General Fund*
FY 2011/12 Budgeted Resources
(In Millions)

• Chart Excludes grants

Chart Total: $392.1 million
Grants Total: $33.4 million
General Fund Budget: $425.5 million

City Sales Tax Revenues, $102.9, 26.2%
State Shared Revenues, $85.1, 21.7%
Fund Transfers, $72.3, 18.4%
Fund Balance, $75.1, 19.2%
Fines & Forfeitures, $13.6, 3.5%
Secondary Property Tax, $14.1, 3.6%
Fees for Service & Licenses, $20.9, 5.3%
Other Resources, $8.1, 2.1%

Chart Total: $392.1 million
Grants Total: $33.4 million
General Fund Budget: $425.5 million
City Sales Tax

Sales and Use Tax
Forecast Sales and Use Tax
Local Streets Sales Tax
Forecast Local Streets Sales Tax
City Sales Tax by Category
FY2006/07 vs. FY2010/11

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2006/07</th>
<th>FY2010/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales</td>
<td>84.3M</td>
<td>60.5M</td>
</tr>
<tr>
<td>Other</td>
<td>8.0M</td>
<td>11.1M</td>
</tr>
<tr>
<td>Utilities</td>
<td>9.0M</td>
<td>11.1M</td>
</tr>
<tr>
<td>Contracting</td>
<td>21.2M</td>
<td>8.4M</td>
</tr>
<tr>
<td>Rentals</td>
<td>20.4M</td>
<td>22.3M</td>
</tr>
<tr>
<td>Rest. &amp; Bars</td>
<td>11.6M</td>
<td>11.2M</td>
</tr>
</tbody>
</table>

Total Sales Tax 2006/07: $154.5M
Total Sales Tax 2010/11: $121.5M
Contracting vs. Retail Sales Tax Percent Change Year Over Year*

*tax rate normalized
# General Fund* Revenue

## FY 2011/12

<table>
<thead>
<tr>
<th></th>
<th>FY 10/11 Actual</th>
<th>FY 11/12 Budget</th>
<th>FY 11/12 Estimated (as of Dec 2011 data)</th>
<th>FY 11/12 Budget vs. Estimated</th>
<th>FY10/11 Act. to FY 11/12 Est. Yr/Yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Sales Tax</td>
<td>$100,818,500</td>
<td>$102,896,000</td>
<td>$104,444,000</td>
<td>$1,548,000</td>
<td>1.5%</td>
</tr>
<tr>
<td>State Sales Tax</td>
<td>$34,220,312</td>
<td>$33,216,000</td>
<td>$34,908,000</td>
<td>$1,692,000</td>
<td>5.1%</td>
</tr>
<tr>
<td>Vehicle License Tax</td>
<td>$15,324,590</td>
<td>$14,806,000</td>
<td>$13,756,000</td>
<td>($1,050,000)</td>
<td>-7.1%</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>$9,291,101</td>
<td>$9,141,000</td>
<td>$9,840,000</td>
<td>$699,000</td>
<td>7.6%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$12,126,961</td>
<td>$11,741,000</td>
<td>$13,087,000</td>
<td>$1,346,000</td>
<td>11.5%</td>
</tr>
<tr>
<td>Fines &amp; Forfeitures</td>
<td>$15,560,437</td>
<td>$13,652,000</td>
<td>$15,015,000</td>
<td>$1,363,000</td>
<td>10.0%</td>
</tr>
<tr>
<td>Urban Revenue Sharing</td>
<td>$43,067,956</td>
<td>$37,057,000</td>
<td>$37,099,000</td>
<td>$42,000</td>
<td>0.1%</td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td>$9,042,554</td>
<td>$8,116,000</td>
<td>$7,176,000</td>
<td>($940,000)</td>
<td>-11.6%</td>
</tr>
<tr>
<td><strong>sub-total</strong></td>
<td><strong>$239,452,413</strong></td>
<td><strong>$230,625,000</strong></td>
<td><strong>$235,325,000</strong></td>
<td><strong>$4,700,000</strong></td>
<td><strong>2.0%</strong></td>
</tr>
</tbody>
</table>

*Excludes grants and land sales
The Spring 2011 forecast projected $241,466,000 for 12/13. The December 2011 forecast projects a $6,800,000 increase, due to the increase in Urban Revenue Sharing.

