

Financial Forecast

General Governmental Funds

March 1, 2018

City of Mesa

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Financial Forecasting

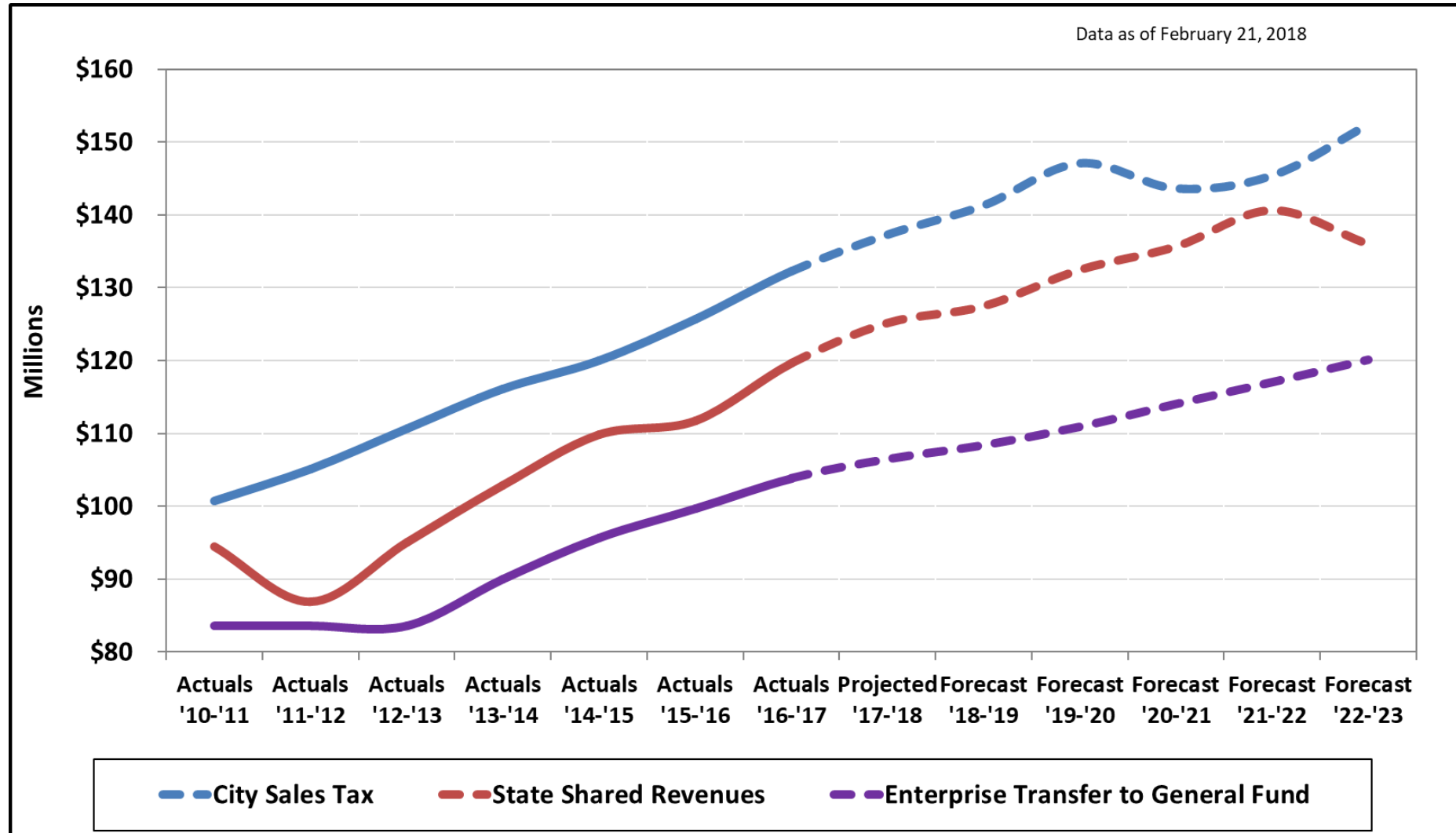
- The city uses current expenses and revenues along with historical trends as a basis to forecast future expenses and revenues over multiple years
- Multi-year forecasting allows for evaluation of the sustainability of programs and services
- Future needs are incorporated to enhance ability to plan
- 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



