Financial Forecasting

• The city uses current expenses and revenues along with historical trends as a basis to forecast future expenses and revenues over multiple years.

• Multi-year forecasting allows for evaluation of the sustainability of programs and services.

• Future needs are incorporated to enhance ability to plan.

• The city’s financial policies call for the use of on-going revenues for on-going expenses.
Revenue Forecasting

• The city subscribes to a forecast group out of the University of Arizona which allows for access to raw data regarding econometrics

• Statistical software is applied in house to analyze the correlation between economic trends and the city’s revenue sources

• Relevant economic indicators are considered such as: population growth, wages, unemployment, building permits, gas prices, etc.

• Mesa specific factors are applied such as economic development activities, retail trends, etc.

• Includes an economic correction estimate
General Governmental Revenues

Data as of February 21, 2018

Millions

City Sales Tax
State Shared Revenues
Enterprise Transfer to General Fund

'10-'11 '11-'12 '12-'13 '13-'14 '14-'15 '15-'16 '16-'17 '17-'18 '18-'19 '19-'20 '20-'21 '21-'22 '22-'23
### General Governmental Operating Revenues

<table>
<thead>
<tr>
<th></th>
<th>FY 16/17 Actuals (1)</th>
<th>Change From FY 15/16</th>
<th>FY 17/18 Budgeted (1)</th>
<th>FY 17/18 Projected (1)</th>
<th>Change From FY 16/17</th>
<th>FY 18/19 Forecast</th>
<th>Change from FY 17/18 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local Sales Tax</strong></td>
<td>$132.3</td>
<td>5.1%</td>
<td>$134.8</td>
<td>$137.3</td>
<td>3.8%</td>
<td>$141.3</td>
<td>2.9%</td>
</tr>
<tr>
<td><strong>State Shared Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Sales Tax</td>
<td>$43.3</td>
<td>3.9%</td>
<td>$45.6</td>
<td>$45.3</td>
<td>4.7%</td>
<td>$47.2</td>
<td>4.2%</td>
</tr>
<tr>
<td>Urban Revenue Sharing</td>
<td>$57.7</td>
<td>9.2%</td>
<td>$59.3</td>
<td>$60.0</td>
<td>4.0%</td>
<td>$59.5</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Vehicle License Tax</td>
<td>$18.6</td>
<td>2.5%</td>
<td>$19.7</td>
<td>$19.8</td>
<td>6.4%</td>
<td>$20.7</td>
<td>4.8%</td>
</tr>
<tr>
<td><strong>Enterprise Transfer</strong></td>
<td>$103.9</td>
<td>4.2%</td>
<td>$106.5</td>
<td>$106.5</td>
<td>2.5%</td>
<td>$108.4</td>
<td>1.8%</td>
</tr>
<tr>
<td>Other</td>
<td>$44.0</td>
<td>6.1%</td>
<td>$42.5</td>
<td>$42.2</td>
<td>-4.1%</td>
<td>$44.0</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$399.7</td>
<td>5.3%</td>
<td>$408.4</td>
<td>$411.1</td>
<td>2.8%</td>
<td>$421.1</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

1. FY 16/17 Actuals, FY 17/18 Budget and Projected amounts exclude carryover

(as of Jan 2018)  

Dollars in millions
State Shared Revenues

Data as of February 21, 2018

[Graph showing State Shared Revenues with lines for Urban Revenue Sharing, State Sales Tax, and Vehicle License Tax over fiscal years '10-'11 to '22-'23.]
Operational Expenditure Forecasting

• Expenditure categories are analyzed and forecasted individually

• Personal Services
  • Many factors contribute to overall estimates such as pension rates, medical premiums, salary movement, etc.

• Other Services/Commodities
  • Large specialty contracts are handled separately while forecasted consumer price index is applied to general expenses

• Capital
  • Majority of expenses are related to construction projects and vehicle purchases. Multi-year plans are developed and included in the forecast
Included in Expenditure Forecast

- **Public Safety Retirement** contributions (25-year unfunded liability payment plan)
  - Police contribution rate essentially unchanged (50%)
  - Fire contribution rate increase to 52% (from 48% in FY17/18)
  - Investment earnings assumption reduced from 7.5% to 7.4%

- **Arizona State Retirement**
  - Contribution rate increase to 11.8% (from 11.5% in FY17/18)
  - Investment earnings assumption reduced from 8.0% to 7.5% (impact to rates phased in over five years)

- **Medical premiums** increasing 4% in CY 2018 and 8% in later years
Expenditure Forecast – Debt Service

• Debt service associated with general obligation bond authorizations approved in 2008 and later have associated secondary property tax levy amounts sufficient for repayment

• There is a minimal debt service impact (average of $160K) to the General Fund due to the leveraging of pre-2008 bond authorization for a portion of the land acquisition for the Fire and Medical Regional Dispatch Center
Expenditure Forecast – Transfer to Other Funds

• Arts & Culture
  • The Arts and Culture Department operates facilities that charge for services provided: admission/tickets to shows. Expenditures are offset by these charges however the revenues do not cover the costs
  • The General Fund contribution is projected at $9.8M in FY 17/18 and $9.5M in FY 18/19

• Transit – Bus, Light Rail, Dial-a-ride
  • 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 costs
  • The General Fund contribution is projected at $11.0M for FY 17/18 and $13.8M in FY 18/19
  • Gilbert Light Rail Extension is included in FY 19/20 forecast. $4.0M annual estimated increase in expenses and $1.8M anticipated increase in revenues.
# General Governmental Expenditures