*Excludes grants and land sales.
General Fund* by Expenditure Category
FY 2011/12 Budget
(In Millions)

- Contingency, $36.2, 9.2%
- Debt Service, $33.5, 8.5%
- Capital, $16.5, 4.2%
- Other Services, $53.4, 13.6%
- Commodities, $18.6, 4.8%
- Personal Services, $233.9, 59.7%

Chart Total: $392.1 million
Grants Total: $33.4 million
General Fund Budget: $425.5 million

*Chart Excludes Grants
## Expenditure General Fund Pressures

<table>
<thead>
<tr>
<th>Category</th>
<th>12/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona State Retirement Rate Increase</td>
<td>$ 286,000</td>
</tr>
<tr>
<td>Public Safety Retirement</td>
<td></td>
</tr>
<tr>
<td>Fire Employees</td>
<td>$ 1,204,000</td>
</tr>
<tr>
<td>Police Employees</td>
<td>$ 2,120,000</td>
</tr>
<tr>
<td>Workers Compensation Fund</td>
<td>$ 1,863,000</td>
</tr>
<tr>
<td>Arizona State Retirement Rate Split</td>
<td>$ 502,000</td>
</tr>
<tr>
<td>Elections</td>
<td>$ 415,000</td>
</tr>
<tr>
<td>Property &amp; Public Liability Fund</td>
<td>$ 4,000,000</td>
</tr>
</tbody>
</table>
Expenditures vs Revenues

• Some of the identified revenue increases are due to one-time revenue sources.
  – Construction sales tax
  – Capital gains portion of State income tax
• The expenditure increases are on-going.
• The City’s financial policies provide for a sustainable financial condition by balancing the on-going needs with identified on-going revenues.
2012/13 Financial Outlook

• The City of Mesa does not anticipate a budget shortfall for the 12/13 fiscal year.
• 12/13 department budget allocations have been set to the 11/12 current level of service at the anticipated revised cost.
• The City is able to cover the anticipated cost within anticipated revenues and is cautiously optimistic that the economic recovery has begun.
Best Practices and Beyond... 

- The future starts now.
- Do we compare ourselves to best practices or do we become best practices?
- It all begins with people. The right people with the right training and tools, given the right opportunities.
Innovation with Impact

• Mesa will continue to build on the innovation and creativity that has been honed over the recent years of budget reductions.

• The availability of one-time resources allows for an opportunity strategically invest those resources.
Process Considerations

• During the CityEdge project, staff reviewed and evaluated many central City processes as well as the interaction with departments. Efficiencies and qualitative improvements are being implemented as they are identified.

• The new financial tool and staff experience will allow the City to also review operational department processes to allow for easier management of City resources and provision of City services.
Management Considerations

• Managerial and technical succession planning has been identified as a Citywide need.
  – 187 supervisors are anticipated to become eligible for retirement in the next 6 – 10 years.
  – The City is looking to recruit new talent as well as develop existing talent to meet the future needs.
City of Mesa Succession Planning

• Executive Management Program
  – Upper level employees exposed to Citywide issues

• Employee Development Program
  – Mesa Management Academy
  – New curriculum for financial training as well as Mesa policy and procedures

• Management Associate Program
  – New multi-year training program for recent MPA (Masters of Public Administration) graduates
Operational Considerations

• Some operational areas are in need of review and consideration this year. For example:
  – Funding like CDBG (community development block grant) continue to be at risk for reduction. Limiting our ability to provide service if alternate funding is not identified.

• City staff will identify these types of areas and include them in the 12/13 budget discussions.
## 12/13 Budget Process

<table>
<thead>
<tr>
<th>Month</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>February</td>
<td>• CIP Overview</td>
</tr>
<tr>
<td>March 15</td>
<td>• Audit and Finance Committee reviews rates/fees</td>
</tr>
<tr>
<td>April</td>
<td>• City Council review rates/fees</td>
</tr>
<tr>
<td>May</td>
<td>• Preliminary Executive Budget and Capital Improvement Plan submitted to Council</td>
</tr>
<tr>
<td>June 4</td>
<td>• Council adopts the 12/13 Tentative Budget</td>
</tr>
<tr>
<td>June 18</td>
<td>• Public Hearing on Final Budget, Capital Improvement Plan, and utility rate adjustments</td>
</tr>
<tr>
<td></td>
<td>• Council adopts Final Budget, Capital Improvement Program, and utility rate adjustments</td>
</tr>
<tr>
<td>July 2</td>
<td>• Council adopts Secondary Property Tax levy</td>
</tr>
<tr>
<td></td>
<td>• Council calls November 2012 election</td>
</tr>
</tbody>
</table>