OFFICE OF THE CITY CLERK

COUNCIL MINUTES

May 30, 2013

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 30, 2013 at 7:35 a.m.

COUNCIL PRESENT	COUNCIL ABSENT	OFFICERS PRESENT
Scott Smith	None	Christopher Brady
Alex Finter		Debbie Spinner
Christopher Glover		Dee Ann Mickelsen
Dina Higgins*		
Dennis Kavanaugh		
Dave Richins		
Scott Somers		

(*Councilwoman Higgins participated in the meeting through the use of telephonic equipment.)

1. Review items on the agenda for the June 3, 2013 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest: None

Items removed from the consent agenda: None

Items deleted from the agenda: None

2-a. Hear a presentation, discuss and provide direction on the FY 13/14 Capital Improvement Program Overview.

Office of Management and Budget Director Candace Cannistraro displayed a PowerPoint presentation **(See Attachment 1)** and provided a brief update of the Capital Improvement Program (CIP) that is included in the FY 13/14 tentative budget.

Ms. Cannistraro highlighted the recent bond authorizations approved by Mesa voters in the November 2008, November 2010 and November 2012 Bond Elections. (See Page 2 of Attachment 1)

Ms. Cannistraro also displayed a chart illustrating the proposed CIP for FY 13/14 through FY 17/18. (See Page 4 of Attachment 1) She stated that the projects are currently funded with authorized bonds and cash (i.e., local funding and grants). She also commented that for FY 13/14, the CIP projects total $310,454,177.

Ms. Cannistraro further remarked that if the Council decided to move forward with a 2013 Bond Election, staff has included a placeholder in the CIP budget until a final determination is made. She said that the tentative CIP budget totals $335 million, but reiterated that $310 million includes those projects that are currently authorized.

Ms. Cannistraro added that if any of the Councilmembers are interested in reviewing a detailed list of the funded CIP projects, such information is available via Legistar as an attachment to this agenda item.

Mayor Smith thanked Ms. Cannistraro for the presentation.

2-b. Hear a presentation, discuss and provide direction on the FY 13/14 tentative budget.

Ms. Cannistraro reported that last week, staff made a presentation to the Council regarding the FY 13/14 tentative budget. She explained that staff was asked to come back so that the Councilmembers would have an opportunity to discuss the matter and offer their feedback and input in this regard.

Ms. Cannistraro displayed a PowerPoint presentation **(See Attachment 2)** and briefly highlighted the FY 13/14 tentative budget, which is included on the June 3, 2013 Council meeting agenda for approval. She stated that the tentative budget sets the maximum amount for the final expenditure budget, but noted that the final adopted expenditure budget may be equal to or less than the tentative expenditure budget.

Ms. Cannistraro advised that Mesa currently operates under a Home Rule option, which allows the City to set its budget based on available revenues and resources. She also indicated that such an option excludes the City from the State's Expenditure Limitation Rule, which sets the maximum expenditure budget amount for municipalities based on a formula of population and inflation. She added that in the fall of 2010, Mesa voters approved a Home Rule option, which will remain in effect through FY 14/15.

In response to a question from Councilwoman Higgins, Ms. Cannistraro clarified that the Arizona Constitution imposes an expenditure limitation on all cities and towns. She noted that based on the City of Mesa's FY 1979/1980 expenditures, the State would adjust the City's expenditure limitation budget based on a formula of population and inflation.

Ms. Cannistraro further remarked that Home Rule is one type of expenditure limitation alternative available to communities. She reiterated that it automatically sunsets every four years and must be renewed by Mesa voters. She added that Home Rule allows the City to set its expenditure limit equal to its resources and does not establish a cap or a dollar amount under which it must fall.

Ms. Cannistraro, in addition, commented that in FY 1979/1980, Mesa's Quality of Life sales tax and the Local Streets sales tax did not exist and said those items would not be taken into account with the State's formula. She said that a Home Rule option allows the City to budget for those expenditures based on available resources and set its limits based on priorities and what it can afford.

