Proposed Budget Overview for Fiscal Year 2017/18

Presented by the Office of Management and Budget
April 3, 2017
The FY 17/18 Proposed Budget continues the City’s effort to create and maintain a great place to live, work and play.
Financial stability is achieved when annual operational and maintenance expenditures are managed at the same level or below annual operating revenues. Currently, a gap exists between the expected annual expenses and the forecasted available resources. Increased expenditure pressure from pension, healthcare, and the minimum wage increase has widened this gap.
Update of General Governmental Forecast

FY 17/18 estimated expenses have been updated with the latest position information. For example: employees topped out in their pay ranges may have retired and been replaced with employees at the beginning of the pay range.

FY 17/18 revenues have been updated as additional receipt data is available.
# Updated Forecast

## City of Mesa

### General Governmental Funds

(Updated 03/14/17)

<table>
<thead>
<tr>
<th>17/18 Estimated Budget</th>
<th>Projected FY 16/17</th>
<th>Estimated FY 17/18</th>
<th>Forecast FY 18/19</th>
<th>Forecast FY 19/20</th>
<th>Forecast FY 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Reserve Balance</td>
<td>$ 92.1</td>
<td>$ 89.4</td>
<td>$ 71.9</td>
<td>$ 44.2</td>
<td>$ 23.1</td>
</tr>
<tr>
<td>Total Sources</td>
<td>$ 401.8</td>
<td>$ 407.1</td>
<td>$ 419.9</td>
<td>$ 434.6</td>
<td>$ 449.3</td>
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<tr>
<td>Total Uses</td>
<td>$ 404.6</td>
<td>$ 424.6</td>
<td>$ 447.5</td>
<td>$ 455.7</td>
<td>$ 472.2</td>
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<tr>
<td>Net Sources and Uses</td>
<td>$ (2.8)</td>
<td>$ (17.5)</td>
<td>$ (27.7)</td>
<td>$ (21.1)</td>
<td>$ (22.9)</td>
</tr>
<tr>
<td>Ending Reserve Balance</td>
<td>$ 89.4</td>
<td>$ 71.9</td>
<td>$ 44.2</td>
<td>$ 23.1</td>
<td>$ 0.2</td>
</tr>
</tbody>
</table>

Ending Reserve Balance Percent*  
21.0%  
16.1%  
9.7%  
4.9%  
0.0%

Dollars in Millions  
Does not include an economic correction  
*As a % of uses of funding of the following year
Focus on the Future

The key to financial sustainability is the balance between meeting the needs of today and preparing for the growth and opportunities of tomorrow.

The proposed budget focuses on aligning current resources with core services while continuing to invest in economic development.
Mesa is a service organization that strives to provide high quality interactions with residents, businesses and visitors.

Quality services require skilled professional employees.

Personnel costs are the greatest portion of the General Governmental budget.
FY 2016/17 General Governmental Expenses: $400M

Budget By Expenditure Category

- Personal Services: $290.1 (72.5%)
- Transfers to other funds: $31.7 (7.9%)
- Commodity: $14.3 (3.6%)
- Other Services: $63.9 (16.0%)

Budget By Department

- Public Safety Total: $248.9 (62.2%)
  - Police: $169.6 (42.4%)
  - Municipal Court: $7.7 (1.9%)
  - Fire & Medical Services: $71.6 (17.9%)
- Other Departments: $47.8
- Infrastructure Support: $34.7
- Community Services: $12.9
- Parks & Library: $24.0

*Both charts exclude $6M General Governmental Funds Carryover
Adjustments in Personnel

Four methods were implemented in the proposed budget:

- Limiting “step pay” increases
- Repurposing existing staff to core services
- Minimizing costs by replacement of higher cost personnel with lower cost where possible
- Elimination of positions
Limiting “Step Pay” Increases

The original forecast included a step pay maximum of 5% for eligible employees. The proposed budget includes a maximum of 3%

The savings to the general fund is estimated at $2.4M and helps to avoid layoffs and/or reduction in services to our customers
Cost Minimization

The cost associated with sworn personnel continues to rise each year.

The Police Department and the Fire and Medical Department have identified sworn positions whose current duties can be transferred to civilian personnel.

The sworn administrative positions will be replaced by civilian positions and the sworn employees will be reassigned to other existing positions.
Repurposing Existing Staff

As funding continues to be limited, existing resources will be realigned to focus on core services.

