



# COUNCIL MINUTES

February 26, 2026

The City Council of the City of Mesa met in the Study Session room at City Hall, 20 East Main Street, on February 26, 2026, at 7:30 a.m.

## COUNCIL PRESENT

Mark Freeman  
Scott Somers\*  
Rich Adams  
Jennifer Duff  
Francisco Heredia  
Alicia Goforth  
Dorean Taylor

## COUNCIL ABSENT

None

## OFFICERS PRESENT

Scott Butler  
Holly Moseley  
Jim Smith

(\*Participated in the meeting through the use of video conference equipment.)

Mayor Freeman conducted a roll call.

### 1-a. Hear a presentation and discuss the FY 2026/27 General Governmental and Utility funds principles, priorities, and forecast.

Management and Budget Director Brian Ritschel introduced Deputy Director Chris Olvey and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Ritschel presented a chart focusing on Fiscal Year (FY) 25/26 comparing homeowner's annual costs for cities in the state, emphasizing that Mesa is the third most affordable city. He discussed the factors considered in the homeowner comparison to determine each city's annual cost. (See Pages 2 and 3 of Attachment 1)

Mr. Ritschel explained that the City uses in-house statistical software and a conservative, multi-year approach to develop five-year financial and revenue forecasts, ensuring long-term sustainability of services. He noted that the model incorporates both broader economic indicators and Mesa-specific factors. He stated that expenditure forecasting follows a similar process with personal services, commodities and capital, which have continued to increase in cost annually. (See Pages 4 through 6 of Attachment 1)

Mr. Ritschel reminded Council that the General Governmental Funds include the General Fund and the Quality of Life Fund, which is dedicated to funding police officers and fire fighters. He identified the correlation between the City's financial policies and the financial principles, focusing on the need to be structurally balanced and sustainable to avoid the use of savings. (See Page 8 of Attachment 1)

Mr. Ritschel reviewed the current outlook for revenue pressures and the annual impact of revenue loss. He reported that in addition to the loss of residential rental sales tax and the implementation of the State income flat tax, the sales tax revenue has been flat for the past three fiscal years, while costs continue to rise. He reported that although income taxes are being collected currently for individuals and corporations, distributions to cities and towns do not occur until two years later, further affecting revenue availability. (See Page 9 of Attachment 1)

Mr. Ritschel presented a graph illustrating the inflation growth rate in the United States (U.S.), identifying an inflation surge in 2021 after COVID and declining in 2024. He stated that despite lower inflation rates in 2024, purchase contracts and commodities pricing have not lowered prices. He emphasized that prices have remained and inflation builds upon those prices, which cause expense pressures. (See Page 10 of Attachment 1)

Responding to a question posed by Councilmember Adams, Mr. Ritschel confirmed that flat or declining retail sales tax revenue is occurring statewide, not only in Mesa.

City Manager Scott Butler explained that while retail spending remains strong, overall sales tax revenue is affected by state-level tax changes, including the removal of certain taxable categories and residential rentals, which has contributed to flat revenue.

Mr. Ritschel confirmed that growth in retail and utilities is helping offset losses and preventing revenue decline.

Mayor Freeman advised that there are pending state legislation bills that could further reduce sales tax revenue collection for municipalities.

Mr. Ritschel highlighted the current outlook for expenditure pressures seen by the City and the rising costs across several categories, and discussed the factors contributing to the increases. (See Pages 11 and 12 of Attachment 1)

Mr. Ritschel explained that while FY 24/25 revenues slightly exceeded expenditures, upcoming years are expected to see higher spending and some revenue declines. He stated the City is projected to reach structural balance by FY 29/30, with reserves stabilizing around 20% to 21%, above the 10% to 15% principal target. (See Page 13 of Attachment 1)

Mr. Ritschel provided an overview of the FY 25/26 adopted budget forecast from last year showing the net sources and uses were negative throughout the forecast due to significant increases in personnel costs, delaying structural balance beyond the forecast. (See Page 14 of Attachment 1)

Mr. Ritschel then reviewed the current forecast, noting that revised revenue estimates and a 2% departmental reduction have improved the outlook. He stressed that the forecast achieves structural balance within the projection period by FY 29/30 and maintains stronger reserve levels. He added that the outlook remains subject to change as budget decisions are finalized. (See Page 15 of Attachment 1)

Mr. Butler commented that Council and staff's leadership has accelerated structural balance despite new financial pressures. He discussed several of the compounding pressures and challenges and how the City has been able to stabilize reserves and use a conservative approach.

