

BUDGET FOR FISCAL YEAR 2020/21

And Financial Forecast

City of Mesa - April 30, 2020

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An Annual Balanced Budget

- Each year the City of Mesa is required to appropriate an annual expenditure budget and set a secondary property tax levy and associated rate
- The annual budget sets the maximum expenditure limit for the fiscal year
- A balanced budget means that the total resources available to the city must be sufficient to cover the budgeted expenses
- The fiscal year 2020/21 budget as presented meets this requirement

FY 2020/21 Reflects Current City Operations

FY 2019/20 Budget modifications with on-going costs continue

- *New positions related to:*
 - Service and/or workload requirements
 - Pilot programs
 - Restricted funding
 - Conversion of temporary positions

Position costs have been revised with updated costs

- *Medical, Dental, Workers Compensation, Pension*
- *Salaries have been kept the same*



The Only Significant Budget Changes are in Public Safety

- City Council strategic priority of Community Safety is at the heart of the significant changes between the adopted FY 2019/20 budget and the budget for FY 2020/21
- Both the Police Department and the Fire and Medical Department began implementation of the positions associated with the voter approved Public Safety Sales Tax
- In the Fire and Medical Department, modifications were also made in the General Fund portion of the budget as well as planning for an expansion of the Medical Transport Program



Police Department



General Fund

- 5 positions transferred to other departments but are still dedicated to Police
 - Time and Labor in Human Resources and the City Attorney's Office

Public Safety Sales Tax

- 23 sworn positions & 7 civilian positions
 - Sworn personnel to support advanced training and patrol operations
 - Civilian patrol support such as crime scene specialists and service officers
 - Civilian professional staff to support technology and hiring

Fire and Medical Department - Public Safety Sales Tax -

- 15 new and 12 reallocated Sworn Positions
 - Staffing of Battalion 204
 - Training Captain
 - Additional 12-hour engine unit to support both training and staffing requirements
 - Staffing for new Station 221



Fire and Medical Department – General Fund –



- 1 Net New and 11 Converted Sworn Positions
 - Positions added in support of the rover pool and to staff an additional medical response unit
 - Introduction of 12-hour rover positions
 - Sworn Positions Reassigned/Reallocated to Station 221
 - Unbudgeted positions were converted to budgeted positions in support of the rover pool, operations, and peer support
 - Net zero impact on the budget
- 5 New Civilian Positions
 - Supporting the fire inspections program (covered by program revenue)
 - Technical support for the Mesa Regional Dispatch Center (covered by a partner fee) and radio support
 - Social services related to high 911 system utilization

Medical Transport Program



- Civilian -



- Positions and other expenses related to the anticipated expansion of the program
- Expenses are funded from billed services and tracked in a separate fund
- 14 positions added during FY 19/20
 - *Paramedics, Emergency Medical Technicians (EMTs), Medical Biller*
- 17.5 additional positions included in FY 20/21
 - *Paramedics, Emergency Medical Technicians (EMTs) and a Coordinator, additional support staff*
- Program will be expanded incrementally

General Governmental Operating Sources

	FY 18/19 Actuals	Change from FY 17/18	FY 19/20 Budget ⁽¹⁾	FY 19/20 Projected ⁽¹⁾	Change from FY 18/19	FY 20/21 Tentative	Change from FY 19/20 Projected
Local Sales Tax	\$150.3	7.3%	\$152.6	\$144.9	-3.6%	\$148.5	2.5%
State Shared Revenues							
State Sales Tax	\$50.0	7.3%	\$50.6	\$51.0	2.0%	\$51.3	0.6%
Urban Revenue Sharing	\$60.1	0.2%	\$65.7	\$65.8	9.5%	\$73.8	12.1%
Vehicle License Tax	\$21.4	6.8%	\$21.1	\$21.6	1.0%	\$21.8	0.5%
Enterprise Transfer	\$108.4	1.8%	\$110.6	\$110.6	2.0%	\$108.4	-2.0%
Other	\$53.0	19.9%	\$48.5	\$46.3	-12.7%	\$61.0	32.0%
Total	\$443.3	6.2%	\$449.0	\$440.3	-0.7%	\$464.8	5.6%

1. Amounts do not include carryover.

(as of April 2020)

Dollars in millions

Other category does not include reductions in revenues due to closed facilities
Assumes economic recovery beginning in July 2020

General Governmental Operating Expenses

	FY 18/19 Actuals	Change from FY 17/18	FY 19/20 Budget	FY 19/20 Projected	Change from FY 18/19	FY 20/21 Tentative	Change from FY 19/20 Projected
Operating Expenditures							
Personal Services	\$308.3	5.7%	\$325.8	\$326.9	6.0%	\$328.7	0.5%
Other Services	\$66.5	15.0%	\$65.7	\$65.0	-2.2%	\$66.2	1.9%
Commodities	\$12.7	5.7%	\$13.1	\$15.5	22.6%	\$14.8	-4.7%
Transfers							
to capital fund	\$18.8	-22.0%	\$16.6	\$20.7	10.4%	\$14.5	-29.9%
to other funds ⁽¹⁾	\$38.7	-2.8%	\$36.5	\$36.7	-5.1%	\$51.7	40.6%
Total ⁽²⁾	\$445.0	4.6%	\$457.7	\$464.9	4.5%	\$475.9	2.4%

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

2. Amounts do not include carryover

(as of April 2020)

Dollars in millions

No step pay increase is included in FY 20/21.
No other reduction adjustments have been made.