General Governmental Operating Revenues

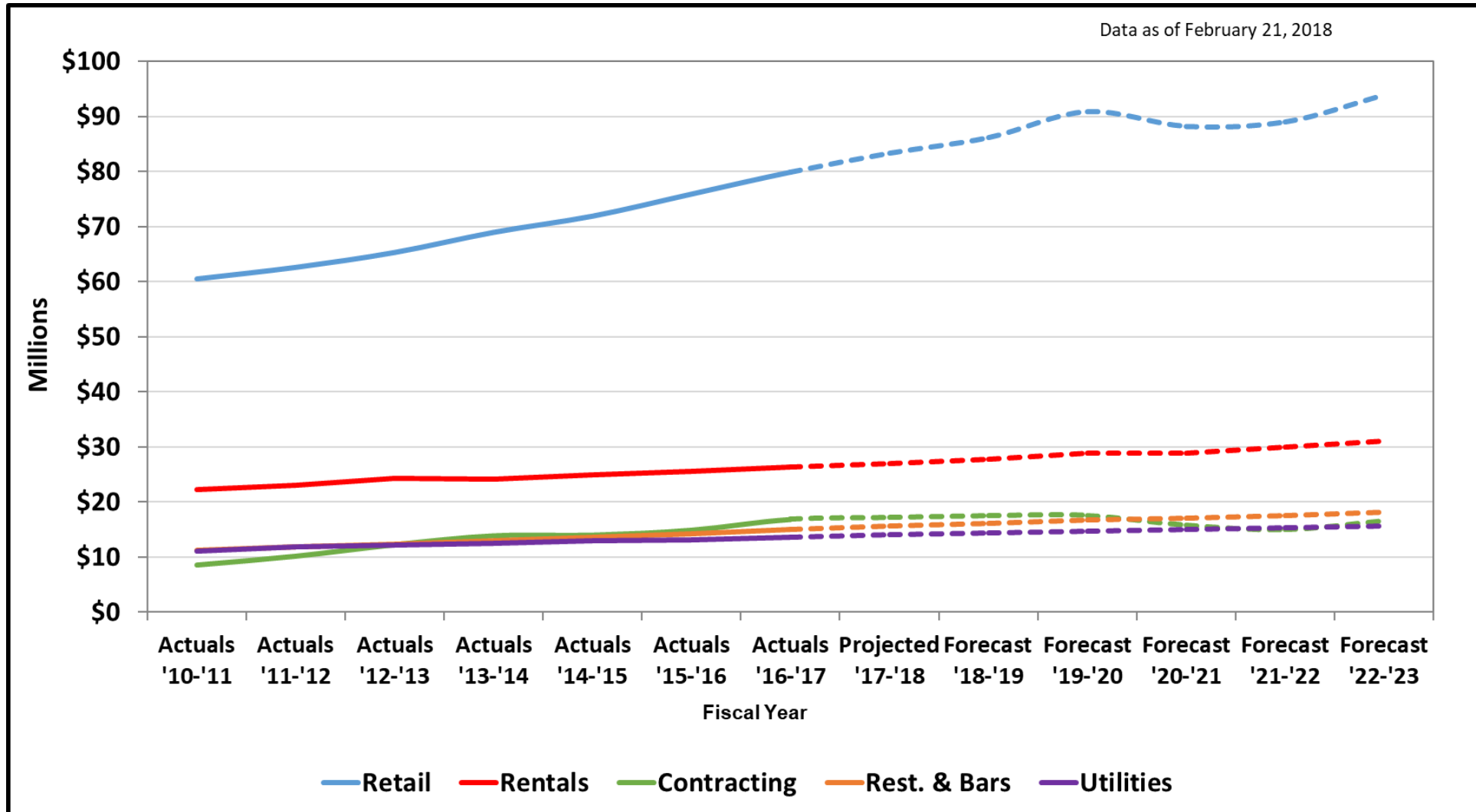
	FY 16/17 Actuals ⁽¹⁾	Change From FY 15/16	FY 17/18 Budgeted ⁽¹⁾	FY 17/18 Projected ⁽¹⁾	Change From FY 16/17	FY 18/19 Forecast	Change from FY 17/18 Projected
Local Sales Tax	\$132.3	5.1%	\$134.8	\$137.3	3.8%	\$141.3	2.9%
State Shared Revenues							
State Sales Tax	\$43.3	3.9%	\$45.6	\$45.3	4.7%	\$47.2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