Discussion ensued regarding potential challenges related to state legislation and tax conformity, as well as key budget factors including forecasting methods and fluctuations, 2% departmental reductions, and a conservative forecasting philosophy to maintain a balanced reserve fund.

Mr. Olvey explained that Mesa is the second lowest for sales tax revenue per capita, compared to other Valley cities. He added that the City has a 2% sales tax rate and noted that Mesa does not have a sales tax on groceries, which impacts the City's standing compared to other cities.

Mr. Ritschel advised that Mesa is highly reliant on sales tax, and that during COVID, local shopping boosted revenues significantly, but as normal routines resumed, residents began spending more in other cities like Scottsdale and Chandler. He emphasized that keeping spending local would help increase Mesa's sales tax growth.

Councilmember Goforth commented that the City of Scottsdale benefits from attracting non-residents to spend money there, and the COM is working through economic development efforts to similarly attract outside visitors to generate sales tax revenue.

Mr. Ritschel clarified that the COM does not tax groceries, unlike many other cities; and other cities collect more sales tax when people purchase food, giving them an advantage in overall collections.

Mr. Butler discussed ways that the Council has prioritized improving retail development to capture more sales tax locally. He also noted that Mesa's lower tax rate and lack of a food tax contribute to lower overall collections compared to cities like Glendale, and that higher-end retail generates more revenue. He stressed that the City is working to improve the quality of retail to boost returns.

Responding to a question posed by Councilmember Taylor, Mr. Ritschel explained that grant funds for the net sources and uses are not included in the one-time expenses and are accounted for in a separate, restricted fund in accordance with accounting standards; therefore, are not included in the General Governmental Fund totals.

In response to a question from Councilmember Adams, Mr. Ritschel explained that sales tax rate information is included in the homeowner comparison on the final page. He noted that the table outlines each city's rates for water, wastewater, and taxes and is available on the City's website, [www.mesaaz.gov](http://www.mesaaz.gov), under the homeowner comparison section.

Mr. Olvey provided an overview of the Utility Fund financial policies and principles, noting that the financial policies have maintained a reserve balance of 8% to 10%, similar to the General Governmental funds. He emphasized that the City's financial principles strive for 20% or higher for the reserve fund balance for the Utility Fund, and the financial policies call for an examination of utility rates annually. (See Page 19 of Attachment 1)

Mr. Olvey explained that while utilities are managed individually, they are evaluated collectively due to yearly fluctuations. He commented that the reserve balance helps stabilize rates and support phased implementation of new programs or operational changes. (See Page 20 of Attachment 1)

Mr. Olvey highlighted significant inflationary cost increases across utility operations from FY 20/21 to FY 24/25. He indicated that additional cuts on the Colorado River are expected to create more expense pressure. He presented a graph illustrating rising utility operating costs since 2021, noting current FY 25/26 are estimates that will continue to fluctuate. He indicated that the

wastewater utility costs stand out due to major maintenance and upkeep costs of the aging 91st Avenue Water Reclamation Plant, which is the biggest wastewater plant in Arizona. (See Pages 21 and 22 of Attachment 1)

Mr. Olvey provided an update on utility capital projects, noting that the Central Mesa Reuse Pipeline will be completed this year and Smart Metering by the end of the calendar year. He reported that the Signal Butte Water Treatment Plant Expansion is under construction through 2027, while Natural Gas capacity expansion efforts are ongoing. He also highlighted the Broadway Road Improvements Project as a coordinated effort with Transportation and multiple utilities to assess and implement necessary upgrades. (See Page 23 of Attachment 1)

