

Quarterly Financial Status Report FY 2021/2022 3rd Quarter

Executive Summary:

The City of Mesa has closed the third quarter of the 2021/22 fiscal year, July through March. 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 impact from federal stimulus packages, increased construction activities, and higher prices have contributed to the strong tax growth. In addition, higher than anticipated growth in commercial activities across the City fueled commercial buildings fire 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 on track with 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.

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FY 2021/22 3rd 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		Utility Fund
Revenues	Expenditures	Net Sources and Uses
Taxes	Community Development and Services	District Cooling
Intergovernmental	Parks and Library	Electric
Sales and Charges for Services	Law Enforcement	Natural Gas
Licenses, Fees, and Permits	Fire and Medical	Solid Waste
Fines and Forfeitures	Other Departments	Wastewater
Other Revenues	Transfers Out	Water
Transfer In		

	General Government Funds		Net
	Revenues	Expenditures	Net
Adopted Budget	\$ 503,363	\$ 504,000	\$ (637)
Year to Date Actuals	\$ 400,947	\$ 354,627	\$ 46,320
Year End Estimate	\$ 564,758	\$ 614,799	\$ (50,041)

(In Thousands)

	Utility Fund*		Net
	Sources	Uses	Net
Adopted Budget	\$ 419,657	\$441,762	\$ (22,104)
Year to Date Actuals	\$ 320,884	\$318,105	\$ 2,779
Year End Estimate	\$ 430,553	\$448,630	\$ (18,077)

(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 3rd Quarter Revenues

Revenue Categories	Adopted Budget	Year to Date Actuals	Year End Estimate
Taxes	\$ 166,314	\$ 140,510	\$ 208,466
Intergovernmental	\$ 152,707	\$ 120,889	\$ 167,412
Sales and Charges for Services	\$ 24,438	\$ 18,891	\$ 25,624
Licenses, Fees, and Permits	\$ 20,479	\$ 20,170	\$ 23,383
Fines and Forfeitures	\$ 4,399	\$ 3,314	\$ 4,368
Other Revenues	\$ 2,929	\$ 2,468	\$ 3,866
Transfers In	\$ 132,097	\$ 94,706	\$ 131,638
Total	\$ 503,363	\$ 400,947	\$ 564,758

(In Thousands)

Exceeding
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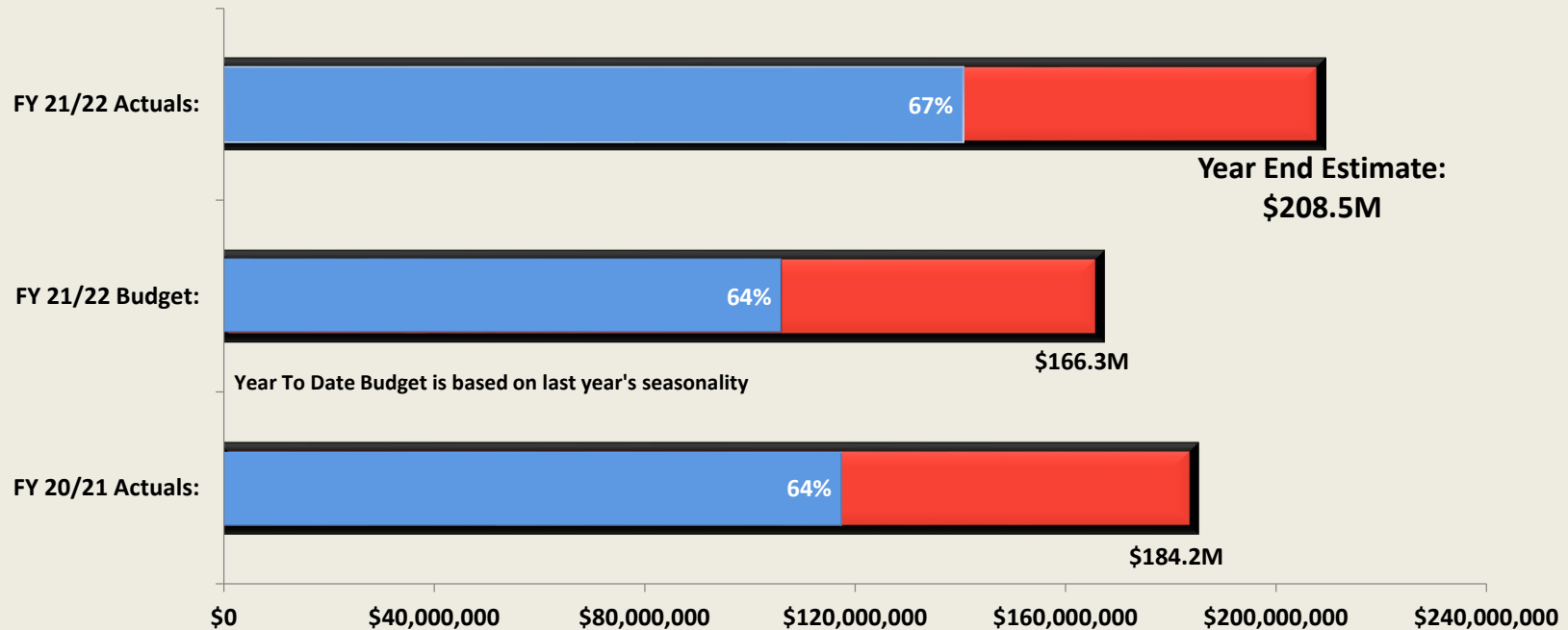
FY 2021/22 3rd Quarter Revenues: Taxes Summary

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	\$ 119,304	\$ 172,529
Quality of Life Fund	\$ 28,669	\$ 21,206	\$ 35,936
Total Tax Revenue	\$ 166,314	\$ 140,510	\$ 208,466

(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.

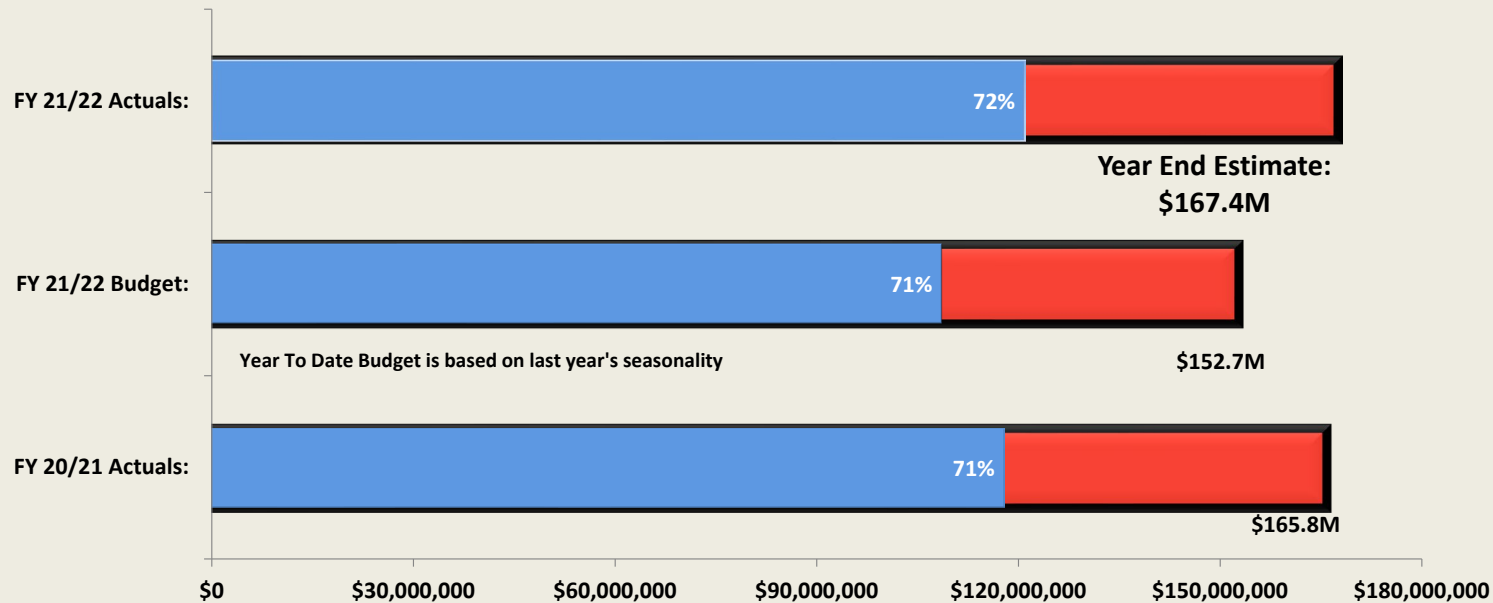
FY 2021/22 3rd Quarter Revenues: Intergovernmental Summary

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	\$ 50,058	\$ 66,684
State Shared Sales Tax	\$ 55,619	\$ 48,721	\$ 69,444
Vehicle License Tax	\$ 22,273	\$ 16,432	\$ 23,990
Other	\$ 6,230	\$ 5,678	\$ 7,294
Total Intergovt Revenue	\$ 152,707	\$ 120,889	\$ 167,412

(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 and Vehicle License 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 the Town of Queen Creek. The expenditures associated with these agreements are included in the Law Enforcement Summary.