Ms. Cannistraro advised that in 2012, Mesa voters approved bond funding for Parks projects. She stated that the FY 13/14 budget includes an adjustment to the secondary property tax levy in order to cover the anticipated debt service on those bonds. She said that the impact to the average assessed levy is approximately $25 annually.

Ms. Cannistraro further remarked that one of the City's main revenue sources is the transfer from the Enterprise Fund to the General Fund. She pointed out that the transfer has not been adjusted in more than five years and said that the FY 13/14 budget adjusts the transfer to $90 million. She also briefly outlined the proposed utility rate modifications to water, wastewater and residential solid waste. (See Page 5 of Attachment 2) She stated that it was important to note that the modifications are lower than what staff forecast several years ago.

Ms. Cannistraro, in addition, reported that staff was asked to bring back two issues for Council discussion and feedback. The items include the following:

- Over the next four years, the City is scheduled to use sales tax to cover about $40.8 million in existing debt service. One recommendation is to shift a portion of the debt service payments to the secondary property tax, which would provide a more stable revenue source and reduce the sales tax-funded debt service to $32 million over four years. This option would increase sales tax availability by $2.2 million annually and $8.8 million over the next four years. The additional capacity would fund the operation and maintenance of the Parks improvements that were approved by Mesa voters in 2012.

- A second option to increase the stability of General Fund resources is to adjust the Enterprise Fund transfer to $92.2 million (as opposed to the proposed $90 million). To accomplish this goal, one alternative would be to adjust the utility rates by 3% (as opposed to the proposed 2%) in FY 13/14 in order to maintain the targeted reserve level (above 8%) over the forecast period. (See Page 7 of Attachment 2)

Ms. Cannistraro briefly reviewed a timeline related to the introduction, approval and adoption of various budget-related items for FY 13/14. (See Page 8 of Attachment 2)

City Manager Christopher Brady clarified that during the Arts and Culture budget presentation, there was a discussion regarding a $100,000 donor challenge (to be invested at the i.d.e.a. Museum) if the City matched that dollar amount. He stated that staff did not include the $100,000 match in the FY 13/14 tentative budget.

Mr. Brady indicated that the dollar amounts for the tentative budget do not really change. He noted, however, that the issue at hand is the approach the Council would prefer to take by either shifting the sales tax debt or increasing utility rates an additional 1% in order to increase the Enterprise Fund transfer by $2.2 million.

In response to a question from Councilwoman Higgins, Mr. Brady indicated that not only would the tentative budget maintain an 8% fund balance for the General Fund, but also the targeted reserve level (above 8%) for the Enterprise Fund over the forecast period.

Ms. Cannistraro pointed out that in FY 15/16, the reserve level for the Enterprise Fund will decrease to 8.25%.

Mayor Smith restated that staff views this not so much as “a snapshot” of the reserves, but rather part of a five-year plan and how the impact of one year’s actions will affect the subsequent years.

Mr. Brady confirmed Mayor Smith’s statement. He pointed out that staff recognizes that at times, there will be planned drawdowns on the reserves, but assured the Council that staff does not want that amount to go below 8%.

Councilmember Kavanaugh expressed support for the overall budget amount and said he would prefer to implement the option to shift a portion of the City’s debt service payments to the secondary property tax. He commented that for many years, he has advocated that the City have a secondary property tax to cover all existing pre-2008 debt. He stated that his preferred option is a more fiscally conservative approach and noted that any additional secondary property tax that citizens pay would be deducted on their taxes as opposed to utility increases. He added that he would prefer to keep the utility rate modifications at the lower amount.

Vice Mayor Finter voiced support for the City raising the utility rates by 3% in FY 13/14. He stated that it was important to remember that staff originally projected significant increases in utility rates for this year and last year as compared to what has been recommended. (See Page 7 of Attachment 2) He explained that the proposed rate modifications were as a result of staff taking advantage of low interest rates and refinancing a significant amount of the City’s bond debt last year.