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

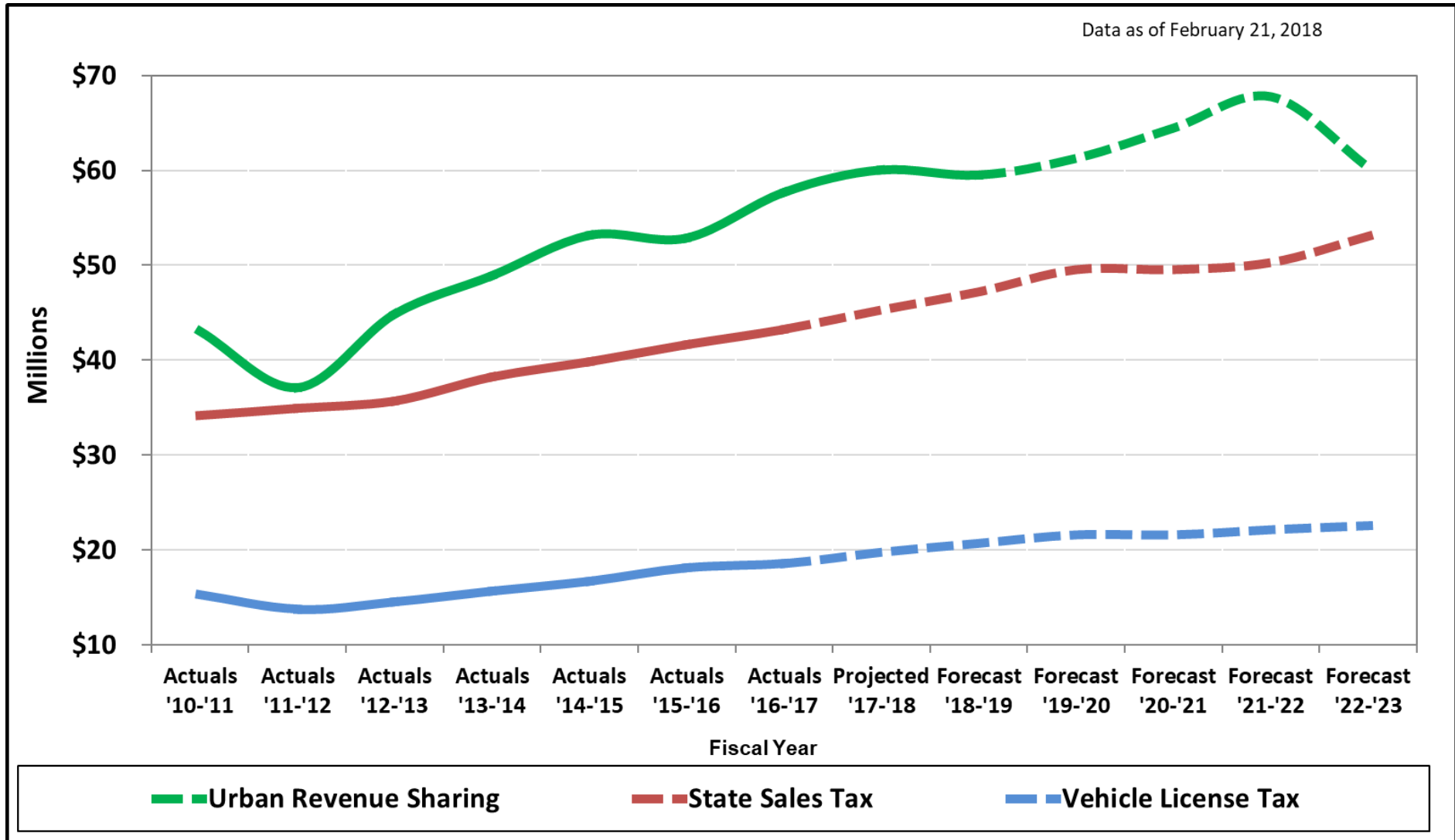
(as of Jan 2018)

Dollars in millions

Local Sales Tax



State Shared Revenues





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

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

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

(as of Feb 2018)