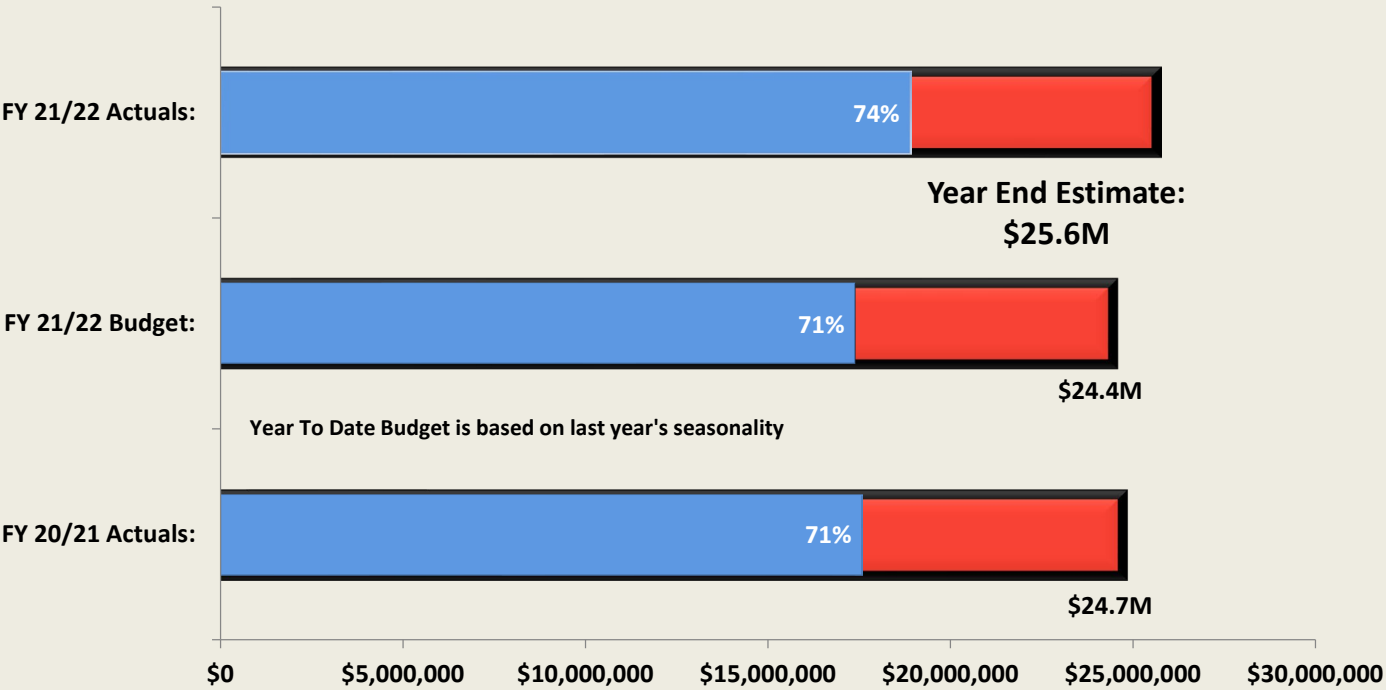
FY 2021/22 3rd Quarter Revenues: Sales and Charges for Services Summary

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	\$ 18,891	\$25,624

(In Thousands)

Sales and Charges for Services - Revenues



The Sales and Charges for Services year end estimate is slightly above budget due to increased revenues from communication site leasing agreements.

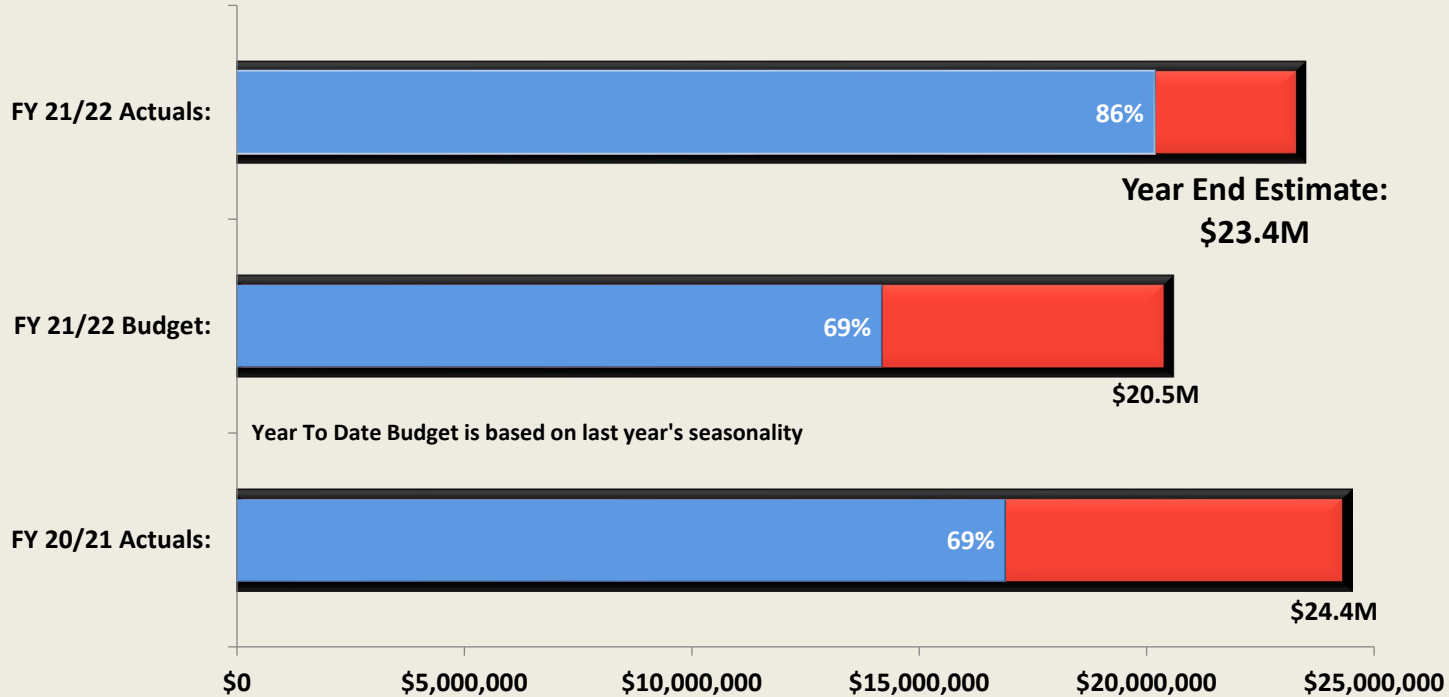
FY 2021/22 3rd Quarter Revenues: Licenses, Fees, and Permits Summary

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	\$ 20,170	\$ 23,383

(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.

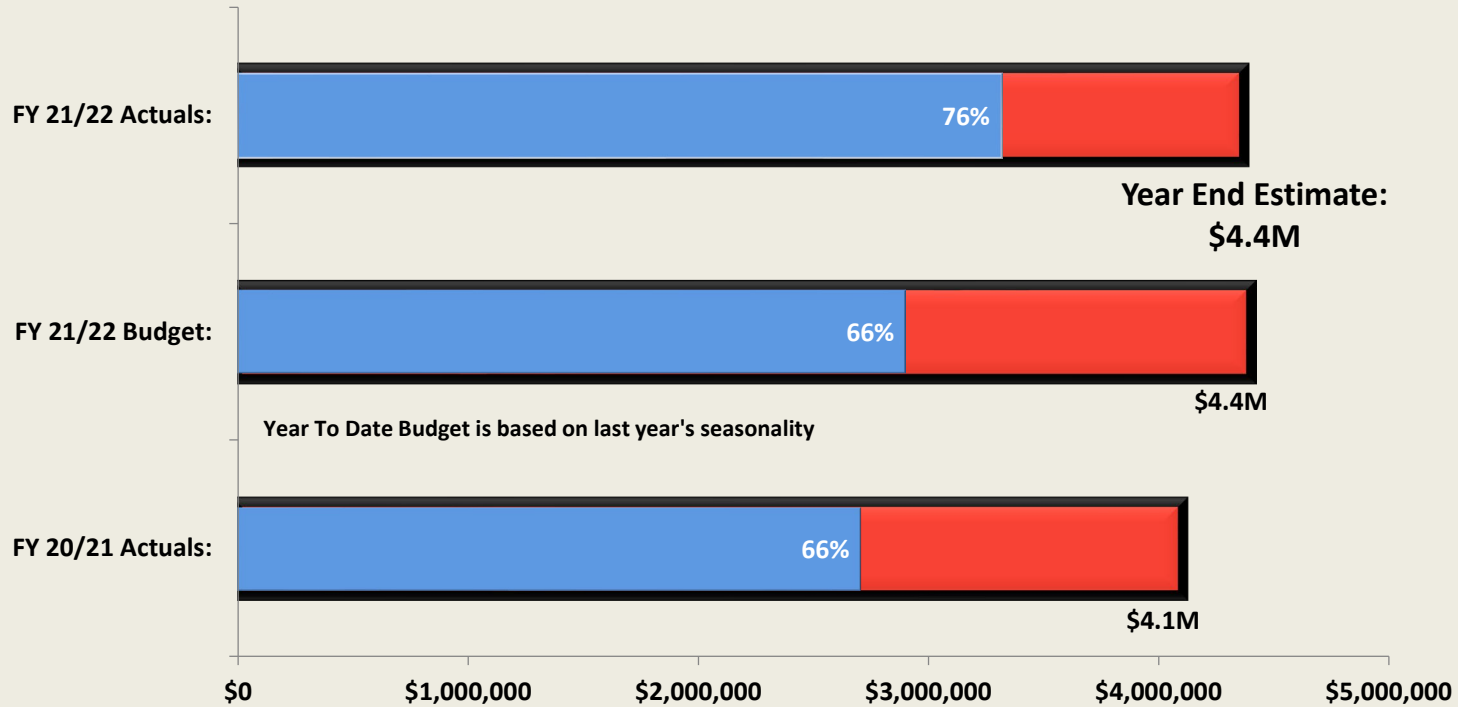
FY 2021/22 3rd Quarter Revenues: Fines and Forfeitures Summary