Mr. Olvey reviewed the updated forecast illustrating expenses exceeding revenues from FY 25/26 through FY 27/28, causing a temporary drawdown of the Utility Fund balance. He noted beginning in FY 28/29, revenues surpass expenses, allowing the fund balance to recover to slightly above 20% by the end of the forecast period. (See Page 24 of Attachment 1)

Mr. Olvey highlighted that the original adopted forecast showed ongoing deficits for net sources and uses through FY 28/29, and low reserve balances of 4.9% in FY 27/28, with only slight recovery in FY 29/30. He reported that the original forecast did not include a capacity fee and to manage the \$400 million in growth-related utility projects, \$180 million in infrastructure projects were deferred out of the forecast to accommodate for priority projects. He stated the current forecast includes the impact of a capacity fee to fund those growth projects separately from base utility rates. (See Pages 25 and 26 of Attachment 1)

In response to multiple questions from Councilmember Duff, Mr. Olvey clarified that a new well project for growth would be funded by capacity fees, while rehabilitation projects of a current well are funded through the utility fund. He indicated that maintaining around 20% reserves is important as credit rating agencies consider reserve balance percentages.

Responding to questions from Councilmember Goforth, Mr. Ritschel explained the accounting approach to issuing debt service and payments. He added that the General Fund follows the same accounting approach and is also not included in the sources.

Mr. Butler explained that the capacity fee restores the principle of “growth paying for growth,” reducing pressure on existing ratepayers. He noted that the City plans to conduct an impact fee study to address other growth-related costs to ensure that growth is not being borne on the back of other taxpayers.

In response to a question posed by Councilmember Heredia, Mr. Ritschel replied that the City evaluates both growth-related and maintenance projects, balancing priorities and financial impacts. He commented that the capacity fee helped remove \$400 million in growth costs from the operating forecast, allowing better focus on other projects.

Responding to a question from Councilmember Heredia, Mr. Olvey explained that population growth is factored in through account growth projections for each utility, which influence revenues.

Vice Mayor Somers suggested treating water as a commodity in Economic Development to increase Mesa’s financial stability.

In response to a question from Vice Mayor Somers, Chief Financial Officer Michael Kennington explained that bond holders and investors are aware of water supply risks and consider them when evaluating bonds.

Mr. Butler clarified that uncertainty around Colorado River water remains and could lead to future impacts depending on federal decisions or legal outcomes, requiring the City to adapt as conditions evolve. He pointed out that Mesa has intentionally declined some economic development opportunities when the water demand was too high compared to the number of jobs created, prioritizing efficient use of water resources.

Discussion ensued regarding the City's purpose of maintaining a 20% reserve balance and the benefits to the City and ratepayers.

Councilmember Adams expressed support for the policy-level discussion, emphasizing its value for transparency and helping the public understand financial decisions. He highlighted the importance of maintaining a strong financial position, adding that sound policies support long-term projects, help manage unexpected costs, and allow the City to secure favorable rates when issuing debt, ultimately benefiting the community.

Mr. Olvey compared a chart illustrating the improvements in the ending fund balance reserves from the adopted budget forecast and the current forecast. (See Page 27 of Attachment 1)

Mr. Ritschel outlined the budget process schedule, noting that budget meetings will run from March 4 through April 30, 2026, with a public hearing and final adoption scheduled for June 1, 2026, and adoption of the secondary property tax on July 20, 2026. (See Page 28 of Attachment 1)

In response to a question posed by Mayor Freeman, Mr. Butler replied that the Quality of Life tax is in perpetuity.

Responding to a question from Councilmember Taylor, Mr. Ritschel clarified that although the majority of the Quality of Life tax currently supports public safety for police and fire services, the tax is restricted with specific allowable uses, including some street-related purposes, and any excess funds may be allocated to specific areas.