Vice Mayor Finter also remarked that what he fears could be lost in the restructuring of the City’s bond debt and lower than anticipated utility rates is that Mesa residents will only see an increase of their property taxes. He suggested that “the greater win” would be to take a different route.

Vice Mayor Finter further commented that between 2002 and 2007, the City created $100 million in debt and said that last fiscal year, it paid more than $19 million to service such debt. He said that by refinancing the bond debt, that amount has decreased to $10 million.

Councilmember Richins remarked that he has struggled with the proposed utility rate modifications and said he anticipates increased pressure on commodity prices moving forward. He noted that if the decision were up to him, he would cut another $6 million out of the budget in order to make up for the proposed rate increases.

Responding to a question from Councilmember Richins, Mr. Brady clarified that in 2008 and 2010, the Council implemented property tax adjustments to pay for operating expenses for new fire stations. He explained that as the new fire stations came on line and the Council approved the secondary property tax for the debt, they also increased a portion in order to pay for the operating expenses for the facilities that were funded by the tax. He said that the cost was approximately $1.5 million.

Councilmember Richins stated that he just wanted to confirm that the Council had approved property tax adjustments before.

Councilmember Richins, in addition, remarked that with the recent passage of the $70 million Parks bond, a significant amount of money will be needed in order for the City to maintain the various projects that are built with those bond monies. He noted that in speaking with his district residents, they are “all about quality of life” and added that many of them are willing to pay the equivalent of the cost of a Big Gulp in order to maintain Mesa’s parks in an appropriate manner.

Councilmember Richins reiterated his concerns with respect to the proposed utility rate modifications due to, in particular, the Central Arizona Project (CAP) Canal issue related to increased water costs; the rise of natural gas prices; and increased competition. He said that commodity costs are not going to decrease and suggested that the City needs “more of a hedge” in its utility accounts to ensure that they are operated appropriately.

Councilmember Richins concurred with Councilmember Kavanaugh’s comments and said he would prefer to shift more of the City’s debt service payments to the secondary property tax rather than burdening Mesa’s utility users with such costs.

Vice Mayor Finter commented that operation and maintenance is not debt service and are two very different things.

Councilmember Richins clarified that the City took a portion of the secondary property tax payment to pay for existing bond debt in order to free up sales tax revenue to pay for the operation of the fire stations.

Mayor Smith restated that the City had approximately $1.5 million in sales tax proceeds that it used to pay on existing debt. He pointed out that the Council directed that the secondary property tax proceeds would be used to pay that debt, which meant that the $1.5 million in sales tax proceeds could be applied toward the operation of the new fire stations.

Ms. Cannistraro confirmed Mayor Smith’s statement. She explained that the City reallocated the sales tax previously dedicated to debt service to fund the operation of the new fire stations.

Vice Mayor Finter commented that between 2002 and 2007, a prior Council “took on” $100 million in debt. He stated that as a new Councilmember-Elect, he “called them out on it” and suggested that “they fix the system before they leave,” which they chose not to do. He added that the current Council decided to fix the system because it was known “to be broken” for a long time.

Vice Mayor Finter also remarked that the “slippery slope argument” presented to the Council was that the City had a terrible deficit for emergency response in southeast Mesa. He said that bond monies could be used to build the new fire stations, but noted that the concern was how to pay for the employees to staff the facilities. He said that the Council implemented the property tax adjustments, which was a reasonable decision at that time.

Vice Mayor Finter pointed out, however, that the current option of seeking out a new revenue source to pay off existing debt, which is now $192 million (including $92 million in interest), is “a major shift in policy” that will be used against the current and future Councils. He suggested that a property tax increase was not necessary at this time and noted that there were other alternatives to consider. He stated that the City is looking at “a quasi-primary property tax” (i.e. water rates) which, in his opinion, is a more reasonable way to proceed. He added that just because the Council implemented property tax adjustments in the past, doesn't mean they have to do it now.

Councilmember Richins reiterated that the Council took such action in 2008 and 2010.