<table>
<thead>
<tr>
<th></th>
<th>FY 16/17 Actuals</th>
<th>Change from FY 15/16</th>
<th>FY 17/18 Budget</th>
<th>FY 17/18 Projected</th>
<th>Change from FY 16/17</th>
<th>FY 18/19 Forecast</th>
<th>Change from FY 17/18 Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Services</td>
<td>$283.7</td>
<td>4.1%</td>
<td>$301.9</td>
<td>$299.1</td>
<td>5.4%</td>
<td>$303.7</td>
<td>1.5%</td>
</tr>
<tr>
<td>Other Services</td>
<td>$53.4</td>
<td>8.0%</td>
<td>$70.7</td>
<td>$65.7</td>
<td>23.2%</td>
<td>$67.3</td>
<td>2.4%</td>
</tr>
<tr>
<td>Commodities</td>
<td>$12.4</td>
<td>21.5%</td>
<td>$16.1</td>
<td>$13.3</td>
<td>6.9%</td>
<td>$14.2</td>
<td>7.4%</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>to capital fund</td>
<td>$10.2</td>
<td>239.5%</td>
<td>$11.3</td>
<td>$19.3</td>
<td>89.2%</td>
<td>$15.3</td>
<td>-20.8%</td>
</tr>
<tr>
<td>to other funds (^1)</td>
<td>$38.8</td>
<td>26.0%</td>
<td>$24.9</td>
<td>$31.0</td>
<td>-20.0%</td>
<td>$32.4</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$398.4</td>
<td>8.9%</td>
<td>$425.0</td>
<td>$428.4</td>
<td>7.5%</td>
<td>$432.8</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

1. Includes transfers to the Transit Fund, Arts and Culture Fund and other funds

(as of Feb 2018)  
Dollars in millions
Financial Sustainability

• Forecasting revenues and expenditures allows for determining if there are sufficient on-going revenues to cover current and new on-going needs

• The closer annual operating expenditures are to annual operating revenues, the more sustainable they are over time

• Growth of the revenue base through City investments

• Periodic usage of reserves allows for the normal ebb and flow of finances

• Financial reserve balance targeted to maintain adequate levels as outlined in the City’s Financial Policies
### General Governmental Fund Balance

<table>
<thead>
<tr>
<th></th>
<th>FY 16/17</th>
<th>FY 17/18</th>
<th>FY 17/18</th>
<th>FY 18/19</th>
<th>FY 19/20</th>
<th>FY 20/21</th>
<th>FY 21/22</th>
<th>FY 22/23</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Reserve Balance</strong></td>
<td>$93.6</td>
<td>$92.7</td>
<td>$100.9</td>
<td>$91.0</td>
<td>$79.4</td>
<td>$71.6</td>
<td>$59.6</td>
<td>$49.8</td>
</tr>
<tr>
<td><strong>Total Sources</strong></td>
<td>$405.8</td>
<td>$415.9</td>
<td>$418.6</td>
<td>$421.1</td>
<td>$432.8</td>
<td>$436.7</td>
<td>$447.0</td>
<td>$455.3</td>
</tr>
<tr>
<td><strong>Total Uses</strong></td>
<td>$398.4</td>
<td>$425.0</td>
<td>$425.4</td>
<td>$429.8</td>
<td>$437.5</td>
<td>$448.7</td>
<td>$456.8</td>
<td>$472.9</td>
</tr>
<tr>
<td><strong>Net Sources and Uses</strong></td>
<td>$7.3</td>
<td>($9.1)</td>
<td>($6.8)</td>
<td>($8.7)</td>
<td>($4.8)</td>
<td>($12.0)</td>
<td>($9.8)</td>
<td>($17.6)</td>
</tr>
<tr>
<td><strong>Future Economic Correction</strong></td>
<td>$0.0</td>
<td>$0.0</td>
<td>($3.0)</td>
<td>($3.0)</td>
<td>($3.0)</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$6.0</td>
</tr>
<tr>
<td><strong>Ending Reserve Balance</strong></td>
<td>$100.9</td>
<td>$83.6</td>
<td>$91.0</td>
<td>$79.4</td>
<td>$71.6</td>
<td>$59.6</td>
<td>$49.8</td>
<td>$38.3</td>
</tr>
<tr>
<td><strong>Ending Reserve Balance Percent</strong></td>
<td>23.5%</td>
<td>19.1%</td>
<td>21.0%</td>
<td>18.0%</td>
<td>16.0%</td>
<td>13.1%</td>
<td>10.5%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

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

Note: Includes economic correction beginning FY 20/21
Forecasted Budget – General Governmental

- Total Sources 2017 Forecast
- Total Uses 2017 Forecast
- Total Sources 2018 Forecast
- Total Uses 2018 Forecast

February 22, 2018
## Next Steps – Anticipated Calendar

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2</td>
<td>Review Proposed FY 18/19 Budget</td>
</tr>
<tr>
<td>April 5</td>
<td>Review Enterprise Fund, Utility CIP and Utility Rates</td>
</tr>
<tr>
<td></td>
<td>Hear from Utility departments</td>
</tr>
<tr>
<td>April 12</td>
<td>Review Non-Utility Capital Improvement Program (CIP)</td>
</tr>
<tr>
<td></td>
<td>Hear from various departments</td>
</tr>
<tr>
<td>April 16, 19, 26</td>
<td>Hear from various departments</td>
</tr>
<tr>
<td>May 3</td>
<td>Budget Wrap-up</td>
</tr>
<tr>
<td>May 21</td>
<td>Adoption of the CIP and Utility Rates</td>
</tr>
<tr>
<td></td>
<td>Tentative Adoption of the FY 18/19 Budget</td>
</tr>
<tr>
<td>June 4</td>
<td>Final Adoption of the FY 18/19 Budget</td>
</tr>
<tr>
<td>June 18</td>
<td>Adoption of the Secondary Property Tax Levy</td>
</tr>
</tbody>
</table>