Mayor Freeman commented that the City subsidizes water payments by \$10.2 million to avoid steep increases in residential rates, while maintaining strong reserves by drawing them down and replenishing them responsibly. He raised concerns about proposed state legislation that could limit fee and rate increases and reduce revenue to cities. He noted that any city sales tax increase must be approved by voters under the City Charter, and he stressed the importance of maintaining strong reserves.

Mayor thanked staff for the presentation.

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

2-a. Design Review Board meeting held on January 13, 2026.

2-b. Approval of minutes from City Council Executive Sessions held on October 6, November 13, December 1, December 8, 2025; and January 22, 2026.

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

Upon tabulation of votes, it showed:

AYES – Freeman–Somers–Adams–Duff–Goforth–Heredia–Taylor  
NAYS – None

Carried unanimously.

3. Current events summary including meetings and conferences attended.

Mayor Freeman and Councilmembers highlighted the events, meetings, and conferences recently attended.

4. Scheduling of meetings.

City Manager Scott Butler stated that the schedule of meetings is as follows:

Thursday, March 5, 2026, 7:30 a.m. – Study Session

Thursday, March 5, 2026, 8:00 a.m. – Audit, Finance and Enterprise Committee meeting

Monday, March 9, 2026, 5:15 p.m. – Study Session

Monday, March 9, 2026, 5:45 p.m. – Regular Council

5. Adjournment.

Without objection, the Study Session adjourned at 9:13 a.m.



*Mark Freeman*  
MARK FREEMAN, MAYOR

ATTEST:

*Lise Anderson*  
for HOLLY MOSELEY, 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 26<sup>th</sup> day of February 2026. I further certify that the meeting was duly called and held and that a quorum was present.

*Lise Anderson*  
for HOLLY MOSELEY, CITY CLERK

# Financial Forecast Overview

February 26, 2026

PRESENTED BY:

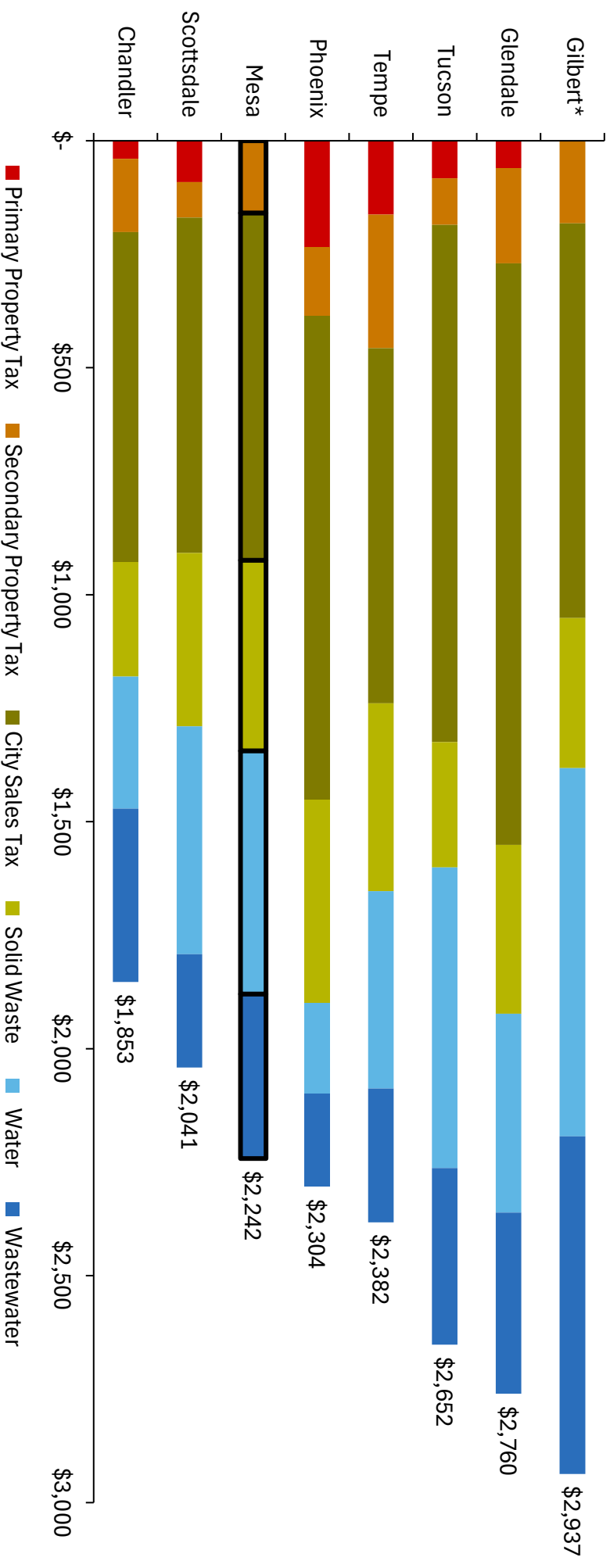
BRIAN A. RITSCHHEL, MANAGEMENT & BUDGET DIRECTOR

