate is on track with budget.

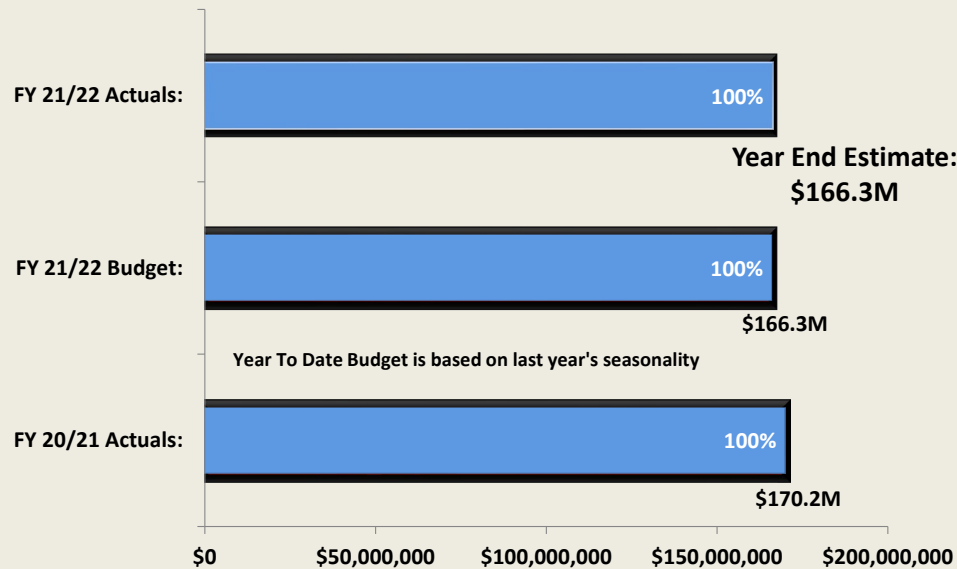
FY 2021/22 4th Quarter Water Summary

The data below represents financial information from the Utility Fund for the Water Sub-fund.
Both direct (Water Resources Department) and indirect (citywide) expenses are included.

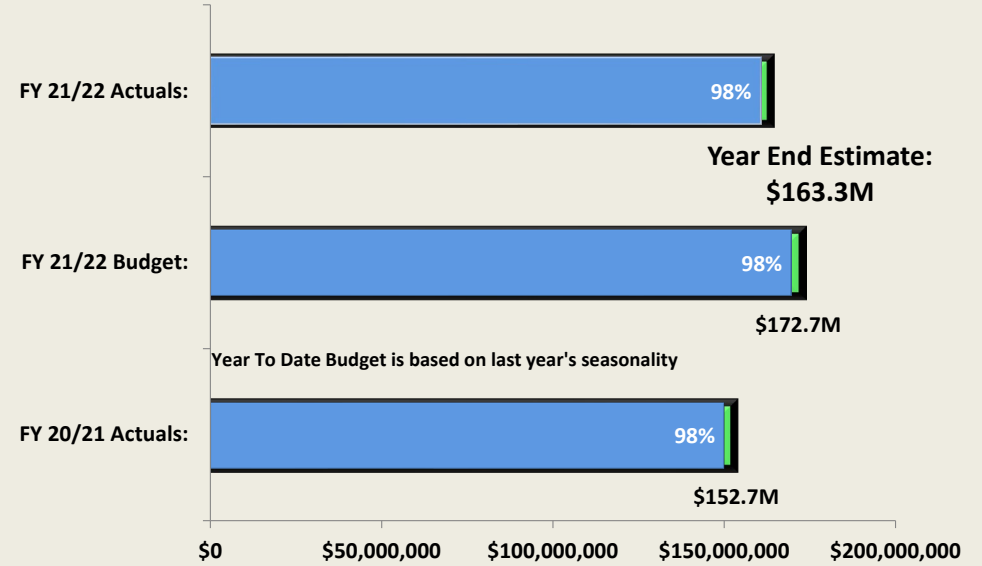
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 166,290	\$ 166,275	\$ 166,256
Uses	\$ 66,764	\$ 59,274	\$ 61,797
Debt/Capital Transfers Out	\$ 56,000	\$ 51,628	\$ 51,675
General Fund Transfers Out	\$ 49,887	\$ 49,695	\$ 49,877
Net Sources and Uses	\$ (6,361)	\$ 5,679	\$ 2,907

(In Thousands)

Water - Sources



Water - Uses and Transfers



The sources year end estimate is on track to budget. The uses year end estimate is also below budget due to vacancy and operational savings across all water treatment plants. The Debt/Capital Transfers Out year end estimate is below budget due to shifting funding for the Water Interconnect Pipes project to a later fiscal year. The Water Interconnect Pipes project is still in an alignment study and construction will not begin in FY 2021/22.

Lastly, the FY2021/22 uses and transfers budget increased from FY 2020/21 actuals due to an increase in the scheduled debt service payments