Vice Mayor Finter responded that the Council did so for a different reason. He stated that this is a tax increase and a new policy direction for an old problem that was created by people other than this Council. He also commented that he "paid the political price" of trying to call out the previous Council to fix the problem which, in his opinion, this Council should not have to deal with.

Councilmember Richins inquired if Vice Mayor Finter wanted to call out a previous Council for their fiscal policy, but was not willing to fix it now with the same fiscal policy that he called them out on.

Vice Mayor Finter refuted Councilmember Richins' statement and noted that in 2008, the current Council did, in fact, have the political courage to fix the problem.

Councilmember Richins stated that it seems as though Vice Mayor Finter's "repair" is going back to the fiscal policy of the old Council of adjusting utility rates up and down to pay down the debt service.

Vice Mayor Finter stated that in the last five years, this Council had made many difficult decisions with respect to how to handle the City's debt service, including taking the issue of a secondary property tax to the voters for their approval. He reiterated that in his opinion, it is "a sneaky way to say hey, you did it once, now you have to do it in the future."

Mayor Smith commented that having an open discussion is not "a sneaky way."

Mayor Smith remarked that he was torn on the issue and must consider it in its totality. He stated that he asked staff to provide him the tax revenues that have been collected by the City of Mesa in the last seven to eight years. He highlighted the statistics as follows:

- In FY 05/06, the City collected $157 million in sales taxes, which are used primarily to fund the General Fund.
- This fiscal year, the City is expected to collect $129 million in sales taxes, or approximately $28 million less than in FY 05/06.
- In FY 10/11, the City collected $121,600,000 in sales taxes, which represents an estimated $37 million decrease from FY 05/06.

Mayor Smith concurred with Vice Mayor Finter that long ago, the City should have weaned itself from sales tax financing of fixed debt amounts. He stated that in his opinion, the arguments that were used by the Council's predecessors and others were "lame arguments." He noted that "fiscal sanity" says you do not pay fixed debt amounts with fluctuating revenue streams.

Mayor Smith indicated that he would beg to differ with Vice Mayor Finter that this is a tax increase. He pointed out that the total tax load for the citizens of Mesa, including sales taxes and secondary property taxes, is less today and will be less regardless of what this Council does with respect to the pending matter, than it was six years ago. He added, however, that the quality of services provided to Mesa residents has not been marginalized.

Mayor Smith further remarked that the Council is “trading one policy for another.” He explained that on the one hand, the previous Council decided to not pay for debt out of the secondary property taxes and this Council is “somehow stuck with that.” He stated that on the other hand, the previous Council also decided that the City would not use water rates to “plug budget holes.” He suggested that if this Council shifted all the debt service to water rates, then is that not what they would be doing as well. He added that if this Council focuses on what the previous Council did, they will lose sight on what is right today.

Mayor Smith emphasized that he would prefer to not increase taxes or water rates, but pointed out that there are many costs that the City incurs over which it has no control (i.e., gas prices, pension costs) and added that the City is also dealing with significantly lower resources.

Mayor Smith concurred with Vice Mayor Finter that the Council had no formal policy that stated “from now on, we will do this.” He also applauded the Vice Mayor for the statements he made as Councilmember-Elect that the system was broken, meaning the unwillingness of a prior Council to consider, for political reasons, the shifting of the burden from non-secure, volatile sales tax revenue to a solid base.

Mayor Smith, in addition, pointed out that he had “no problem” with a secondary property tax since the City uses those bonds to build projects/facilities that benefit the community and Mesa residents should bear the burden of paying for those items.

Mayor Smith concluded his remarks by stating that Council was very explicit in their willingness to explore and actually shift the burden to the secondary property tax to pay for operations at the new fire stations. He noted that he was uncertain whether such a formal policy was ever adopted, but reiterated that the Council has taken such action not once, but twice. He added that the City is in a much different fiscal situation now than it was five years ago and questioned whether Mesa’s sales tax revenues would ever return to the FY 05/06 level.