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	\$ 3,314	\$ 4,368

(In Thousands)

Fines and Forfeitures - Revenues



The Fines and Forfeiture revenues year end estimate is on track with budget.

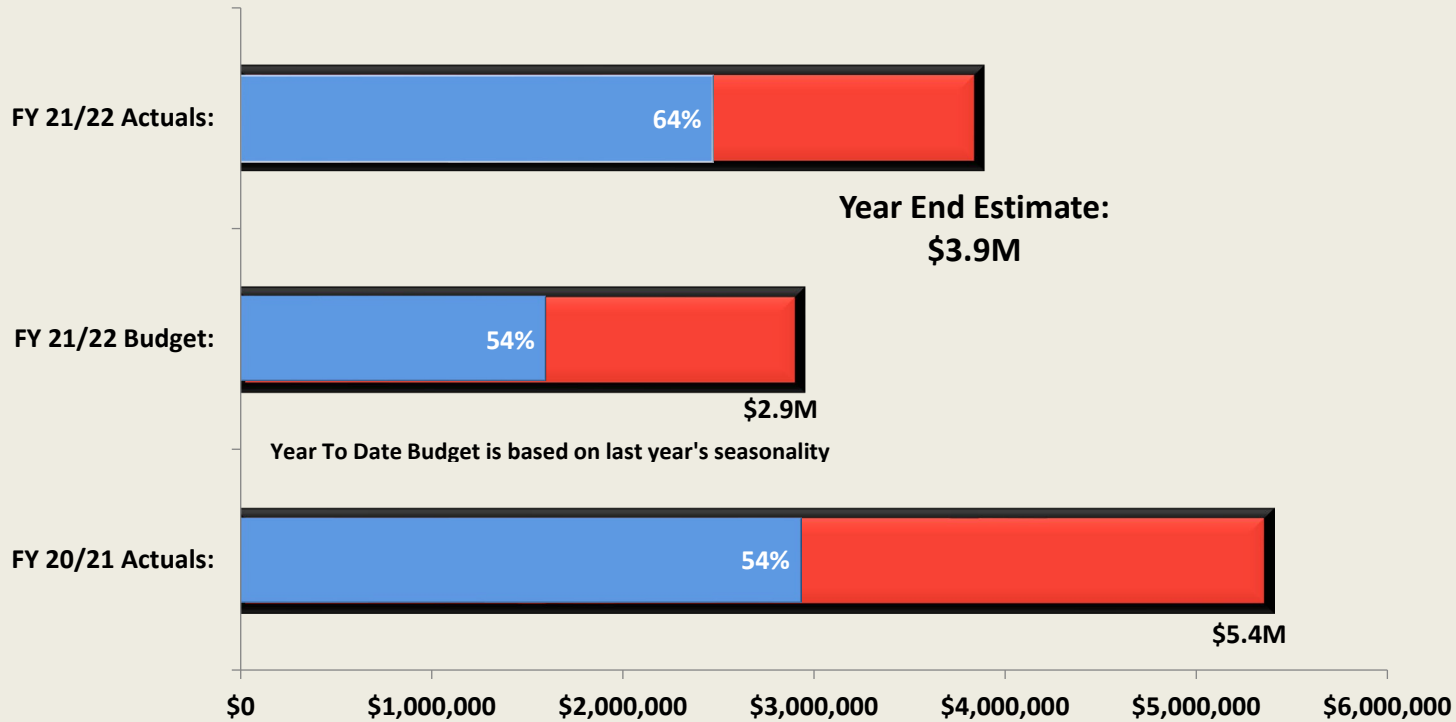
FY 2021/22 3rd Quarter Revenues: Other Revenues Summary

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	\$ 2,468	\$ 3,866

(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 of various purchasing agreements.

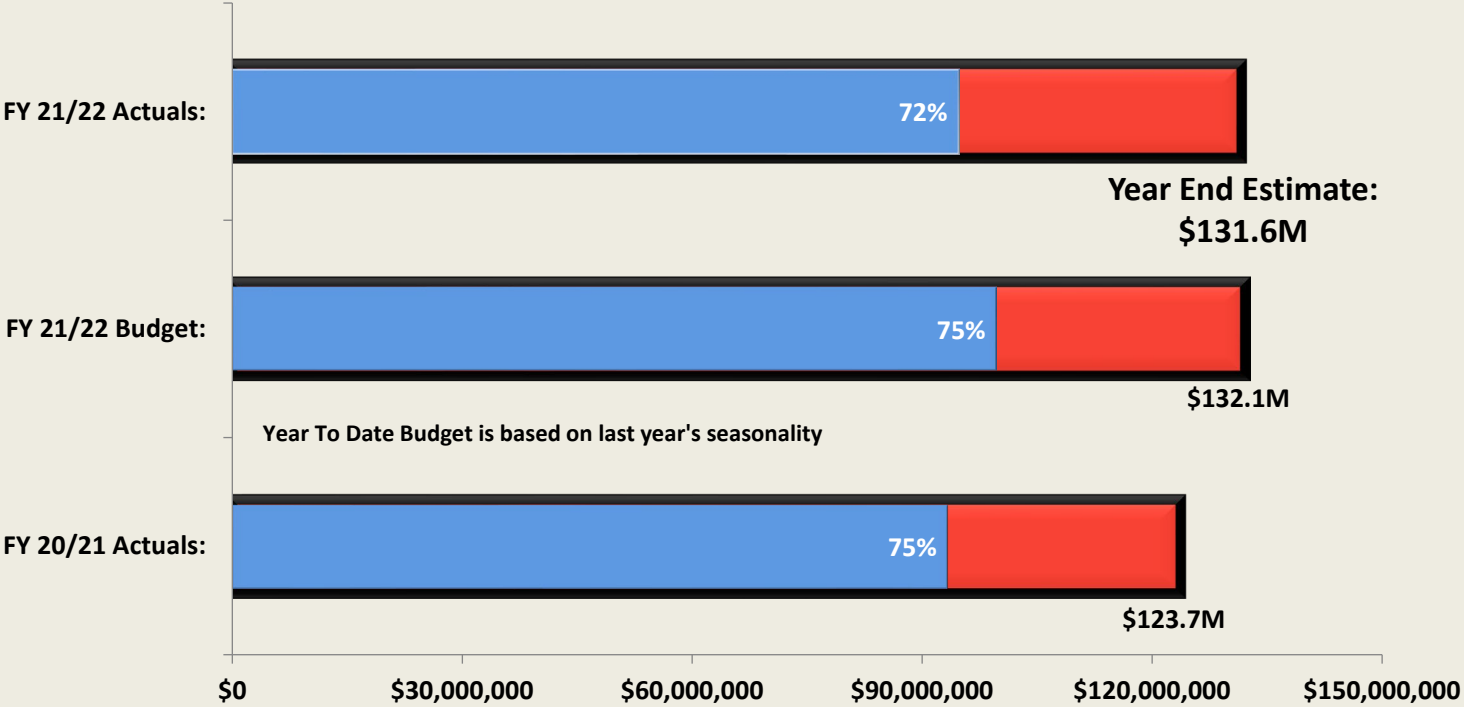
FY 2021/22 3rd Quarter Revenues: Transfers In Summary

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	\$ 94,706	\$ 131,638

(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 on track with budget.