CHRIS OLVEY, MANAGEMENT & BUDGET DEPUTY DIRECTOR

# Homeowner Comparison

Fiscal Year 2025/26 Typical Homeowner's Annual Cost Comparison

Estimated as of April 2026



\*includes 25% Water rates increase

# What's included in the Homeowner Comparison?

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- **A tool to compare local revenues collected that support local government services provided to its residents.**
- The comparison includes the following categories
  - **Property Tax (Primary & Secondary):** based on Mesa's 2025 median Limited Property Value (LPV) and each city's FY 25/26 property tax rates
  - **City Sales Tax:** calculated by applying each city's sales tax rates to the Bureau of Labor Statistics' annual Consumer Expenditure Survey
  - **Solid Waste:** uses 90-gallon barrel rate for each city
  - **Water:** uses 6,000 gallon median monthly residential consumption with ¾" meter
  - **Wastewater:** uses 4,000 gallon median residential consumption during winter months

# Financial Forecasting

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- The City uses current expenditures/expenses and revenues along with historical trends as a basis to forecast future expenditures/expenses and revenues over multiple years
- The City uses a **conservative** multi-year forecasting approach which 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 expenditures/expenses



# Revenue Forecasting

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- Statistical software is applied in-house to analyze the correlation between economic trends and the City's revenue sources
- Revenue forecasts also include collaboration with departments, such as utility revenues
- Relevant economic indicators are considered such as: population/account growth, wages, unemployment, building permits, gas prices, etc.
- Mesa specific factors are applied such as economic development activities, retail trends, etc.



# Expenditure/Expense Forecasting

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Expenditure/expense 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 expenditures
- These large contracts include utility expenses, such as water commodity purchases, water and wastewater treatment plant chemicals, and solid waste tipping fees

## **Capital**

- Majority of expenditures are related to construction projects and vehicle purchases. Multi-year plans are developed and included in the forecast
- Debt service payments related to capital improvement projects are included in forecasts

# General Governmental Funds

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# General Governmental Funds – Financial Policies & Principles

## Financial Policies (Council Adopted)

- Adoption of a Balanced Budget
- Maintain a Reserve Balance of **8-10%**
- Forecasts will be Provided over a Multi-Year Period
- Fees & Charges will be Reviewed on an Annual Basis
- Adoption of a 5-Year Capital Improvement Plan

## Financial Principles

- Balance Net Sources & Uses
- **10-15%** Reserve Fund Balance over 5-Year Forecasted Period
- Sustainability of Programs & Services
- Keep Wages & Benefits Competitive to Retain & Recruit Quality Staff
- Investment in Capital & Lifecycle Replacement Projects