Vice Mayor Finter apologized for the tension during this discussion and stated that the irony is that this Council has had the political courage to make some difficult decisions. He noted that he never saw the City Manager make a similar proposal to the prior Council.

Mayor Smith responded that “it was a different world” during the prior Council’s tenure and suggested that if such an option had been offered to Mr. Brady, that he would have gladly accepted it.

Vice Mayor Finter stated that the budget is “Mr. Brady’s budget.” He said that although the citizens recognize that this Council is willing to make courageous decisions, the Council does not get credit for the tough decisions they have been asked to make.

Mayor Smith commented that in the recent election, in which the Councilmembers who were up for re-election ran unopposed, the voters showed what they thought about the Council and the City. He pointed out that Mesa’s Parks bonds passed overwhelmingly, while various bond packages in other communities were soundly defeated. He added that Mesa residents not only expect a good quality of life, but also that the City does whatever it can to support such expectations.

Mayor Smith reiterated that this is “a tough decision” for the Council to make and said that he did not believe that “it eases the pain either way.” He stated that one option is to expand the policy that the Council acted on before, although it was not formalized. He noted that on the other hand, he has struggled that the Council is violating something that is even more substantive in the City’s financial discipline, which is that “you do not go to utilities to solve General Fund issues.” He emphasized that the Council has maintained that discipline through the deepest of recessions and agreed to modify the rates since they have not been increased in six years.

Councilmember Somers commented that the statistics cited by Mayor Smith were enlightening to illustrate how the recession has impacted the City of Mesa. He also disagreed with Vice Mayor Finter’s comment that this was “Mr. Brady’s budget” and pointed out that it reflects input from each and every Councilmember. He further indicated that the budget also reflects what the voters have “repeatedly told the Council.” He stated, in addition, that the steps the Council is taking to address the City’s debt service may not always be popular, but are “smart decisions and the right thing to do.”

Councilmember Somers concurred with Councilmember Richins’ concerns regarding the potential for increased commodity prices and said he would prefer the option of making adjustments to the secondary property tax.

Councilwoman Higgins expressed support for Councilmember Kavanaugh’s comments and preference.

Councilmember Glover indicated that for the betterment of his Council district, he would prefer to adjust the Enterprise Fund transfer by raising utility rates to 3%. He acknowledged, however, that he was in the minority with respect to this decision.

In response to a question from City Attorney Debbie Spinner, Ms. Cannistraro clarified that it was her understanding from staff that the utility rate modifications being introduced at the June 3rd Council meeting include the 2% increase for water, wastewater and residential solid waste. She stated that if the Council directed that the 3% rate be implemented, the rate schedules attached to the ordinance could be modified.

Mayor Smith stated that a majority of the Council are supportive of staff moving forward with shifting a portion of the debt service payments to the secondary property tax and increasing water, wastewater and residential solid waste rates by 2%.

Mayor Smith thanked staff for the presentation.

3. Acknowledge receipt of minutes of various boards and committees.

3-a. Museum and Cultural Advisory Board held on March 28, 2013.

It was moved by Councilmember Kavanaugh, seconded by Councilmember Somers, that receipt of the above-listed minutes be acknowledged.

Carried unanimously.

4. Hear reports on meetings and/or conferences attended.

Mayor Smith: Mesa Town Hall; Mayor's Youth Committee Graduation Ceremony

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Saturday, June 1, 2013, 11:00 a.m. – Flowrider Pro/Am Event at Rhodes Aquatics Center

Monday, June 3, 2013, TBA – Study Session

Monday, June 3, 2013, 5:45 p.m. – Regular Council Meeting

Mr. Brady announced that Deputy City Manager Kari Kent has been accepted to the Senior Executives in State and Local Government Program at Harvard University.

6. Items from citizens present.

There were no items from citizens present.

7. Convene an Executive Session.

It was moved by Councilmember Richins, seconded by Councilmember Somers, that the Council adjourn the Study Session at 8:38 a.m. and enter into Executive Session.

Carried unanimously.