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General Fund and Quality of Life - FY 2021/22 3rd Quarter Expenditures

Expenditures	Adopted Budget	Year to Date Actuals	Year End Estimate
Community Development and Services	\$ 13,473	\$ 9,698	\$ 13,265
Parks and Library	\$ 29,800	\$ 19,737	\$ 29,529
Law Enforcement	\$ 211,567	\$ 172,254	\$ 225,862
Fire and Medical	\$ 91,970	\$ 74,521	\$ 99,044
Other Departments	\$ 111,792	\$ 68,236	\$ 105,576
Transfers Out	\$ 45,398	\$ 10,182	\$ 141,522
Total	\$ 504,000	\$ 354,627	\$ 614,799

(In Thousands)

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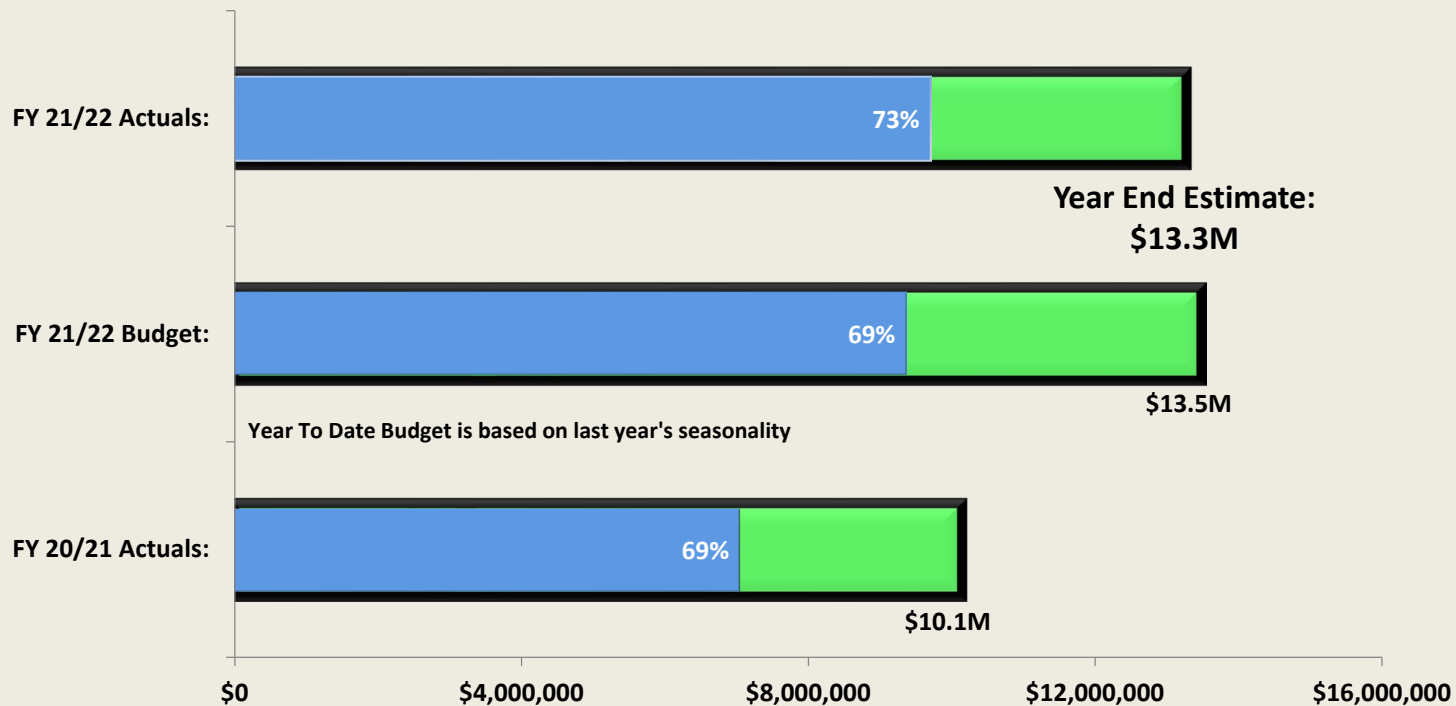
FY 2021/22 3rd Quarter Expenditures: Community Development and Services Summary

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	\$ 9,698	\$ 13,265

(In Thousands)

Community Development and Services - Expenditures



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

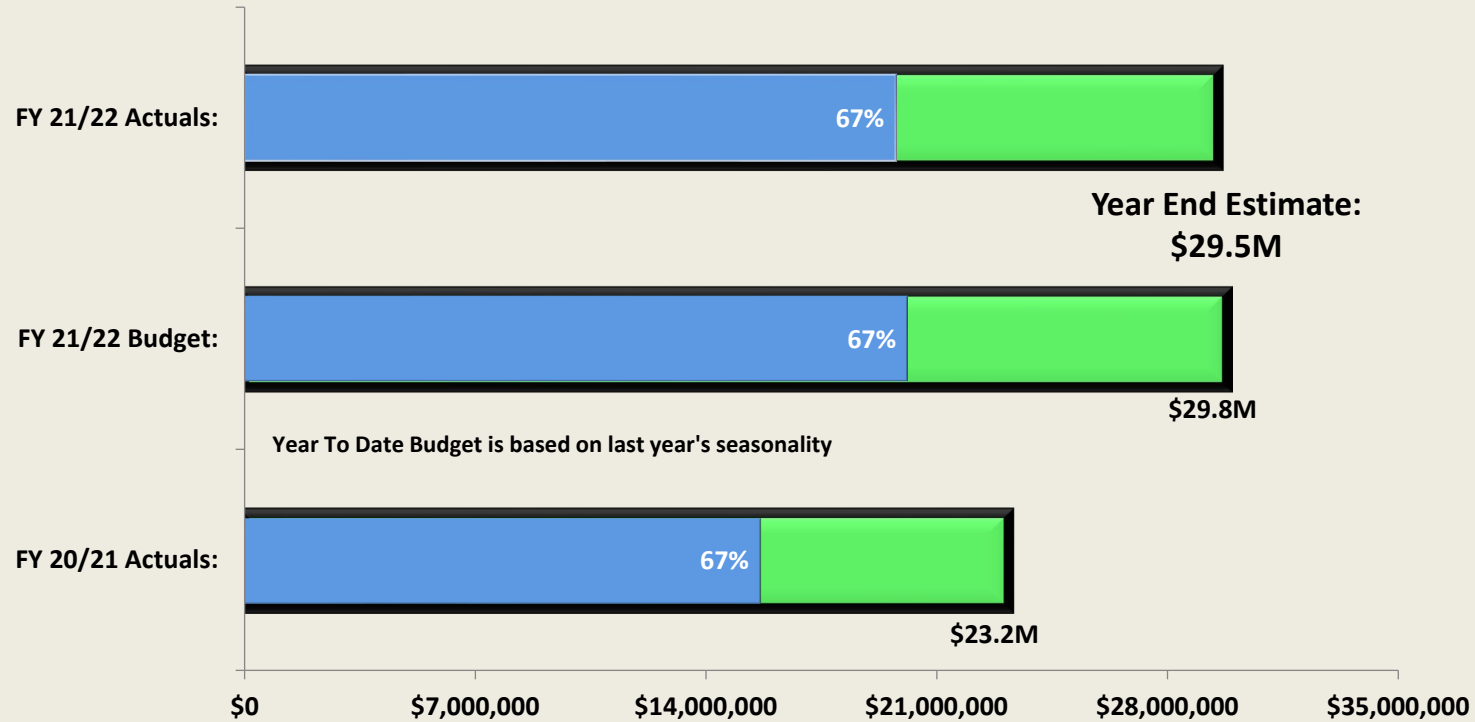
FY 2021/22 3rd Quarter Expenditures: Parks and Library Summary

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	\$ 19,737	\$ 29,529

(In Thousands)

Parks and Library - Expenditures



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

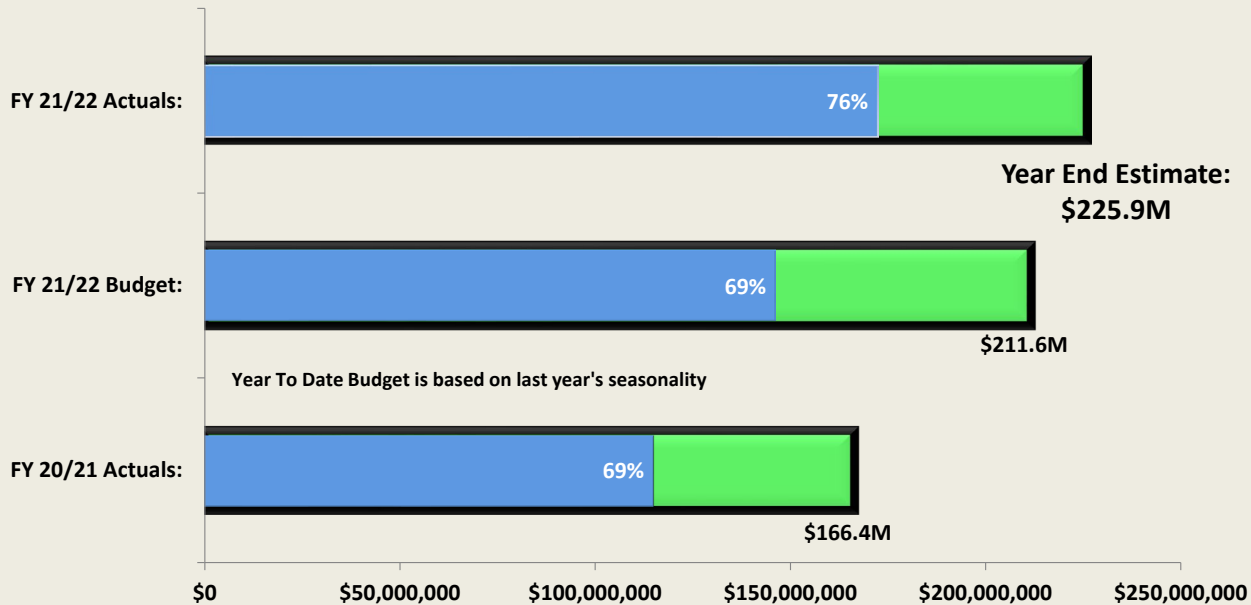
FY 2021/22 3rd Quarter Expenditures: Law Enforcement Summary

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	\$ 172,254	\$ 225,862

(In Thousands)

Law Enforcement - Expenditures



The year end estimate for Law Enforcement expenditures is above budget largely due to increased personnel costs (\$15.1M) 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, 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 and the Town of Queen Creek (\$2.1M), however the department is seeing jail cost savings due reduced bookings (\$1.6M).