The Fire and Medical Department has identified sworn personnel currently serving in support roles, that will be repurposed to cover first responder shifts, which will result in overtime savings.
Elimination of Positions

The proposed budget includes the elimination of some positions:

- 12 in Police Department (6 sworn, 6 civilian)
- 3.5 in Information Technology Department
- 1 in Business Services Department

All of the civilian positions are vacant.

Four of the sworn positions are filled, however the employees will be reassigned to existing positions when available.
Impact of Minimum Wage Increase

The Parks, Recreation and Community Services Department is experiencing cost increases for landscaping and custodial services.

Some decreased service levels are included for FY 17/18 in order to maintain similar costs to FY 16/17.
Economic Development

The proposed budget continues the City’s investment in the future.

Infrastructure expansion is included in the proposed Capital Improvement Program (CIP) to service growing areas of the City:

- Elliott Road Corridor
- Signal Butte Water Treatment Plant
- Central Arizona Project Water Line
- Greenfield Wastewater Treatment Plant Expansion
Economic Development (Continued)

An annual $2M transfer from the Enterprise Fund to the Economic Investment Fund is included to support projects that will help stimulate utility customer growth.

A Falcon Field Area marketing plan will augment the unique signage being installed this year.
Secondary Property Tax Rate will be Reduced for FY 17/18

The LEVY is the total dollar amount to be collected from all property classifications.

The RATE is set based on the total assessed value of the City in order to attain the levy.

Mesa’s assessed value increased due to both increase values of existing property as well as the addition of new construction.
Other Reductions/Adjustments

Reductions in non-personnel areas are included throughout many departments.

Effort was made to maximize the savings while minimizing the service impact to residents, businesses and customers.
Increased Revenues

The Municipal Court anticipates increased fine collections due to participation in the State’s FARE program

Individuals will need to settle outstanding court fines before they will be allowed to renew their vehicle registration

Other departments are modifying fees to allow for better cost recovery while staying competitive within the market
Proposed Budget Summary

The proposed budget includes:

- An estimated $8.1M in decreases in expenditures
- An estimated $0.6M in increases in expenditures (landscaping contracts, etc.)
- An estimated $1.1M in increased fine recovery and various fees and charges

The net impact is an $8.6M decrease in the funding gap for FY17/18
# Proposed Budget

**City of Mesa**  
**General Governmental Funds**  
(Updated 03/29/17)

## 17/18 Proposed Budget

<table>
<thead>
<tr>
<th></th>
<th>Projected FY 16/17</th>
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<td>$ 408.2</td>
<td>$ 420.7</td>
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<td>$ 417.1</td>
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<tr>
<td><strong>Implementation Phase-in</strong></td>
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<td>$ (2.1)</td>
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**Ending Reserve Balance Percent***  
- Projected FY 16/17: 21.4%  
- Proposed FY 17/18: 17.8%  
- Forecast FY 18/19: 13.2%  
- Forecast FY 19/20: 10.0%  
- Forecast FY 20/21: 6.6%

*Dollars in Millions  
Does not include an economic correction  
*As a % of uses of funding of the following year
<table>
<thead>
<tr>
<th>Date</th>
<th>Presentation</th>
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<tbody>
<tr>
<td>April 3</td>
<td>FY 17/18 Proposed Budget Overview</td>
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<tr>
<td>April 6</td>
<td>Non Utility CIP</td>
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<td>Parks, Recreation and Community Facilities</td>
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<td>April 13</td>
<td>Utility CIP</td>
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<td>Utility Rate Recommendations</td>
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<td>Environmental Management and Sustainability</td>
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<td>Energy Resources</td>
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<td>Police</td>
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<td>Fire and Medical</td>
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<td>Arts and Culture</td>
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<td>Development Services</td>
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<td>Library</td>
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<td>May 4</td>
<td>Budget Wrap Up</td>
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# Budget Process Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>May 8</td>
<td>Introduction of Utility Rate Ordinances</td>
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<tr>
<td>May 22</td>
<td>Adoption of Five-Year CIP</td>
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<td>Adoption of Utility Rate Adjustments</td>
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<tr>
<td>June 5</td>
<td>Public Hearing on Annual Budget and Secondary Property Tax Levy</td>
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<tr>
<td></td>
<td>Final Adoption of Annual Budget</td>
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<tr>
<td>June 19</td>
<td>Adoption of Secondary Property Tax Levy</td>
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