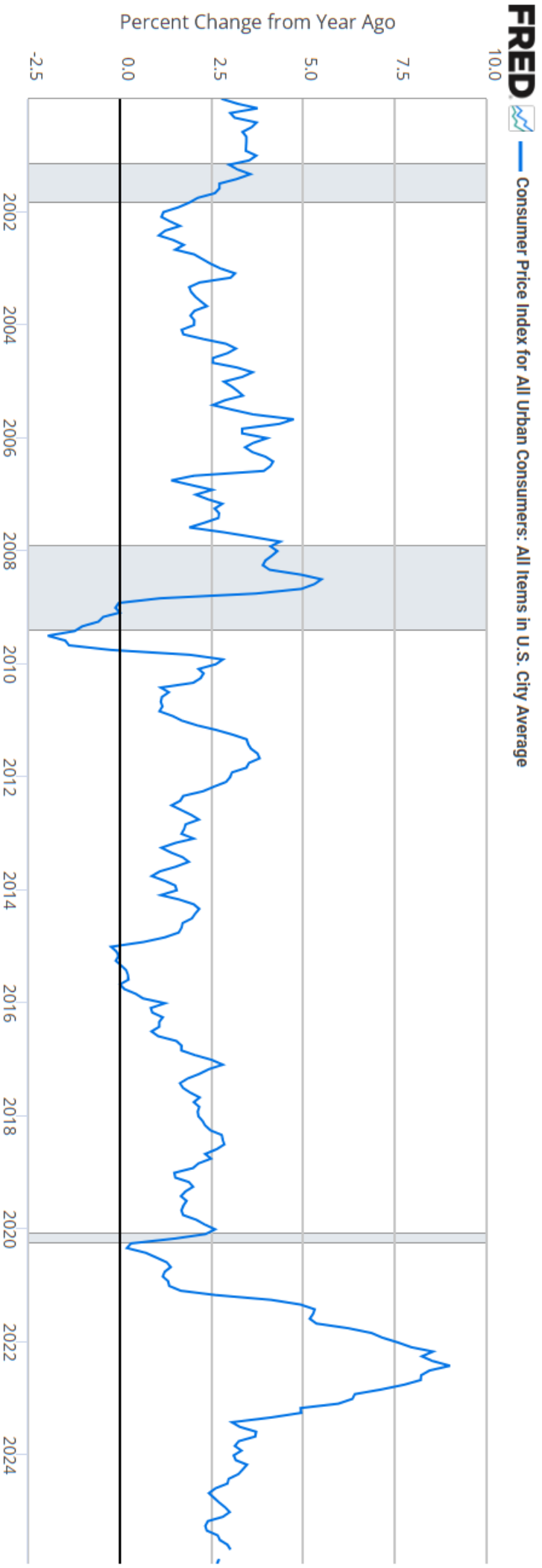
# Current Outlook – Revenue Pressures

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- Loss of Residential Rental Sales Tax
  - \$18M annual impact beginning FY 24/25
- Implementation of State Income Flat Tax
  - \$6M estimated annual impact beginning FY 24/25
- Small growth in City and State Sales Tax collections
  - +0.4% projected annual growth of FY 25/26 above FY 24/25
- Reduction in State Shared Revenues with incorporation of San Tan Valley
  - \$3M annual impact beginning FY25/26
- Reduction in Urban Revenue Sharing with Tax Conformity on federal H.R. 1
  - \$6M annual impact beginning FY 27/28