General Governmental Forecast Summary

	Actuals FY 18/19	Budget FY 19/20	Projected FY 19/20	Tentative FY 20/21
Beginning Reserve Balance	\$100.4	\$88.7	\$90.5	\$79.0
Total Sources	\$448.1	\$462.2	\$453.4	\$472.7
Total Uses	\$455.1	\$469.8	\$463.9	\$483.8
Net Sources and Uses	(\$7.0)	(\$7.7)	(\$10.5)	(\$11.1)
Stabilization of Services Transfer	(\$3.0)	(\$1.0)	(\$1.0)	\$0.0
Ending Reserve Balance	\$90.5	\$80.0	\$79.0	\$67.9
Ending Reserve Balance Percent*	19.5%	17.2%	16.3%	14.1%
Dollars in Millions				
*As a % of all Next Year's uses of funding				
Note: Includes economic recession beginning FY 19/20			data as of April 2020	

FY 2020/21 Budget Calendar



May 4

Council to take action on the tentative adoption of the annual budget



May 18

Public Hearing for 5-year Capital Improvement Program (CIP)

Council to take action on the adoption of the 5-year CIP

Public Hearing for Annual Budget and Secondary Property Tax Levy

Council to take action on the adoption of the annual budget



June 1

Council to take action on the adoption of the Secondary Property Tax Levy

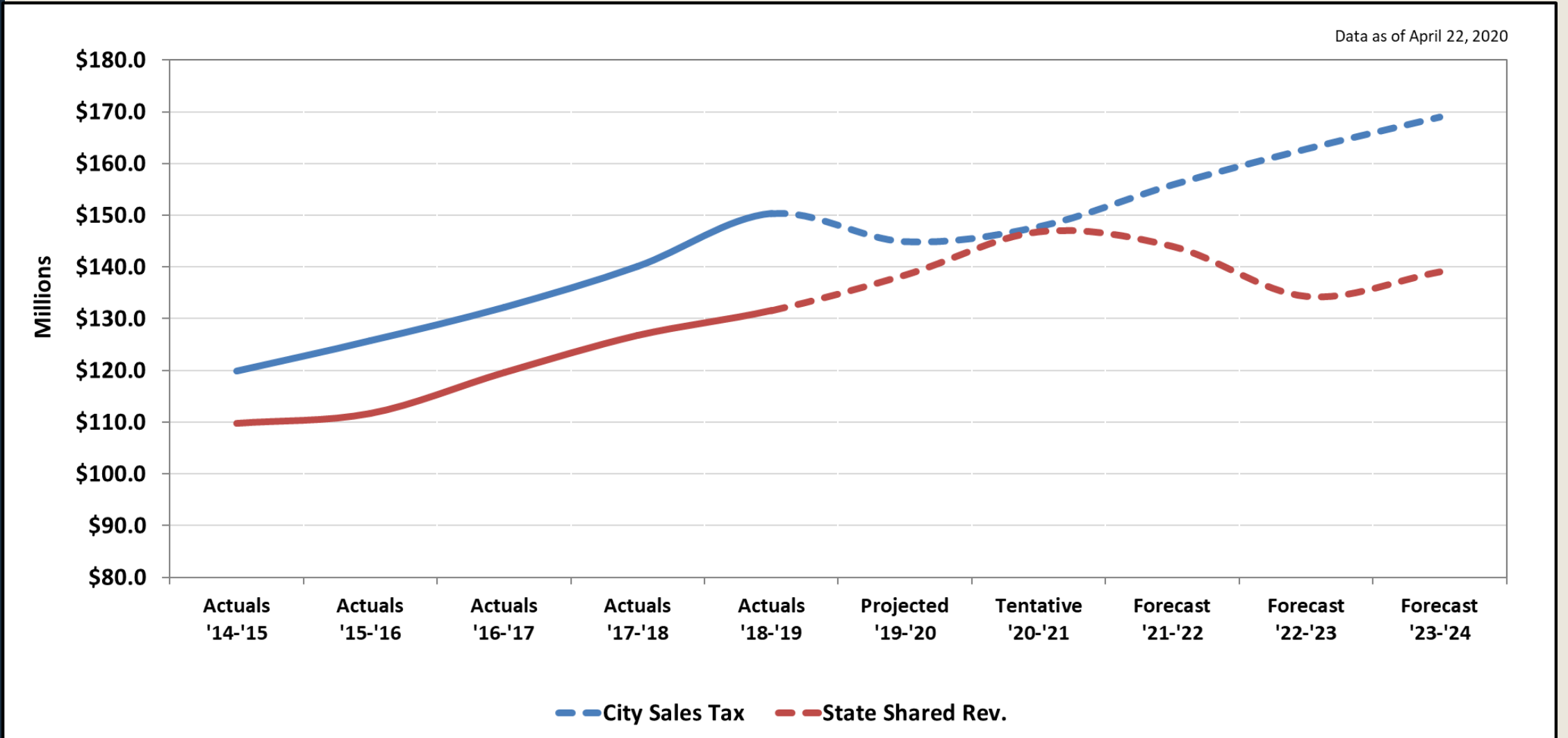
Moving Forward – Financial Forecast

Revenue forecast included here assumes the beginning of an economic recovery in July 2020

