Discussion Outline

• Property Tax Update
• Revenue Forecast
• Expenditure Trends
• Pending Legislation
• Next Steps
Property Tax Update
Secondary Assessed Valuations

- 2010/11: $4,094,037,000 (-13.8%)
- 2011/12: $3,164,277,000 (-22.7%)
- 2012/13: $2,770,422,000 (-12.4%)
- 2013/14: $2,559,634,000 (-7.6%)
Existing Average Secondary Property Tax Levy

- 2012/13 Rate = $0.5104
  $122,492 Avg. Assess. @ $0.5104 = $62.52

- Base 2013/14 Rate = $0.5525
  $113,158 Avg. Assess. @ $0.5525 = $62.52

Average Impact ($0.00)
Adjust Secondary Property Tax Levy for 2012 Parks Bonds

• Base 2013/14 Rate = $0.5525
  $113,158 Avg. Assess. @ $0.5525 = $62.52

• Parks Bonds 2013/14 Rate = $0.2227
  $113,158 Avg. Assess. @ $0.2227 = $25.20

• Total 2013/14 Rate = $0.7752
  $113,158 Avg. Assess. @ $0.7752 = $87.72
Revenue Forecast
FY13/14 General Fund Outlook

• FY 11/12 ending fund balance came in as projected, no additional savings experienced

• Economic recovery is anticipated to be long and slow
General Fund
FY 2012/13 Available Resources
$308.3M*

*Excludes General Fund Carryover of $6.1M

**Dollars in millions**
City Sales Tax Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Forecast Sales and Use Tax</th>
<th>Forecast Local Streets Sales Tax</th>
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</thead>
<tbody>
<tr>
<td>2012-13</td>
<td>$100,000,000</td>
<td>$20,000,000</td>
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<tr>
<td>2013-14</td>
<td>$140,000,000</td>
<td>$30,000,000</td>
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<tr>
<td>2014-15</td>
<td>$160,000,000</td>
<td>$40,000,000</td>
</tr>
<tr>
<td>2015-16</td>
<td>$180,000,000</td>
<td>$50,000,000</td>
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<tr>
<td>2016-17</td>
<td>$200,000,000</td>
<td>$60,000,000</td>
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<tr>
<td>2017-18</td>
<td>$220,000,000</td>
<td>$70,000,000</td>
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<tr>
<td>2018-19</td>
<td>$240,000,000</td>
<td>$80,000,000</td>
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<tr>
<td>2019-20</td>
<td>$260,000,000</td>
<td>$90,000,000</td>
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</table>
Building Permit Revenue

$0
$2,000,000
$4,000,000
$6,000,000
$8,000,000
$10,000,000
$12,000,000
$14,000,000
$16,000,000


Building Permit Revenue
Forecast Building Permit Revenue
Expenditure Trends
General Fund* by Expenditure Category
FY 2012/13 Budget
$308.3M*

- Personal Services: $232.4M (75.4%)
- Other Services: $58.3M (18.9%)
- Commodities: $17.6M (5.7%)

* Excludes General Fund Carryover of $6.1M

Dollars in millions
FY 05/06 to FY 13/14 Benefit Costs of a $50,000 Position

<table>
<thead>
<tr>
<th></th>
<th>Civilian</th>
<th>Police Sworn</th>
<th>Fire Sworn</th>
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<tbody>
<tr>
<td>FY 05/06 Benefit Cost</td>
<td>$15,883</td>
<td>$17,146</td>
<td>$16,076</td>
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<tr>
<td>FY 13/14 Benefit Cost</td>
<td>$22,325</td>
<td>$33,094</td>
<td>$34,563</td>
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<tr>
<td>$ Change</td>
<td>$6,442</td>
<td>$15,948</td>
<td>$18,487</td>
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<tr>
<td>% Change</td>
<td>40.56%</td>
<td>93.01%</td>
<td>115.00%</td>
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</table>
Public Safety Budget Comparison
General Fund and Quality of Life
FY2005/06 vs. FY2012/13

FY2005/06
$328.9M

FY2012/13
$326.7M*

*Dollars in Millions

*Excludes General Fund Carryover of $6.1M
## Personnel General Fund Pressures

<table>
<thead>
<tr>
<th>Description</th>
<th>FY13/14</th>
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<tbody>
<tr>
<td>Arizona State Retirement System (ASRS)</td>
<td>$ 299,000</td>
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<tr>
<td>Public Safety Personnel Retirement System (PSPRS)</td>
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</tr>
<tr>
<td>Fire Employees</td>
<td>$ 888,000</td>
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<tr>
<td>Police Employees</td>
<td>$ 1,677,000</td>
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<tr>
<td>Expiration of COPS grant – partial funding of 25 Police Officers</td>
<td>$ 1,800,000</td>
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<tr>
<td>City Contribution for Medical Premiums</td>
<td>$ 1,390,000</td>
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</table>
# Other General Fund Pressures

<table>
<thead>
<tr>
<th></th>
<th>FY 14/15</th>
<th>FY 15/16</th>
<th>FY 16/17</th>
<th>FY 17/18</th>
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<tbody>
<tr>
<td>Parks Bond Package</td>
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<tr>
<td>Operations &amp; Maintenance</td>
<td>$627,000</td>
<td>$267,000</td>
<td>$562,000</td>
<td>$811,000</td>
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<tr>
<td>Central Mesa Light Rail Extension</td>
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<tr>
<td>Operations &amp; Maintenance</td>
<td>$3,319,000</td>
<td>$2,370,000</td>
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</table>
General Fund Impact

• Anticipated available resources for FY 13/14 are not sufficient for anticipated needs

• Current projected budget shortfall is between $8M – $9M

• Salary adjustments have not been included in the forecast
Pending Legislation
Senate Bill (SB) 1028

- Taxes on Commercial Leases
  - All businesses with shared ownership are exempt from commercial lease tax
  - Estimated loss of $1.3 to $1.5 million for Mesa
  - Not included in forecast
House Bill (HB) 2657

- Transaction Privilege Tax Task Force
  - Currently contracting sales tax is collected by the respective municipality based on the value of the development
  - Shifts tax from location of development to materials purchase point of sale - estimated impact $8M - $10M
  - Requires State to be the sole point on reporting and collecting of all sales tax - estimated impact $4M
  - Requires State to be the sole point of audits and enforcement – estimated impact $2M
Next Steps
Where do we go from here?

• Staff continues to watch sales tax revenues and other economic indicators
• The Employee Benefit Trust Fund is healthy and staff will be reviewing the potential to reduce future scheduled contributions
• The City will continue to innovate and seek out process efficiencies in both service delivery to residents as well as internal processes
• Staff will update the City Council throughout the budget process
City of Mesa Priorities Continue

• Vision
  – To be the employer and community of choice

• Mission
  – We are dedicated to providing superior services to our customers in order to improve the quality of life for Mesa residents, businesses and visitors

• Strategic Initiatives
# FY13/14 Budget Calendar

| April       | • Audit, Finance and Enterprise Committee reviews utility rates and fees & charges  
|            | • City Council reviews utility rates and fees & charges  
|            | • Department budget overviews to City Council |
| May        | • Preliminary Executive Budget and Capital Improvement Plan submitted to Council |
| June 3     | • Council adopts the FY13/14 Tentative Budget |
| June 17    | • Public Hearing on Final Budget, Capital Improvement Plan, and utility rate adjustments  
|            | • Council adopts Final Budget, Capital Improvement Program, and utility rate adjustments |
| July 1     | • Council adopts Secondary Property Tax levy |