Dollars in millions

Financial Sustainability

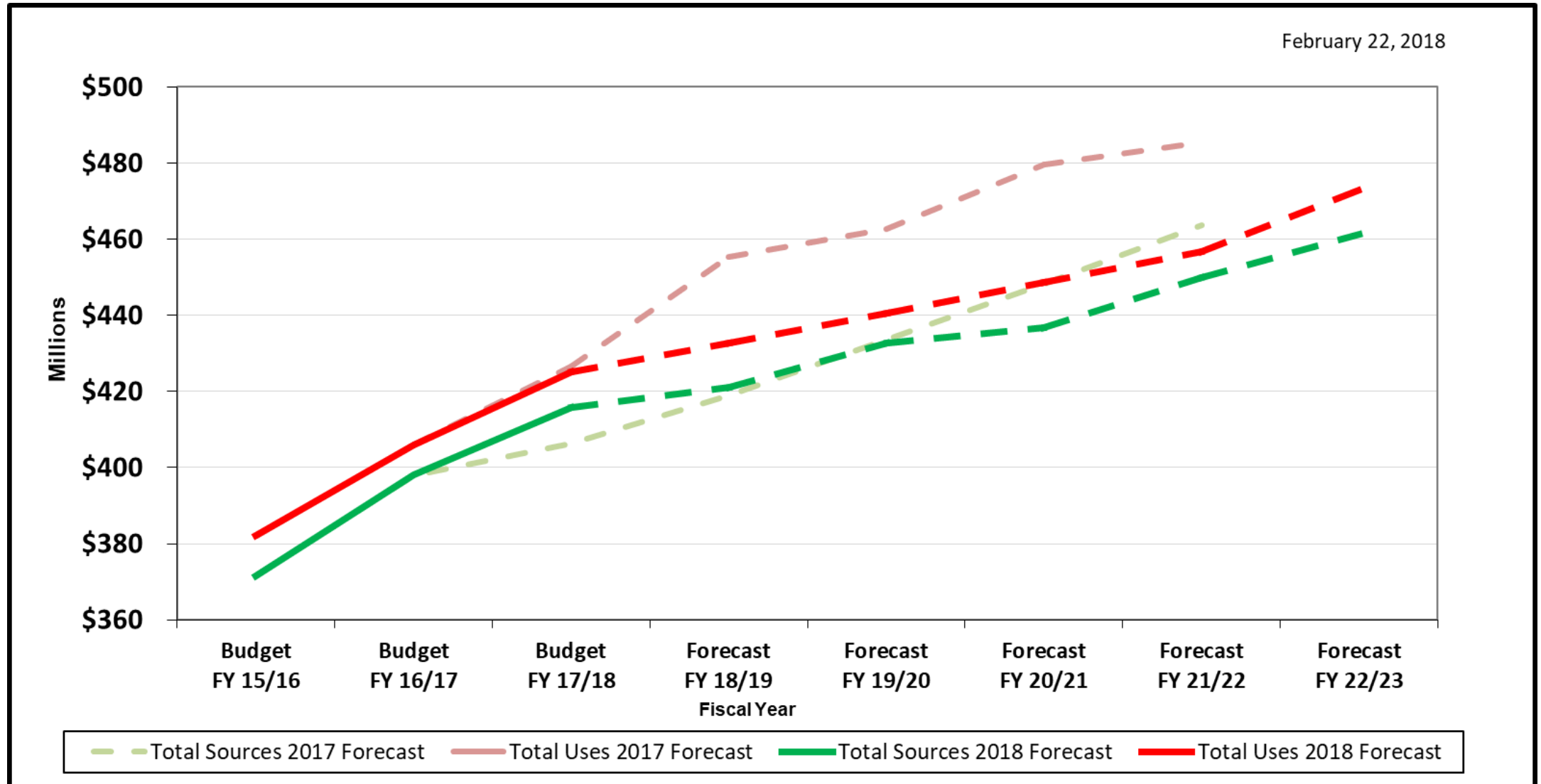
- Forecasting revenues and expenditures allows for determining if there are sufficient on-going revenues to cover current and new on-going needs
- The closer annual operating expenditures are to annual operating revenues, the more sustainable they are over time
- Growth of the revenue base through City 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

	Actuals FY 16/17	Budget FY 17/18	Projected FY 17/18	Forecast FY 18/19	Forecast FY 19/20	Forecast FY 20/21	Forecast FY 21/22	Forecast FY 22/23
Beginning Reserve Balance	\$93.6	\$92.7	\$100.9	\$91.0	\$79.4	\$71.6	\$59.6	\$49.8
Total Sources	\$405.8	\$415.9	\$418.6	\$421.1	\$432.8	\$436.7	\$447.0	\$455.3
Total Uses	\$398.4	\$425.0	\$425.4	\$429.8	\$437.5	\$448.7	\$456.8	\$472.9
Net Sources and Uses	\$7.3	(\$9.1)	(\$6.8)	(\$8.7)	(\$4.8)	(\$12.0)	(\$9.8)	(\$17.6)
Future Economic Correction	\$0.0	\$0.0	(\$3.0)	(\$3.0)	(\$3.0)	\$0.0	\$0.0	\$6.0
Ending Reserve Balance	\$100.9	\$83.6	\$91.0	\$79.4	\$71.6	\$59.6	\$49.8	\$38.3
Ending Reserve Balance Percent*	23.5%	19.1%	21.0%	18.0%	16.0%	13.1%	10.5%	8.0%
*As a % of all Next Year's uses of funding Note: Includes economic correction beginning FY 20/21								

Forecasted Budget – General Governmental



Next Steps – Anticipated Calendar

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



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