Significant upward movement may not happen until September or October

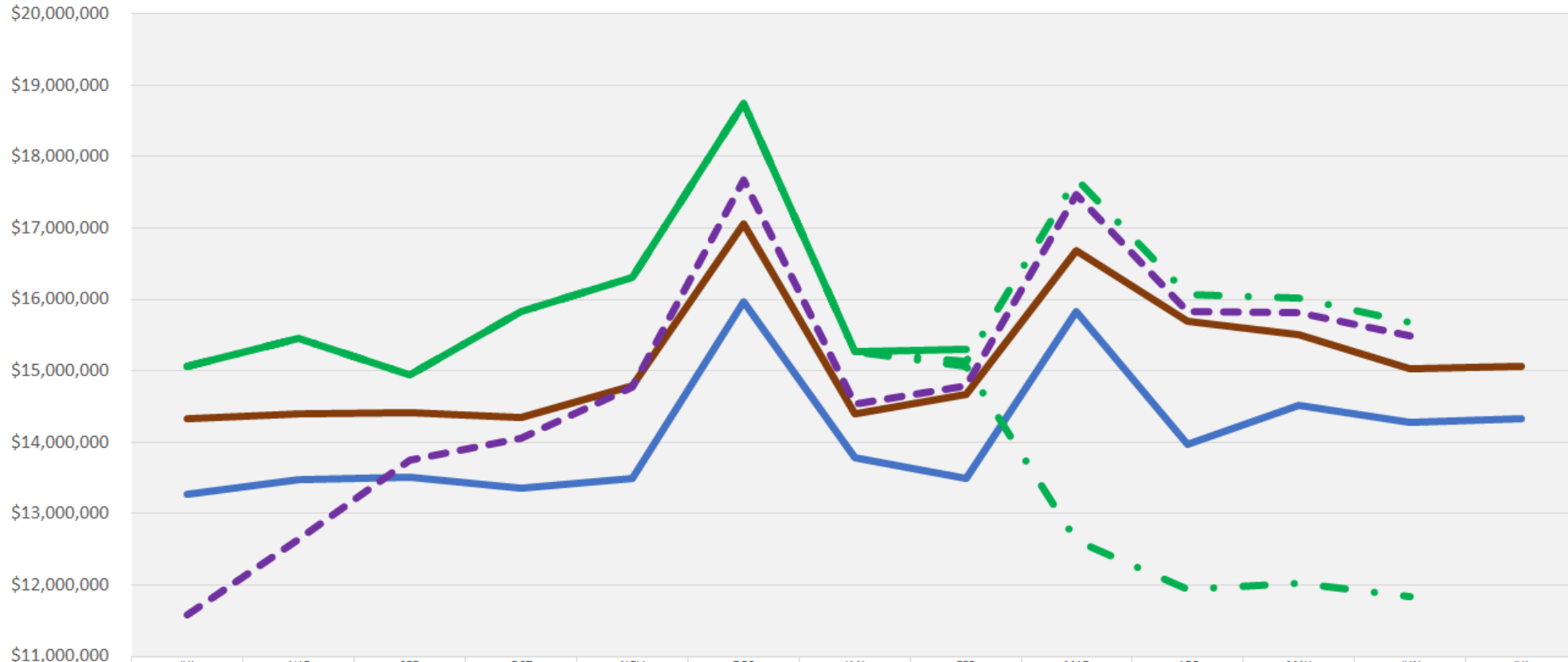
Staff will continue to monitor economic situation and will update as needed

General Governmental Revenues Forecast



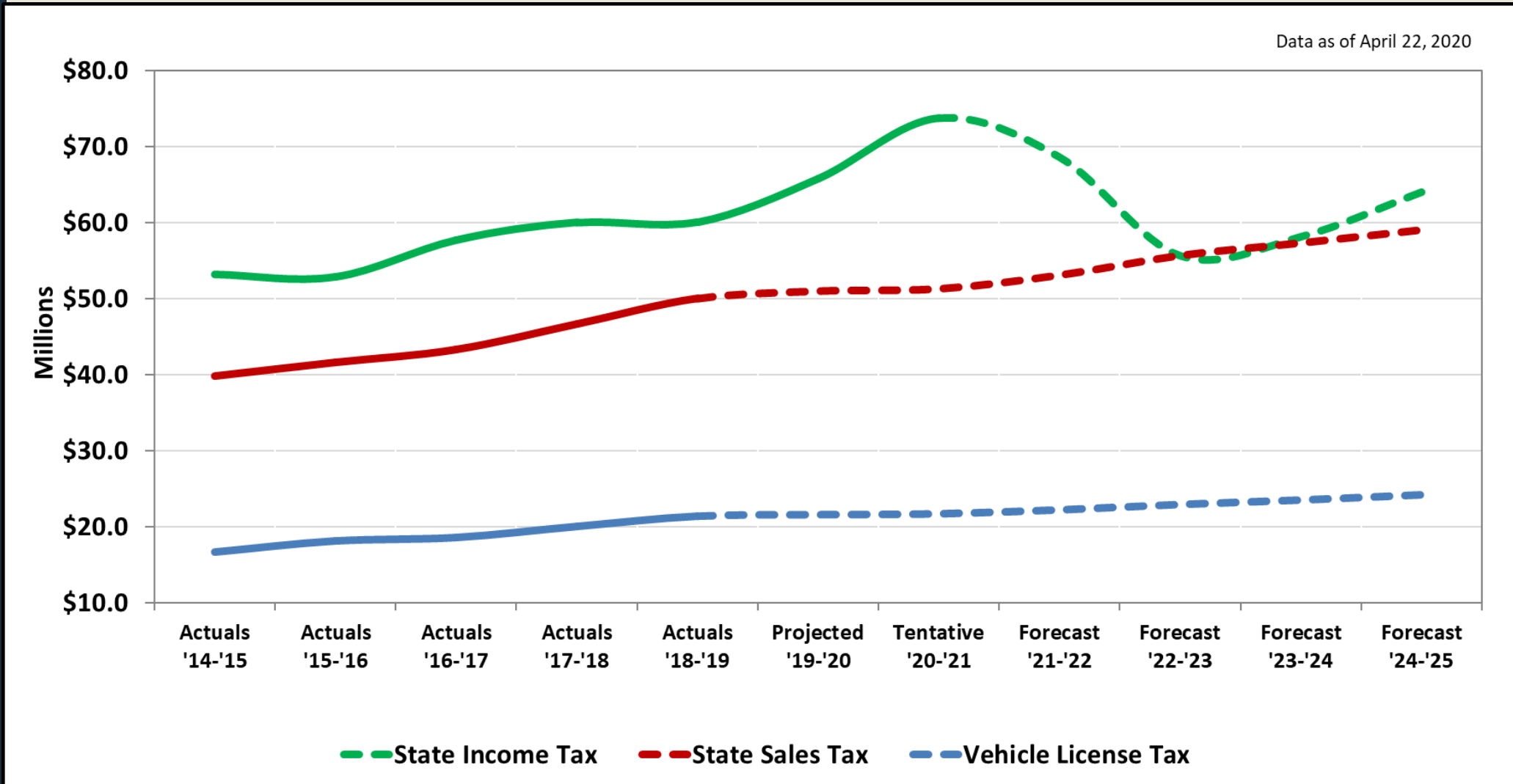
Local Sales Tax - Year over Year Comparison