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 Fund for duties performed by public safety personnel throughout the COVID-19 pandemic in FY 2020/21. Additionally, the FY 2021/22 budget includes an increased pension liability payment (\$13.6M) to stabilize future City pension contributions.

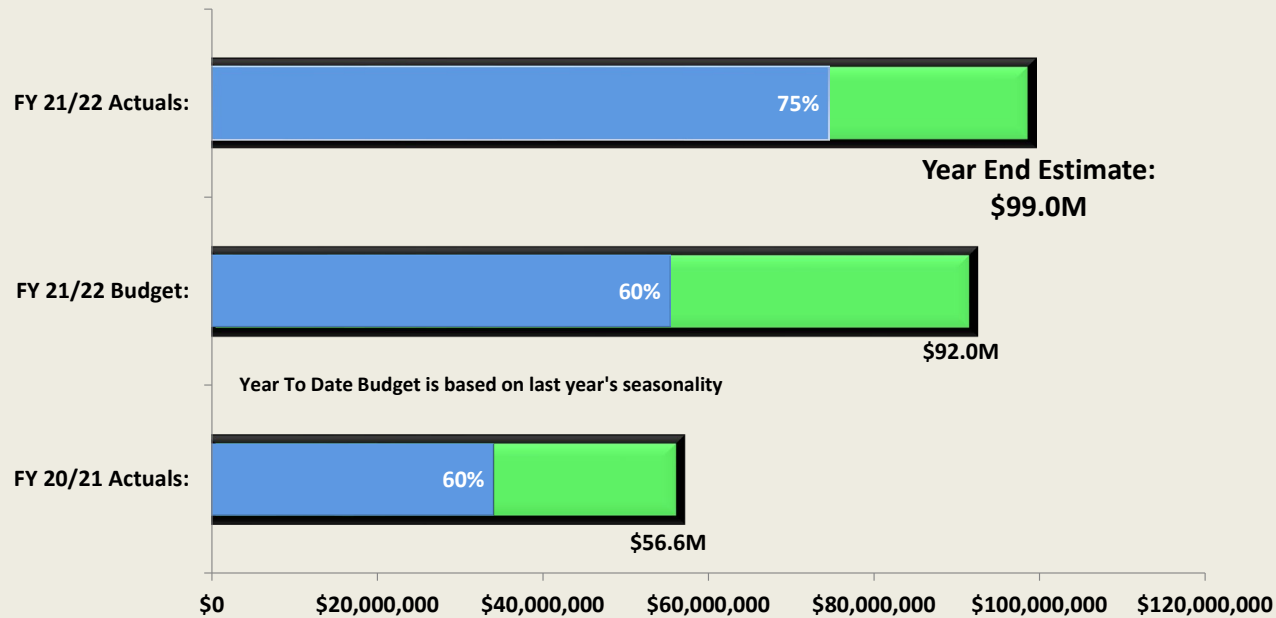
FY 2021/22 3rd Quarter Expenditures: Fire and Medical Summary

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	\$ 74,521	\$ 99,044

(In Thousands)

Fire and Medical - Expenditures



The year end estimate for Fire & Medical expenditures is slightly above budget due to increased personnel costs (\$6.7M) 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, the department experienced cost increases due to higher than normal inflation for medical supplies of (\$600K) and fuel (\$227K).

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 Fund for duties performed by public safety personnel throughout the COVID-19 pandemic in FY 2020/21. Additionally, the FY 2021/22 budget includes an increased pension liability payment (\$6.1M) to stabilize future City pension contributions.

FY 2021/22 3rd Quarter Expenditures: Other Departments Summary

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

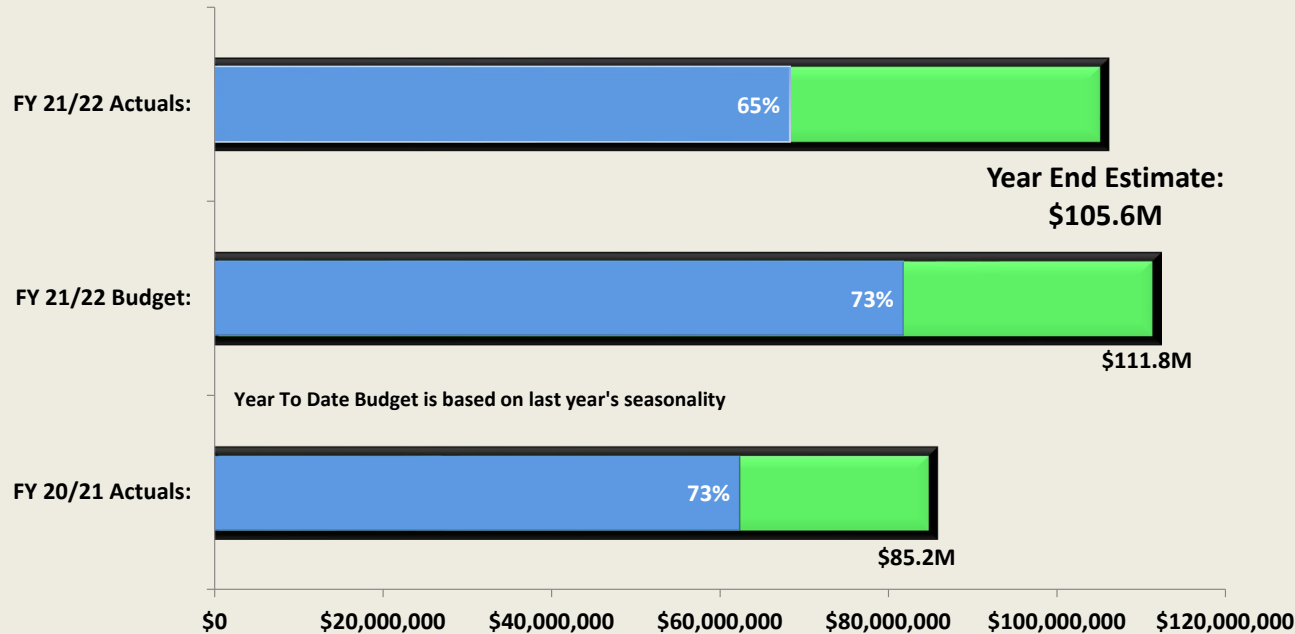
- | | | | |
|----------------------------|----------------------------|-------------------------|---------------------------------------|
| Business Services | City Manager | Facilities Maintenance | Office of ERP Management |
| Centralized Appropriations | Communications | Financial Services | Office of Management and Budget |
| City Attorney | Economic Development | Human Resources | Public Information and Communications |
| City Auditor | Energy Resources | Innovation & Technology | Transportation |
| City Clerk | Engineering & Project Mgmt | Mayor and Council | 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	\$ 68,236	\$ 105,576

(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 a result of an adjustment in the State budget. Also, Facilities Maintenance projects expenditures (\$3.7M) 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.