7-a. Discussion or consideration of employment, assignment, appointment, promotion, demotion, salaries, discipline, dismissal or resignation of a public officer, appointee or employee of the City. (A.R.S. §38-431.03A (1))

1. City Auditor Review
2. City Attorney Review

8. Adjournment.

Without objection, the Executive Session adjourned at 9:19 a.m.

SCOTT SMITH, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 30th day of May, 2013. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

pag
(attachments – 2)

Capital Improvement Program Current Authorization

City Council Study Session

May 30, 2013

Presented by the Office of Management and Budget

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Capital Improvement Program - Bond Program

Recent Bond Authorizations:

Program	Nov 2008	Nov 2010	Nov 2012
Streets	110.9M		
Public Safety	58.3M		
Library			
Parks and Rec			70.0M
Natural Gas		48.4M	
Water		98.8M	
Wastewater		39.0M	
Electric		15.9M	
Total	**169.2M**	**202.1M**	**70.0M**

Capital Improvement Program - Current Funding

- Current funding is fully allocated to existing projects
- Authorized Streets and Public Safety General Obligation Bonds are scheduled to be fully expended by FY13/14

Capital Improvement Program - Current Funding

PROGRAM	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	TOTAL
GENERAL OBLIGATION BOND						
PUBLIC SAFETY BOND	3,719,531	-	-	-	-	**3,719,531**
STREETS BOND	44,622,572	-	-	-	-	**44,622,572**
PARKS BOND	18,907,425	23,149,673	17,008,313	8,854,550	-	**67,919,961**
EXCISE TAX BOND						
SPRING TRAINING BOND	68,045,729	-	-	-	-	**68,045,729**
UTILITY REVENUE BOND						
ELECTRIC UTILITY BOND	6,979,131	-	-	-	-	**6,979,131**
GAS UTILITY BOND	16,806,210	5,865,825	-	-	-	**22,672,035**
WATER UTILITY BOND	49,928,037	1,914,807	-	-	-	**51,842,844**
WASTEWATER UTILITY BOND	29,706,188	11,439,381	12,558,268	-	-	**53,703,838**
OTHER FUNDING SOURCES						
LOCAL STREET SALES TAX	12,531,935	885,157	817,721	846,898	1,107,722	**16,189,433**
TRANSPORTATION FUND	13,765,449	11,362,254	9,332,122	2,508,000	7,784,000	**44,751,825**
SPECIAL PROGRAMS FUND	1,766,333	-	-	-	-	**1,766,333**
TRANSIT FUND	14,817,694	1,865,254	3,507,164	1,951,650	-	**22,141,762**
CAPITAL - ENTERPRISE	17,192,558	931,996	669,255	791,412	607,604	**20,192,825**
CAPITAL - GENERAL FUND	2,545,154	948,544	2,337,675	1,948,607	948,544	**8,728,524**
FLEET INTERNAL SERVICE	127,513	-	-	-	-	**127,513**
GRANT - ENTERPRISE	3,570,945	5,674,120	1,587,734	1,646,781	1,788,271	**14,267,851**
GRANT - GENERAL GOV'T	5,421,773	7,017,825	-	-	-	**12,439,598**
TOTAL	**310,454,177**	**71,054,836**	**47,818,252**	**18,547,898**	**12,236,141**	**460,111,305**

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Study Session
May 30, 2013
Attachment 1
Page 5 of 5

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City of Mesa

FY 2013/14 Tentative Budget

May 30, 2013

Presented by the Office of Management and Budget

Multi-year Forecast

- Revenues and Expenditures are estimated for the current fiscal year and forecasted over five to eight years
  - Projects related to the Capital Improvement Program are projected over ten years
  - Actual revenues and expenditures are reviewed each month and assessed for impact on the forecast
- Unrestricted fund balances are managed according to the City's adopted financial policies.
  - Fund balance (reserves) as a percent of the following fiscal year's estimated costs are maintained above 8% for each year of the forecast period
  - Ongoing expenses are identified and funded with on-going revenues

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A Balanced Budget

- The State sets the maximum expenditure budget amount for municipalities based on a formula of population and inflation.
- The Mesa voters approved a Home Rule option in the fall of 2010 that allows the City to opt out of the State limitation. The Home Rule option is valid through FY 14/15.
- Home Rule allows the annual expenditure budget to be set equal to the projected available resources.
- The tentative budget sets the maximum amount for the final expenditure budget. The final adopted expenditure budget may be equal to or less than the tentative expenditure budget.