City Sales Tax - Year Over Year - Consumer Activity by Month (source: Tax Revenue Summary Report)
Public Safety Sales Tax Revenues Not Included for Comparison Purposes (Effective March 1, 2019)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
FY 17/18	\$13,262,119	\$13,475,480	\$13,513,628	\$13,353,597	\$13,500,445	\$15,967,544	\$13,775,277	\$13,499,037	\$15,827,532	\$13,964,112	\$14,520,603	\$14,273,148	\$14,329,011
FY 18/19	\$14,329,011	\$14,391,026	\$14,416,311	\$14,353,401	\$14,792,364	\$17,061,467	\$14,393,378	\$14,676,622	\$16,679,050	\$15,693,127	\$15,498,417	\$15,028,567	\$15,067,616
FY 19/20 Projection (Pre COVID-19)	\$15,067,616	\$15,446,474	\$14,935,702	\$15,829,151	\$16,313,831	\$18,749,581	\$15,266,984	\$15,132,283	\$17,691,189	\$16,070,157	\$16,010,579	\$15,677,961	
FY 19/20 Projection	\$15,067,616	\$15,446,474	\$14,935,702	\$15,829,151	\$16,313,831	\$18,749,581	\$15,266,984	\$15,062,878	\$12,616,565	\$11,931,505	\$12,020,876	\$11,836,432	
FY 19/20	\$15,067,616	\$15,446,474	\$14,935,702	\$15,829,151	\$16,313,831	\$18,749,581	\$15,266,984	\$15,295,138					
FY 20/21 Forecast - Updated	\$11,586,898	\$12,636,498	\$13,744,340	\$14,059,431	\$14,767,946	\$17,670,187	\$14,527,960	\$14,783,673	\$17,473,281	\$15,833,993	\$15,821,041	\$15,483,802	