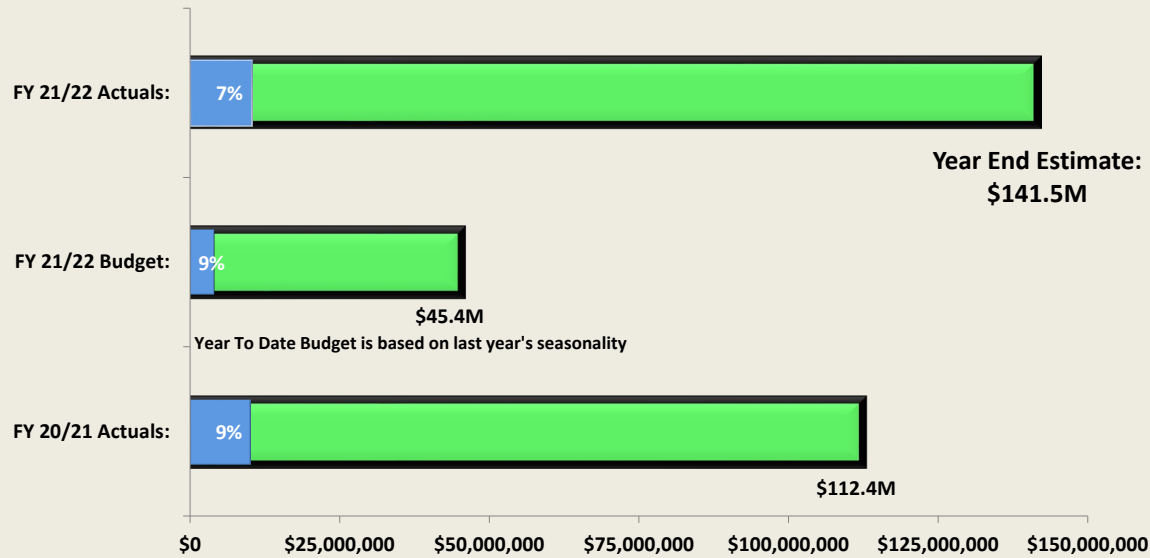
FY 2021/22 3rd Quarter Expenditures: Transfers Out Summary

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	\$ 10,182	\$ 141,522

(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 project to be above budget. The General Capital Fund transfer increased (\$3.7M) 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 (\$4.7M). 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, \$79.7M will be set aside for the Mesa Climate Action Plan, capital project increases due to high inflation, and investments in City infrastructure.

The fiscal year 2021/22 budget is lower than FY 2020/21 due to a one-time transfer to the CARES Act Relief Fund for to cover COVID-19 related response expenses that were no longer subsidized by the federal government.

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FY 2021/22 3rd Quarter Net Sources and Uses - Utility Fund

Utility Net Sources and Uses	Adopted Budget	Year to Date Actuals	Year End Estimate
District Cooling	\$ (489)	\$ (252)	\$ (815)
Electric	\$ 2,080	\$ (3,053)	\$ 1,614
Natural Gas	\$ 1,010	\$ 2,908	\$ (673)
Solid Waste	\$ (6,036)	\$ 5,250	\$ (6,479)
Wastewater	\$ (12,309)	\$ (3,483)	\$ (11,129)
Water	\$ (6,361)	\$ 1,408	\$ (595)
Total Utility Fund	\$ (22,104)	\$ 2,779	\$ (18,077)

(In Thousands)

Exceeding
On Track
Caution
Monitoring

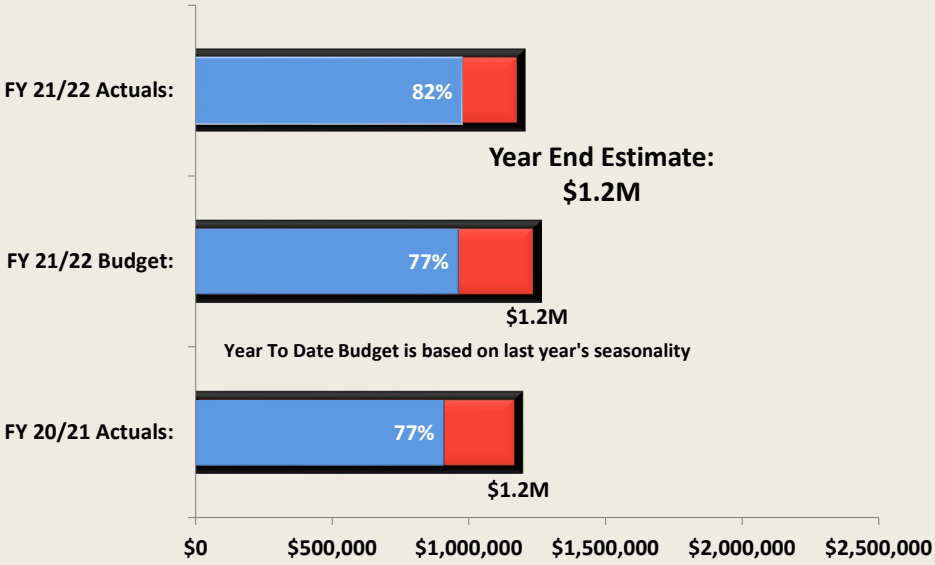
FY 2021/22 3rd Quarter District Cooling Summary

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.

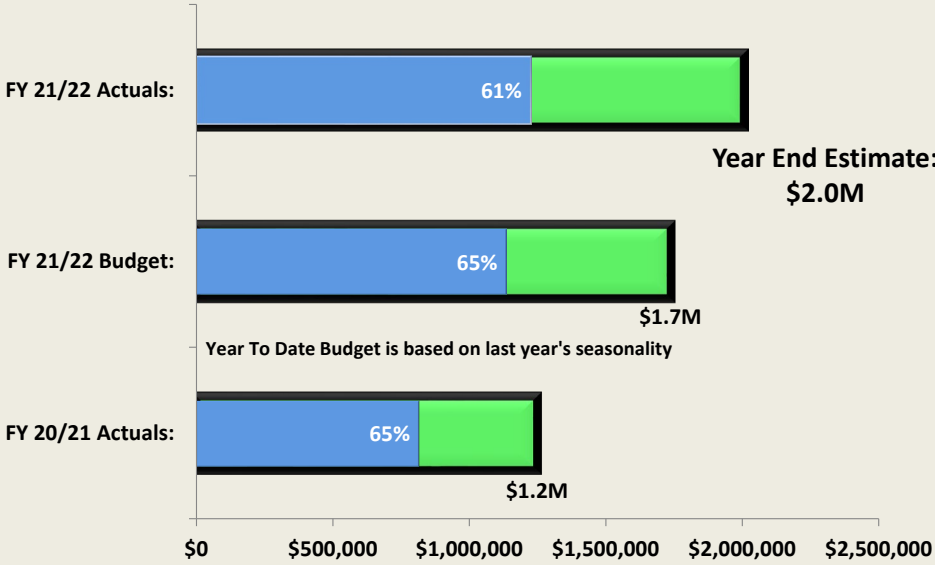
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 1,248	\$ 973	\$ 1,189
Uses	\$ 1,361	\$ 933	\$ 1,476
Debt/Capital Transfers Out	\$ 1	\$ -	\$ 172
General Fund Transfers Out	\$ 374	\$ 292	\$ 357
Net Sources and Uses	\$ (489)	\$ (252)	\$ (815)

(In Thousands)

District Cooling - Sources



District Cooling - Uses and Transfers



The year end estimates for sources and uses are on track with budget. Capital Transfers Out is above budget due to the shifting of funds (\$156k) for the replacement of citywide EMS equipment, increased electric commodity costs (\$85K), and roof repair project (\$25K).

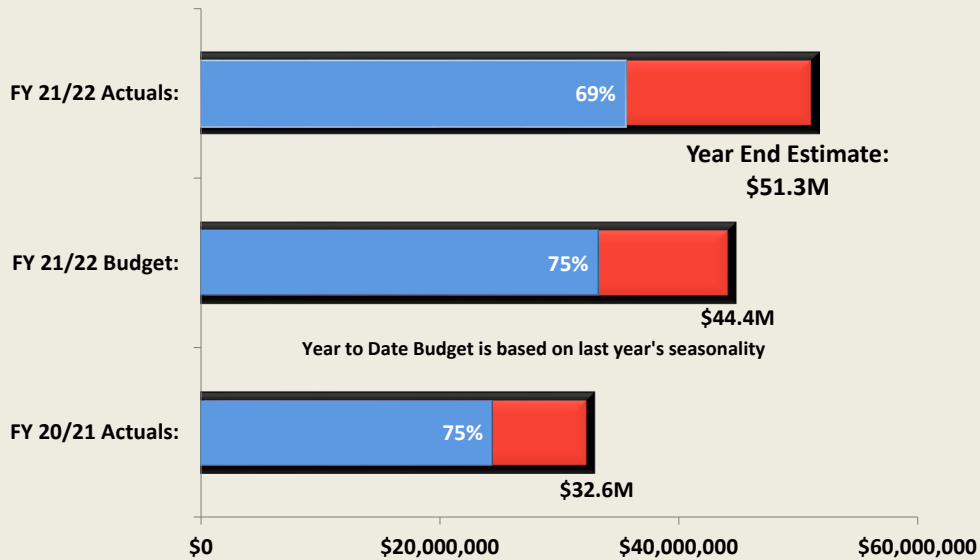
FY 2021/22 3rd Quarter Electric Summary

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.