General Fund Revenue Modifications

- Mesa voters approved bond funding for Parks projects in the Fall 2012. The FY 13/14 budget includes an adjustment to the secondary property tax levy to cover the anticipated debt service. The impact to the average assessed levy is about $25 annually.

- One of the main resources for general government/public safety is a transfer from the Enterprise Fund to the General Fund. This transfer has not been adjusted in more than five years. The FY 13/14 budget adjusts the transfer to $90.0M.

Utility Rate Modifications

The tentative budget includes utility rate modifications to Water, Wastewater and the residential rates for Solid Waste. The modifications are lower than previously anticipated.

SPRING 2011 FORECAST

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
ELECTRIC	0.0%	1.6%	1.6%	1.6%	1.6%
GAS	2.5%	2.5%	2.5%	2.5%	1.0%
WATER	6.8%	6.8%	6.8%	6.8%	6.8%
WASTEWATER	5.8%	5.8%	5.8%	5.8%	5.8%
SOLID WASTE	0.0%	1.4%	1.4%	1.4%	1.4%

SPRING 2013 FORECAST

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
ELECTRIC	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
GAS	2.5%	0.0%	0.0%	3.0%	3.0%	3.0%
WATER	6.8%	0.0%	2.0%	4.9%	4.9%	2.0%
WASTEWATER	5.8%	0.0%	2.0%	4.9%	4.9%	2.0%
SOLID WASTE	0.0%	0.0%	2.0%	4.9%	4.9%	2.0%

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Sales Tax Funded Debt Service

- Over the next four years the City is scheduled to use sales tax to cover about $40.8M in debt service. Shifting a portion of the City's debt service payments to the secondary property tax provides for a more stable revenue source and reduces the sales tax-funded debt service to $32.0M over four years.
- Shifting a portion of the debt service to secondary property tax would increase sales tax availability by $2.2M per year and $8.8M over the next four years. This additional capacity would fund the operations and maintenance of the Park improvements approved by Mesa voters in the Fall of 2012.

Enterprise Fund Transfer

Another option to increase the stability of general fund resources is adjusting the Enterprise Fund transfer to $92.2M. Adjusting the rates by 3% in FY 13/14 maintains the targeted reserve level over the forecast period.

SPRING 2011 FORECAST

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16
ELECTRIC	0.0%	1.6%	1.6%	1.6%	1.6%
GAS	2.5%	2.5%	2.5%	2.5%	1.0%
WATER	6.8%	6.8%	6.8%	6.8%	6.8%
WASTEWATER	5.8%	5.8%	5.8%	5.8%	5.8%
SOLID WASTE	0.0%	1.4%	1.4%	1.4%	1.4%

SPRING 2013 FORECAST

	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17
ELECTRIC	0.0%	0.0%	0.0%	2.0%	2.0%	2.0%
GAS	2.5%	0.0%	0.0%	3.0%	3.0%	3.0%
WATER	6.8%	0.0%	3.0%	4.9%	4.9%	2.0%
WASTEWATER	5.8%	0.0%	3.0%	4.9%	4.9%	2.0%
SOLID WASTE	0.0%	0.0%	3.0%	4.9%	4.9%	2.0%

Calendar

June 3rd	Approval of Tentative Budget
	Introduction of Utility Rate Ordinances
June 6th	Overview of Five-year Capital Improvement Program (CIP)
June 17th	Adoption of Five-year CIP
	Adoption of FY 13/14 Annual Budget
	Adoption of Utility Rate Ordinances
July 1st	Adoption of Secondary Property Tax Levy

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