State Shared Revenue Forecast

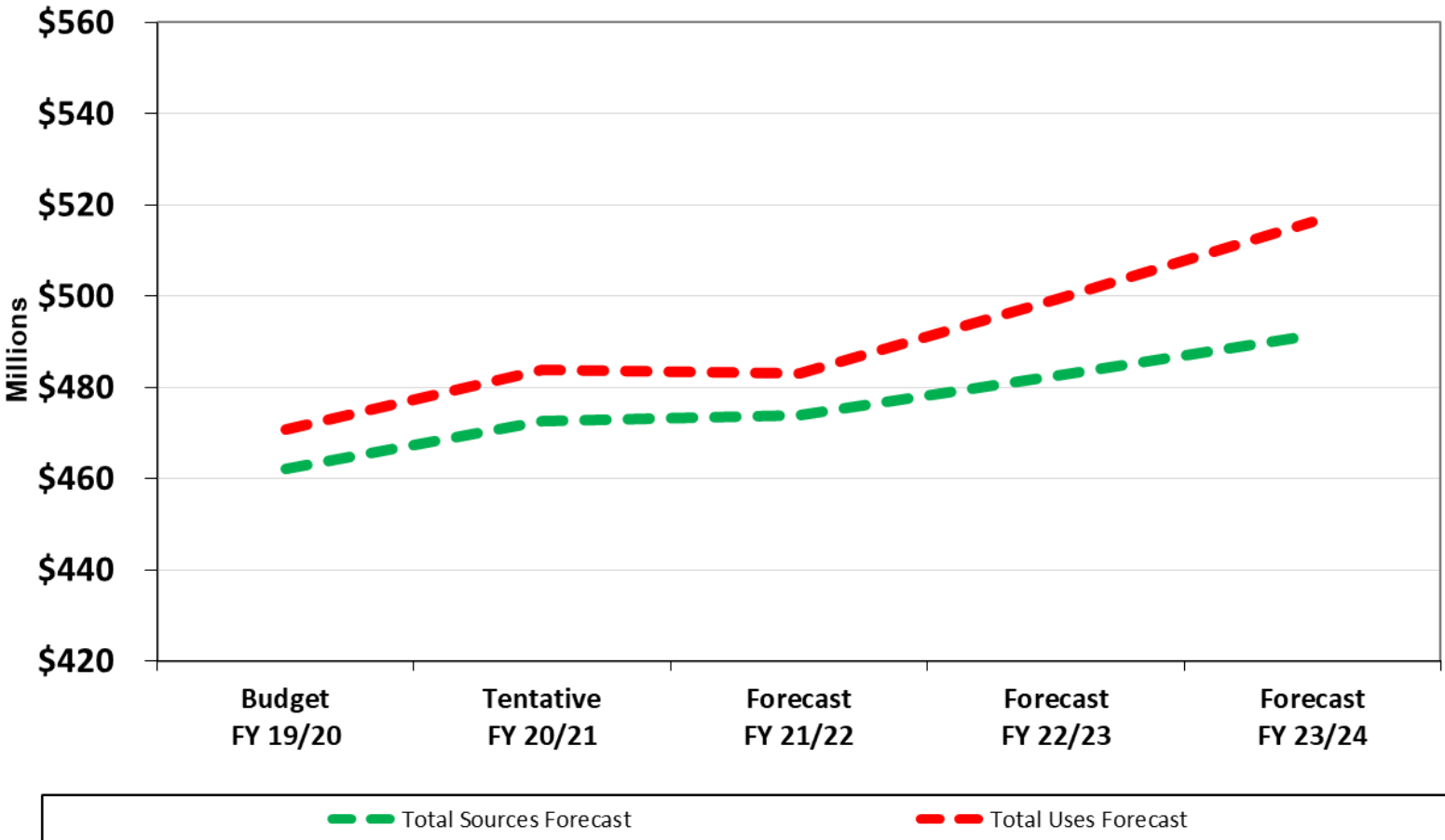


General Governmental Forecast Summary

	Actuals FY 18/19	Budget FY 19/20	Projected FY 19/20	Tentative FY 20/21	Forecast FY 21/22	Forecast FY 22/23	Forecast FY 23/24
Beginning Reserve Balance	\$100.4	\$88.7	\$90.5	\$79.0	\$67.9	\$58.7	\$41.9
Total Sources	\$448.1	\$462.2	\$453.4	\$472.7	\$473.9	\$475.6	\$491.4
Total Uses	\$455.1	\$469.8	\$463.9	\$483.8	\$483.0	\$499.3	\$516.3
Net Sources and Uses	(\$7.0)	(\$7.7)	(\$10.5)	(\$11.1)	(\$9.2)	(\$23.8)	(\$25.0)
Stabilization of Services Transfer	(\$3.0)	(\$1.0)	(\$1.0)	\$0.0	\$0.0	\$7.0	\$0.0
Ending Reserve Balance	\$90.5	\$80.0	\$79.0	\$67.9	\$58.7	\$41.9	\$17.0
Ending Reserve Balance Percent*	19.5%	17.2%	16.3%	14.1%	11.8%	8.1%	3.2%
Dollars in Millions							
*As a % of all Next Year's uses of funding							
Note: Includes economic recession beginning FY 19/20							
data as of April 2020							

General Governmental Forecast Summary

April 22, 2020



Enterprise Fund - History

data as of April 2020

NET SOURCES AND USES	FY 15/16 Actuals	FY 16/17 Actuals	FY 17/18 Actuals	FY 18/19 Actuals	FY 19/20 Projected
WATER	\$7,868	\$10,179	\$12,223	\$2,234	(\$9,029)
WASTEWATER	\$12,659	\$13,345	\$2,380	\$11,808	\$26
SOLID WASTE	(\$1,308)	(\$1,289)	\$2,645	\$1,755	(\$2,649)
ELECTRIC	\$2,340	\$3,937	\$2,651	\$2,030	\$1,427
NATURAL GAS	\$4,133	\$4,365	\$2,805	\$6,265	\$3,717
DISTRICT COOLING	\$504	\$604	\$435	\$391	\$309
Subtotal: Utilities	\$26,197	\$31,142	\$23,139	\$24,483	(\$6,199)
CONVENTION CENTER	(\$1,655)	(\$1,708)	(\$1,518)	(\$1,031)	(\$3,169)
GOLF	(\$852)	(\$465)	(\$279)	(\$619)	(\$413)
CUBS SPRING TRAINING - OPERATIONS	(\$559)	(\$793)	(\$740)	(\$836)	(\$1,705)
HOHOKAM-FITCH	(\$1,427)	(\$1,686)	(\$1,581)	(\$1,133)	(\$979)
Subtotal: Non-Utilities	(\$4,493)	(\$4,652)	(\$4,118)	(\$3,619)	(\$6,266)
TOTAL NET SOURCES AND USES	\$21,704	\$26,490	\$19,021	\$20,864	(\$12,465)
Beginning Reserve Balance	\$44,533	\$66,237	\$92,728	\$111,749	\$132,613
Ending Reserve Balance	\$66,237	\$92,728	\$111,749	\$132,613	\$120,148
Ending Reserve Balance Percent*	20.2%	26.3%	31.3%	34.5%	30.1%

with Economic Recession starting in FY 19/20

*As a % of Next Fiscal Year's Expenditures

Dollars in Thousands

Utility Enterprise Fund – Sources Forecast

	FY 20/21 Tentative	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast
Water	\$157.3	\$163.3	\$166.6	\$171.1
Wastewater	\$87.5	\$90.8	\$92.9	\$95.6
Electric - without EECAF	\$18.5	\$18.5	\$19.0	\$19.5
Natural Gas - without PNGCAF	\$33.7	\$35.5	\$36.8	\$37.9
Solid Waste	\$63.1	\$64.8	\$67.0	\$69.1
District Cooling	\$1.2	\$1.2	\$1.2	\$1.2
Subtotal	\$361.3	\$374.1	\$383.4	\$394.5
Pass-Throughs (EECAF/PNGCAF)	\$21.9	\$21.3	\$21.8	\$22.2
Grand total	\$383.1	\$395.3	\$405.2	\$416.8
(as of April 2020)			Dollars in millions	

Utility Enterprise Fund – Uses Forecast

	FY 20/21 Tentative	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast
Operating and Project Costs				
Water	\$64.6	\$66.0	\$67.7	\$69.4
Wastewater	\$32.1	\$32.9	\$33.8	\$34.8
Electric - without EECAF	\$8.2	\$8.6	\$8.6	\$8.8
Natural Gas - without PNGCAF	\$15.3	\$15.8	\$16.1	\$16.5
Solid Waste	\$38.7	\$40.3	\$41.0	\$42.1
District Cooling	\$1.1	\$0.9	\$1.0	\$1.0
Subtotal Operating and Project Costs	\$160.1	\$164.5	\$168.2	\$172.5
Transfers				
General Fund	\$108.4	\$112.2	\$115.0	\$118.4
Debt	\$100.3	\$99.9	\$104.1	\$106.7
Capital	\$8.1	\$9.1	\$8.7	\$10.6
Subtotal Transfers	\$216.8	\$221.2	\$227.8	\$235.6
Pass-Throughs (EECAF/PNGCAF)	\$21.9	\$21.3	\$21.8	\$22.2
Grand total	\$398.7	\$407.0	\$417.8	\$430.4
(as of April 2020)				