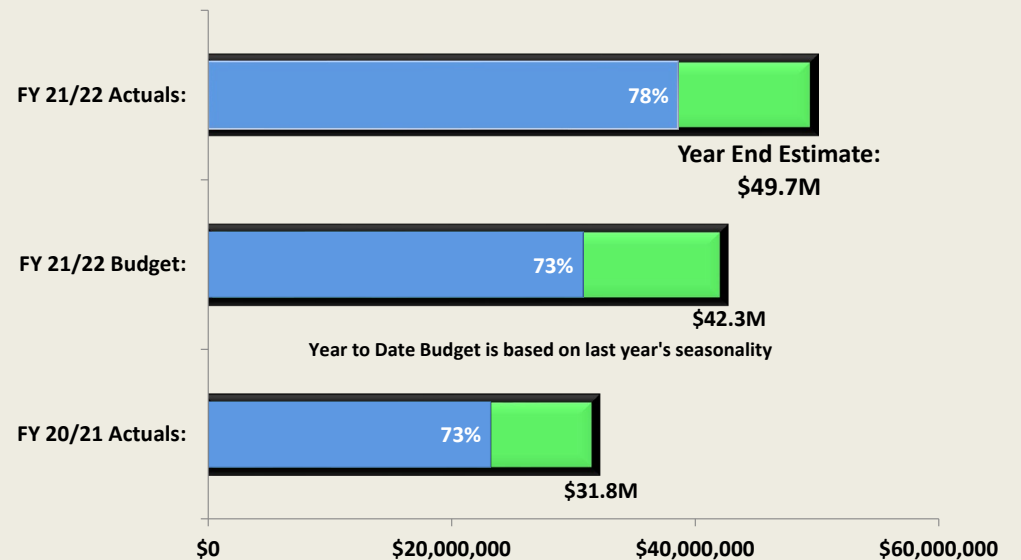
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 44,412	\$ 35,503	\$ 51,342
Uses	\$ 32,240	\$ 31,332	\$ 39,758
Debt/Capital Transfers Out	\$ 4,360	\$ 2,903	\$ 4,256
General Fund Transfers Out	\$ 5,731	\$ 4,321	\$ 5,713
Net Sources and Uses	\$ 2,080	\$ (3,053)	\$ 1,614

(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 result of greater than anticipated cost of the electric commodity costs. High costs of electric commodity is due to unanticipated supply disruptions from adverse weather events and retirement of generation plants. High commodity pricing is expected to continue throughout the fiscal year. 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 actual uses is above FY 2020/21 due to pre-payments for electric commodity through the summer and fall of 2021.

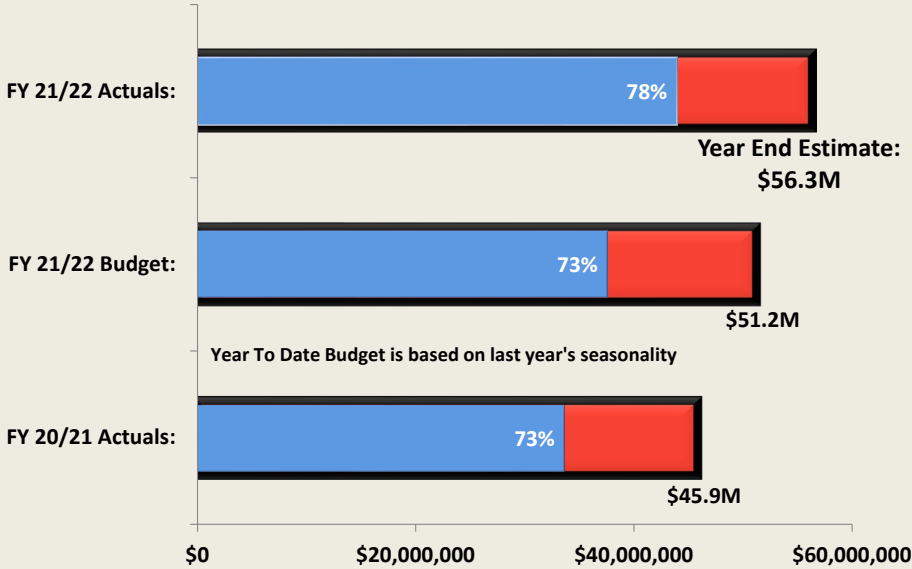
FY 2021/22 3rd Quarter Natural Gas Summary

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.

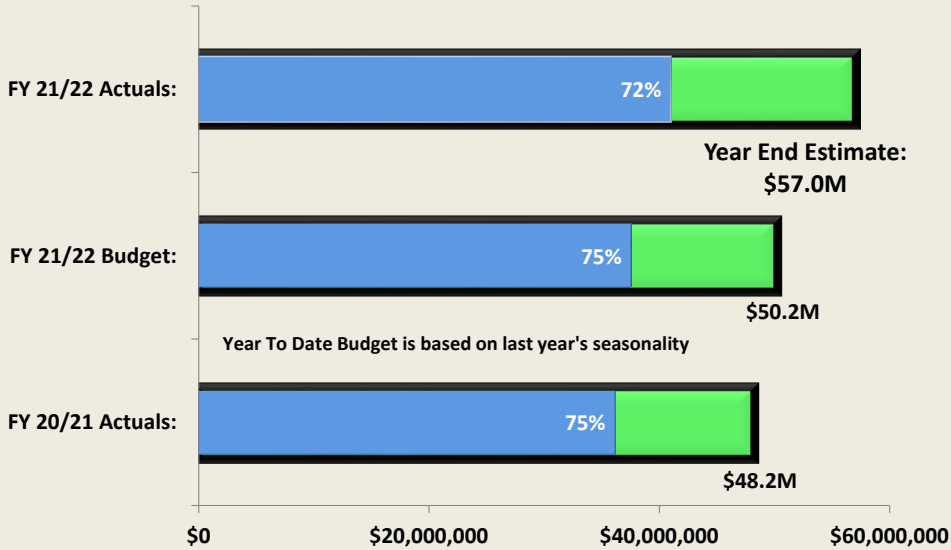
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 51,233	\$ 43,870	\$ 56,335
Uses	\$ 28,512	\$ 25,431	\$ 34,000
Debt/Capital Transfers Out	\$ 10,685	\$ 7,284	\$ 11,750
General Fund Transfers Out	\$ 11,027	\$ 8,248	\$ 11,258
Net Sources and Uses	\$ 1,010	\$ 2,908	\$ (673)

(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 event in Texas in February 2021 and decreased storage capacity resulted in increased costs of the natural gas commodity. Additionally, the sources year end estimate is above budget as result of higher than anticipated commercial customer usage revenues.

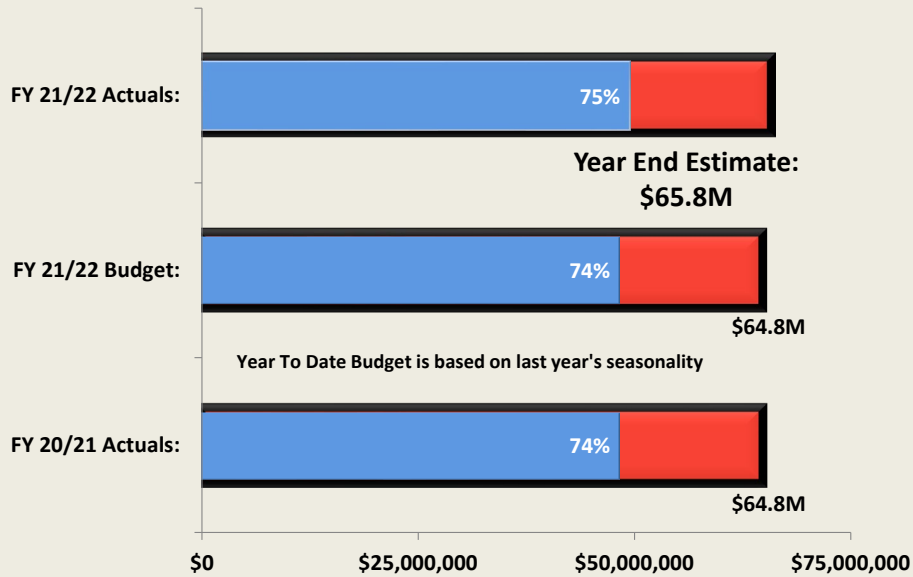
FY 2021/22 3rd Quarter Solid Waste Summary

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.

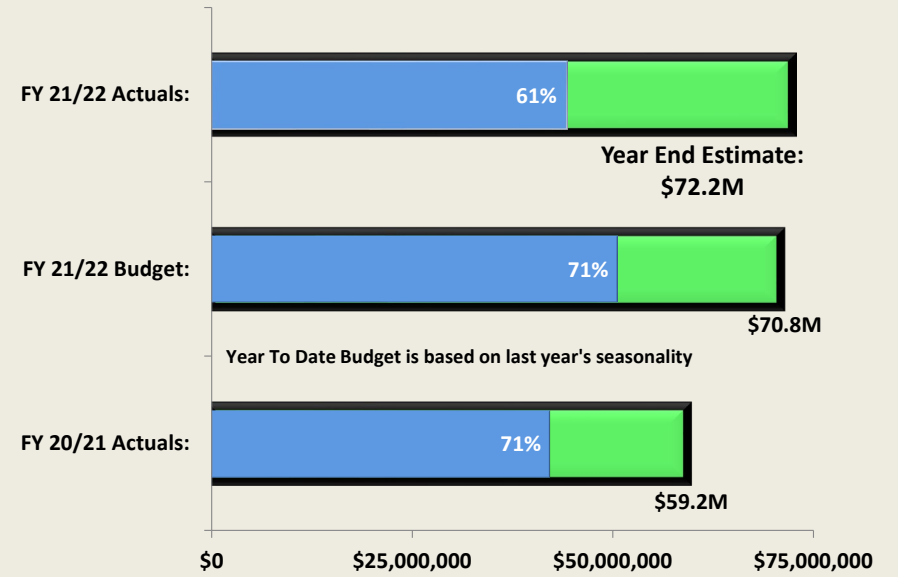
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 64,778	\$ 49,393	\$ 65,755
Uses	\$ 42,332	\$ 28,132	\$ 43,232
Debt/Capital Transfers Out	\$ 9,049	\$ 1,432	\$ 9,276
General Fund Transfers Out	\$ 19,434	\$ 14,579	\$ 19,727
Net Sources and Uses	\$ (6,036)	\$ 5,250	\$ (6,479)

(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 unanticipated expenses relating to the one-time payment to employees in January 2022, which was not included in the adopted budget, and increased landfill expenses. Lastly, 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.

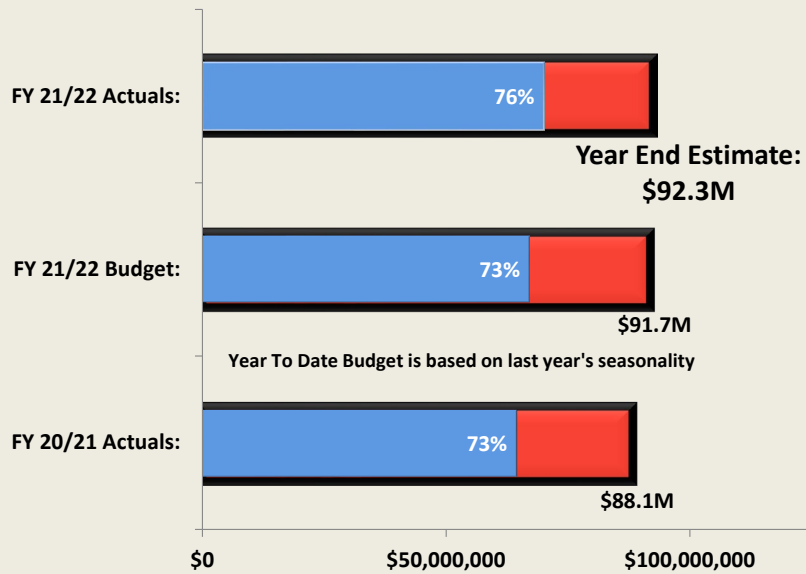
FY 2021/22 3rd Quarter Wastewater Summary

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.

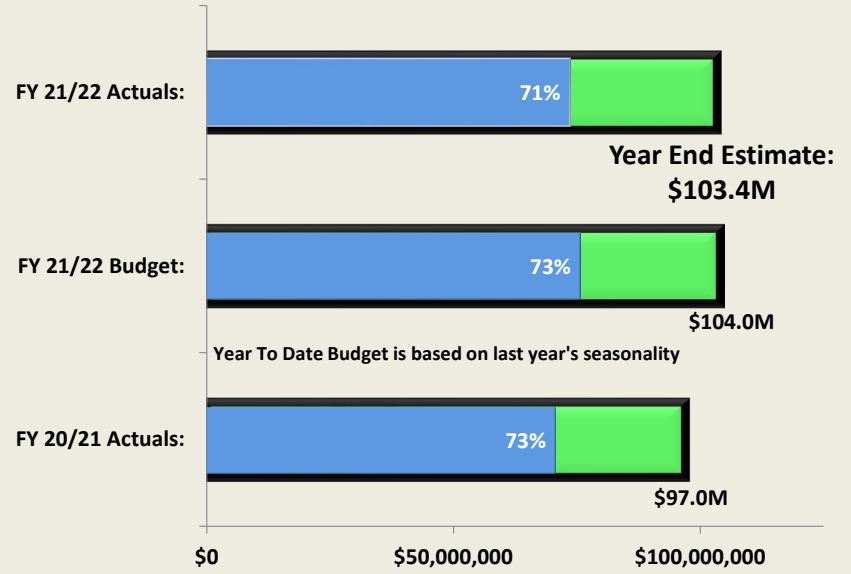
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 91,696	\$ 70,013	\$ 92,276
Uses	\$ 35,034	\$ 22,025	\$ 34,086
Debt/Capital Transfers Out	\$ 41,462	\$ 30,739	\$ 41,637
General Fund Transfers Out	\$ 27,509	\$ 20,732	\$ 27,683
Net Sources and Uses	\$ (12,309)	\$ (3,483)	\$ (11,129)

(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 due largely to operational efficiency savings across the wastewater plants.

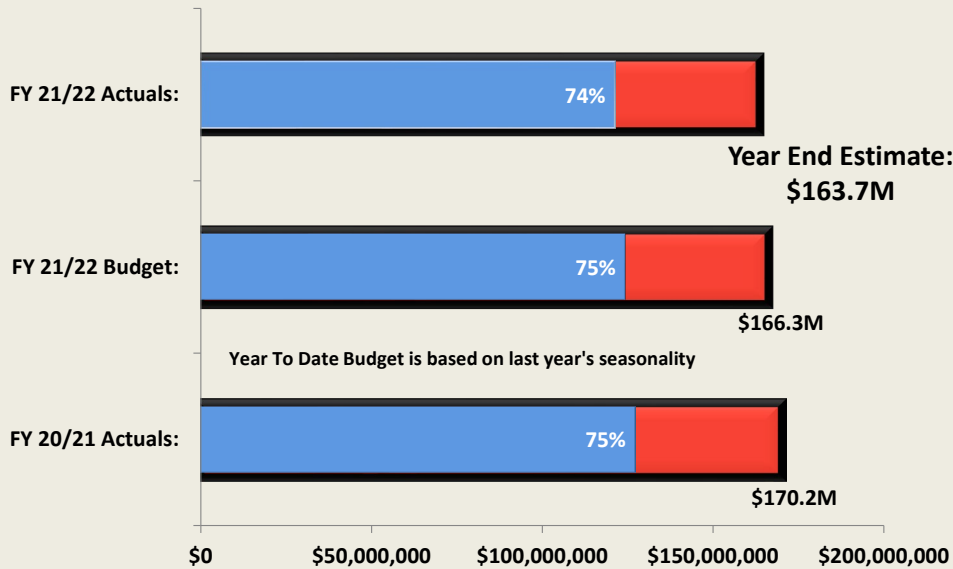
FY 2021/22 3rd Quarter Water Summary

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.

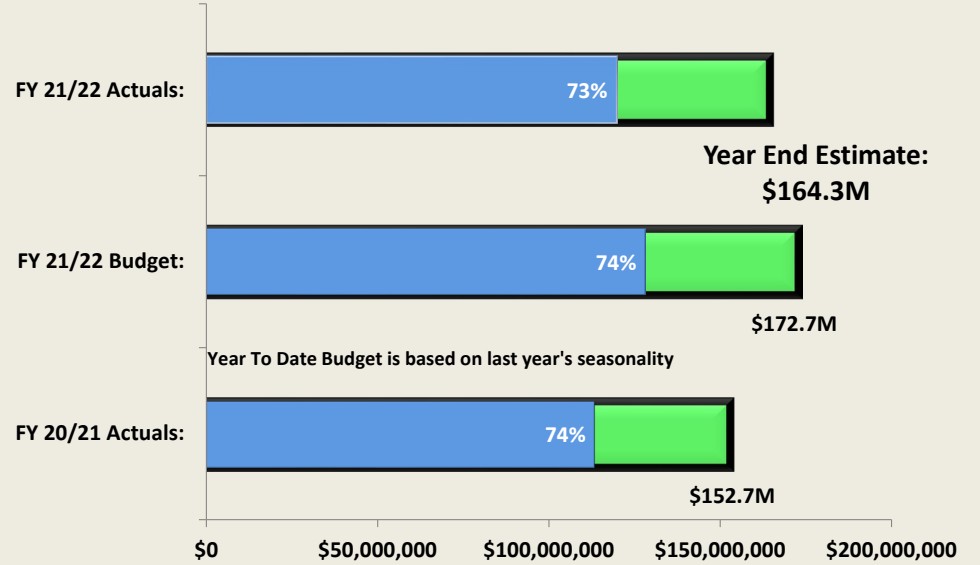
	Adopted Budget	Year to Date Actuals	Year End Estimate
Sources	\$ 166,290	\$ 121,132	\$ 163,656
Uses	\$ 66,764	\$ 46,442	\$ 63,879
Debt/Capital Transfers Out	\$ 56,000	\$ 37,383	\$ 51,607
General Fund Transfers Out	\$ 49,887	\$ 35,899	\$ 48,765
Net Sources and Uses	\$ (6,361)	\$ 1,408	\$ (595)

(In Thousands)

Water - Sources



Water - Uses and Transfers



The sources year end estimate is below budget due to lower than anticipated water consumption from both residential and non-residential accounts. The depressed consumption is primarily a result of the relatively abundance of rain so far this fiscal year. The uses year end estimate is also below budget due to vacancy and operational savings across all the 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.