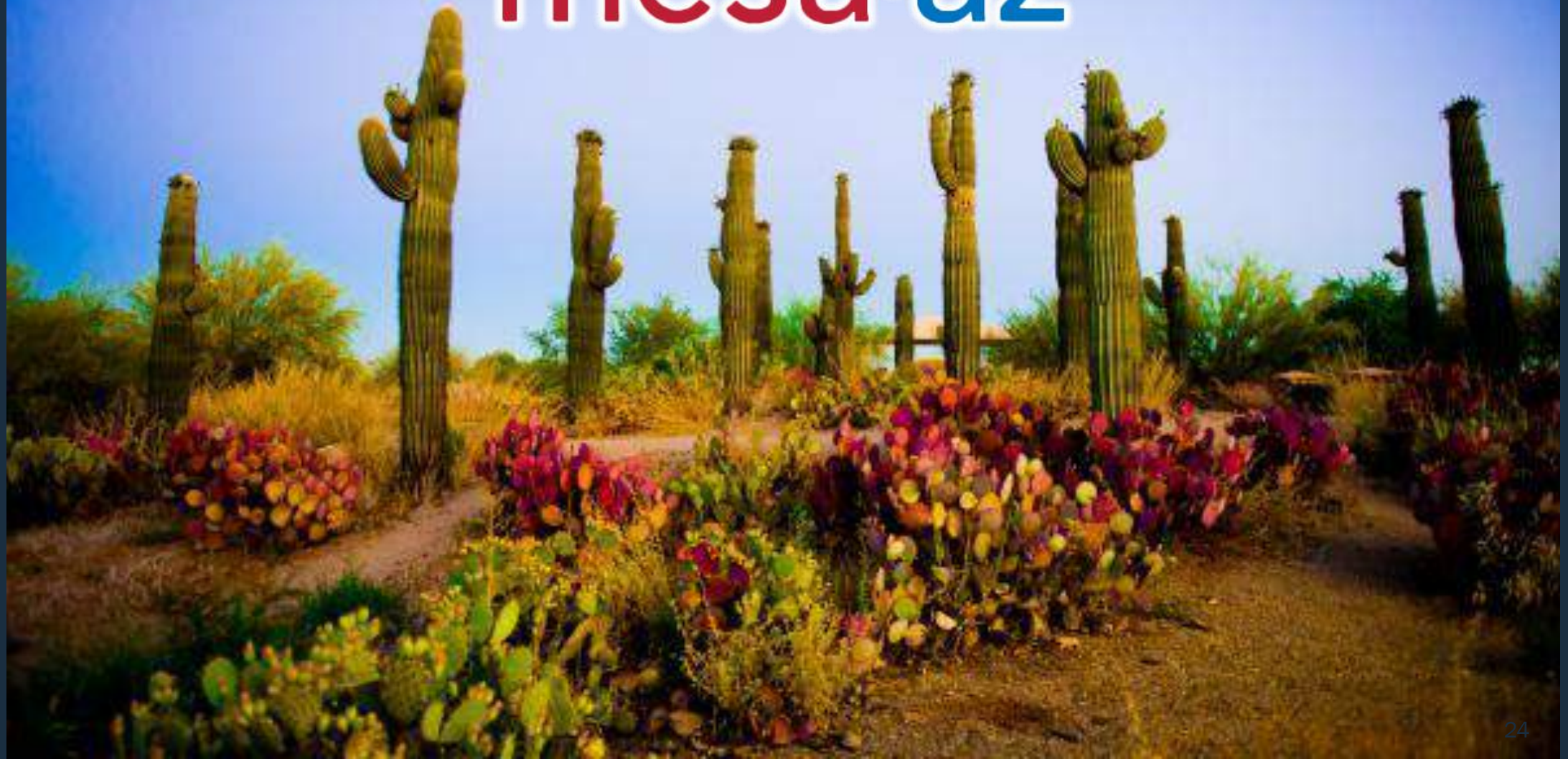
Utility Enterprise Fund - Forecast

NET SOURCES AND USES	FY 20/21 Tentative	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast
WATER	(\$2,306)	(\$3,190)	(\$4,756)	(\$2,312)
WASTEWATER	(\$18,327)	(\$10,612)	(\$10,336)	(\$11,646)
SOLID WASTE	\$3,404	\$2,398	\$3,700	\$2,410
ELECTRIC	\$1,433	\$862	\$519	(\$9)
NATURAL GAS	\$446	(\$965)	(\$1,496)	(\$1,952)
DISTRICT COOLING	(\$252)	(\$110)	(\$156)	(\$150)
TOTAL NET SOURCES AND USES	(\$15,602)	(\$11,617)	(\$12,526)	(\$13,660)
Beginning Reserve Balance	\$120,148	\$104,546	\$92,929	\$80,403
Ending Reserve Balance	\$104,546	\$92,929	\$80,403	\$66,743
Ending Reserve Balance Percent* with Economic Recession starting in FY 19/20 *As a % of Next Fiscal Year's Expenditures	25.7%	22.2%	18.7%	15.1%

Dollars in Thousands

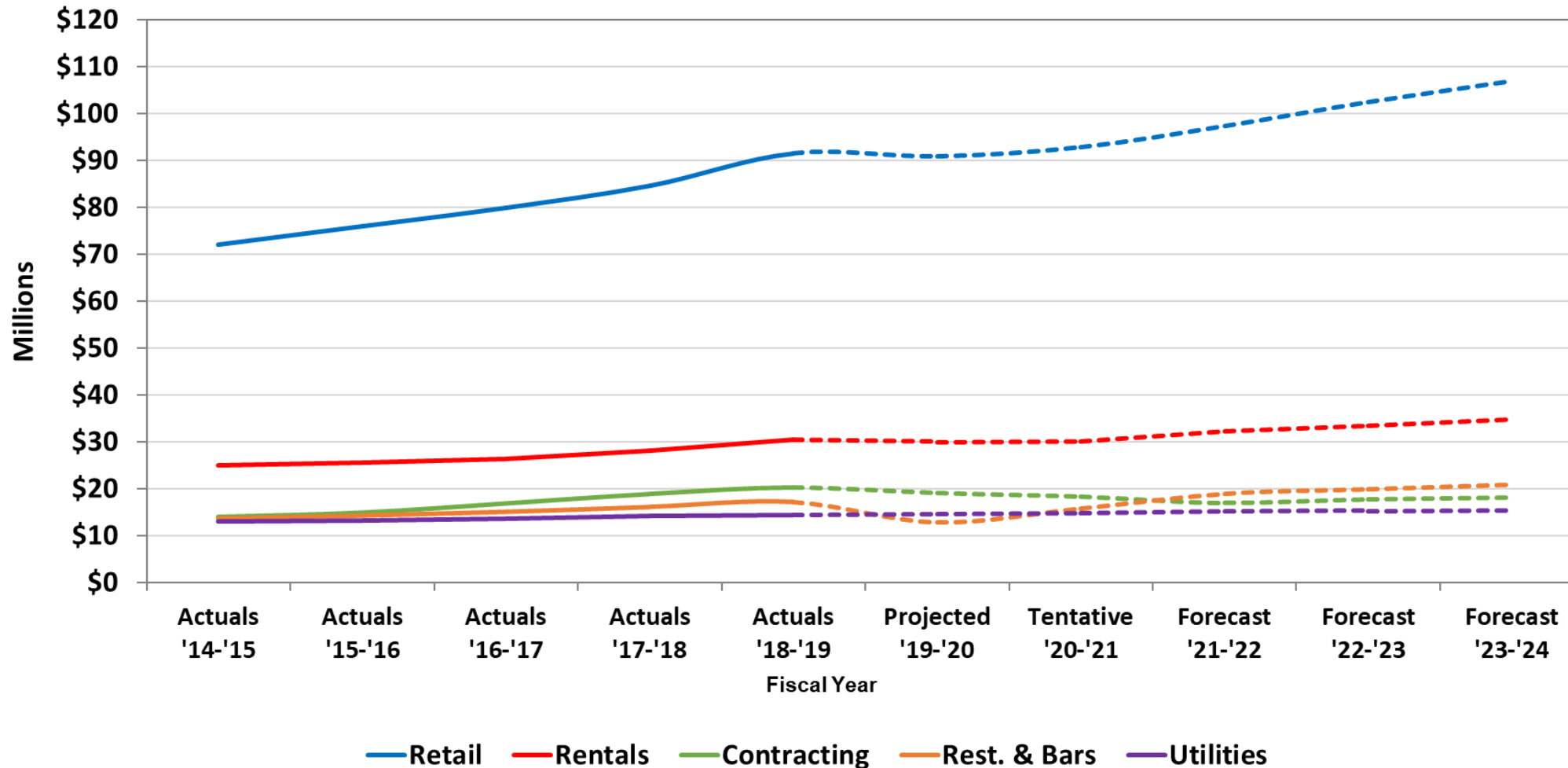
Next Steps

- All General Fund related departments have been asked to prepare on-going budget reduction scenarios for consideration
 - *Public safety departments at 5% and others at 10%*
 - *Departments funded outside of the General Fund will be adjusted as necessary to remain within their funding sources*
- Budget reduction scenarios provide a framework for staff to work from throughout the year
 - *Currently about half of the reduction items are anticipated to be needed at the beginning of the year*
- Staff will return to Council in June with an updated revenue forecast and recommendations for budget reductions to begin implementation in July
 - *Economic conditions will continue to be monitored and additional budget reductions will be recommended if needed*

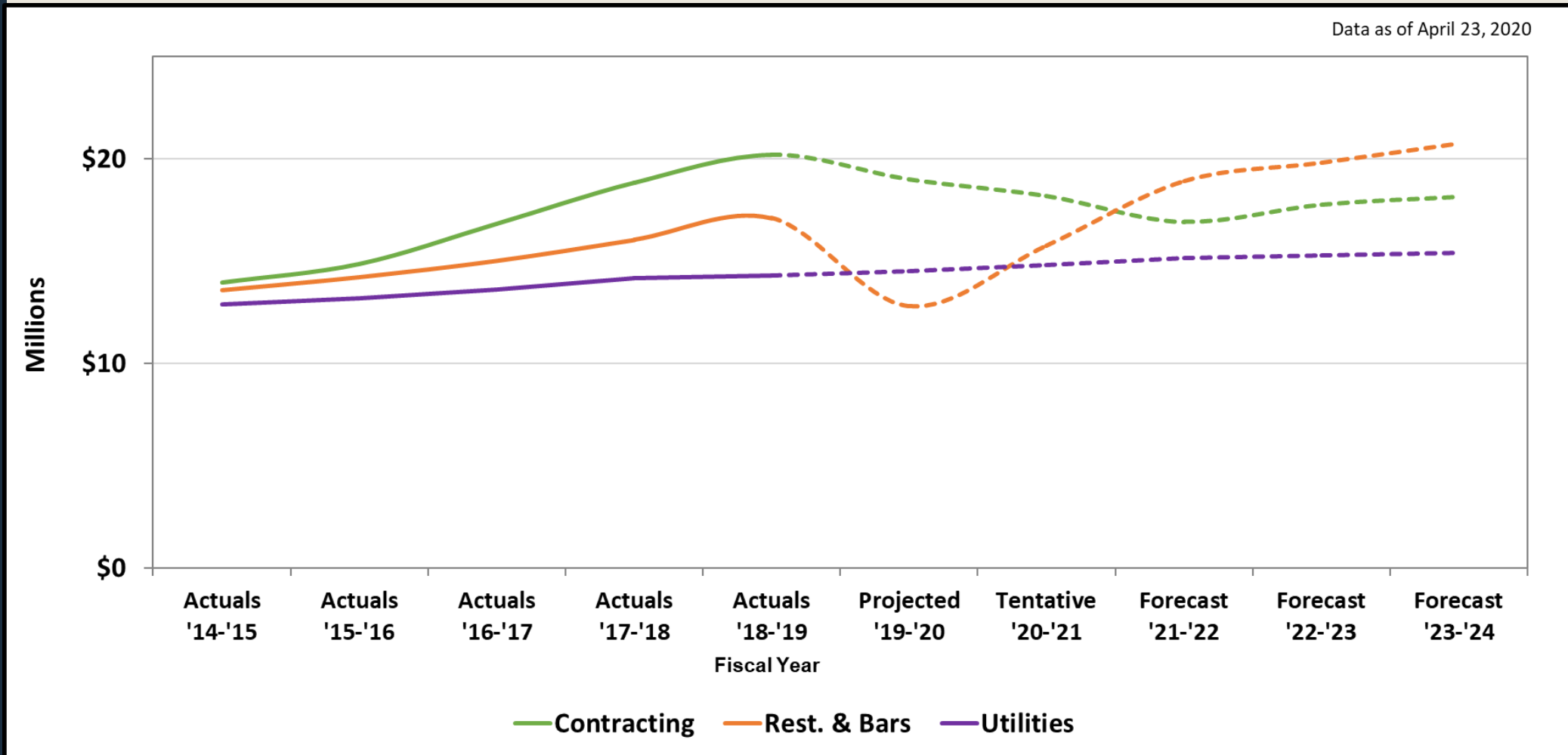


Local Sales Tax by Category

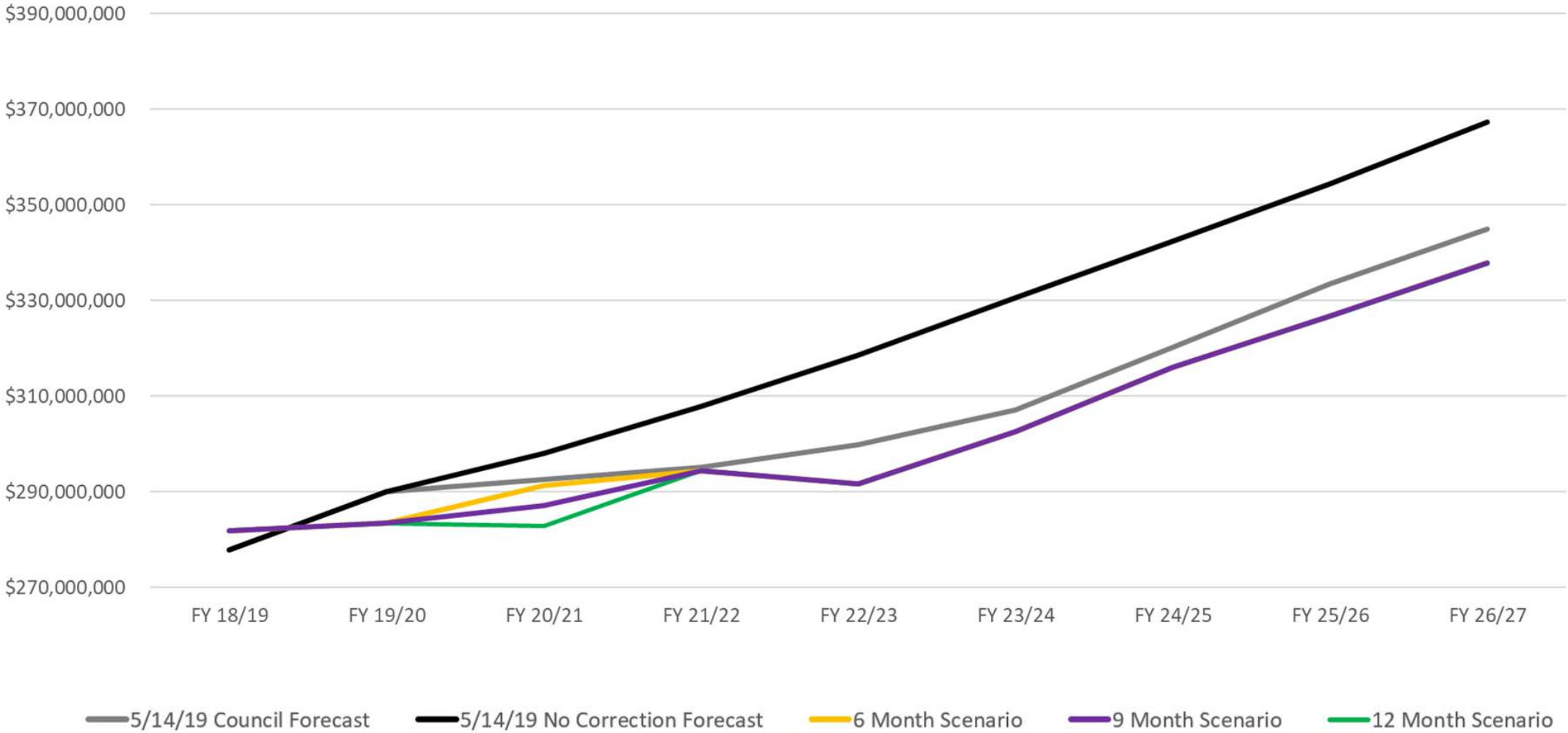
Data as of April 23, 2020



Local Sales Tax by Category - Detail



General Governmental Major Revenues Forecast Comparison - No Correction Version



*FY 20/21 excludes \$7.5M in one-time revenues from Urban Revenue Sharing (State Income Tax)

Impact on Mesa's Economy: General Governmental Revenues

Revenue Impacts (Major Revenues)	FY 19/20	FY 20/21
February 2020 Forecast (not presented to Council)	\$ 300,570,000	\$ 310,093,000
Spring 2019 Forecast	\$ 289,988,000	\$ 292,532,000
Estimated Gain in Revenues	\$ 10,582,000	\$ 17,561,000
Add Spring 2019 forecasted recession back		\$ 5,500,000
February 2020 Forecasted Revenues without Recession Correction	\$ 300,570,000	\$ 315,593,000
April 2020 Forecast (current)	\$ 283,416,000	\$ 287,180,000
Economic Loss of Revenues	\$ (17,154,000)	\$ (28,413,000)