# U.S. Inflation Growth Rate

- December 2025 prices are 24.4% above December 2020 levels



Source: Bureau of Labor Statistics, Consumer Price Index

# Current Outlook – Expense Pressures

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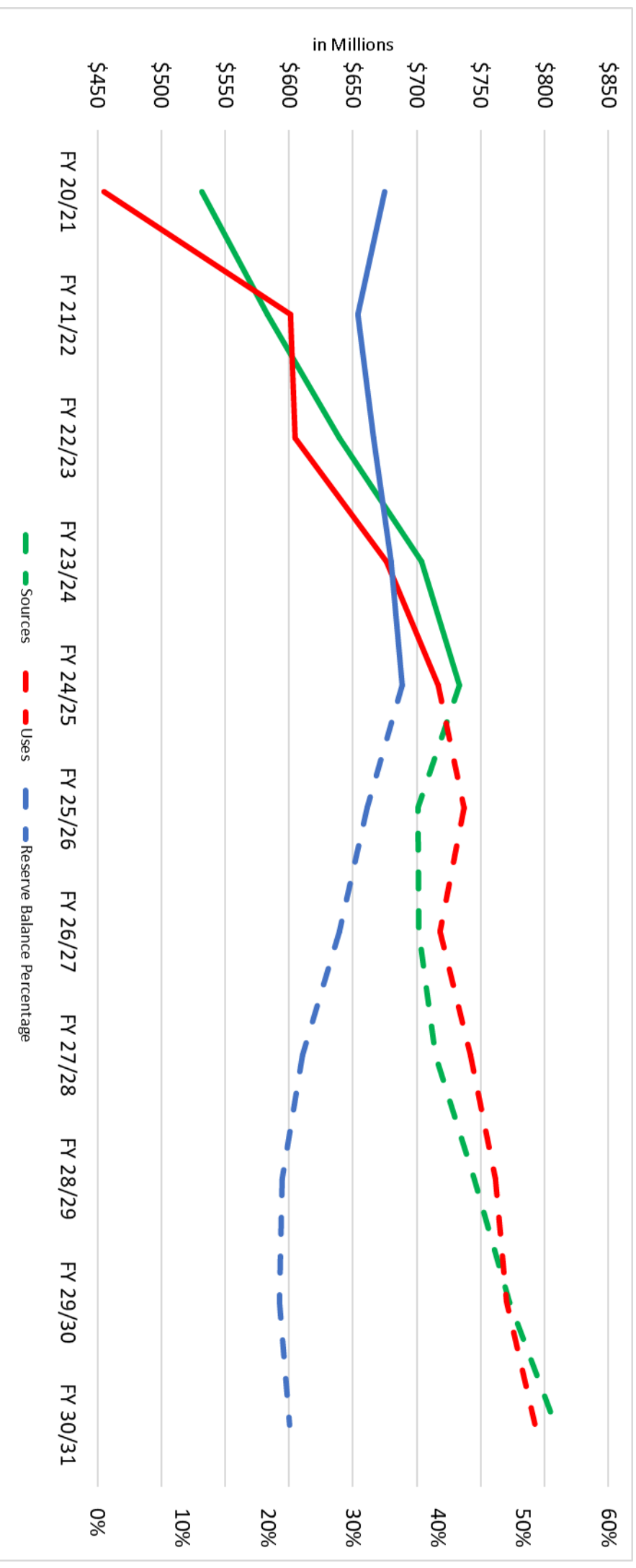
- Contracted Labor & Services (landscaping, custodial, maintenance, etc.)
- Fleet Maintenance & Repair (3<sup>rd</sup> party labor cost, parts, and fuel)
- Market-Driven Compensation & Competitive Benefits
- Software & Licensing
- Continuing ARPA Initiatives with ongoing General Fund support (Real Time Crime Center, City wi-fi, homeless support, behavioral health)

# Increased Cost Pressures

<b>General Governmental Funds</b>	<b>FY 20/21</b>	<b>FY 24/25</b>	<b>4-Year Increase</b>
Fleet Maintenance & Repair (90% of costs PD/Fire)	\$9.6M	\$14.5M	+51%
Police & Fire Dept Software & Licensing	\$3.1M	\$7.3M	+135%
Building Maintenance & Custodial Services	\$6.1M	\$10.0M	+64%
Landscaping Services	\$2.9M	\$4.5M	+55%
<b>Citywide that Impacts General Gov't Funds</b>	<b>FY 20/21</b>	<b>FY 24/25</b>	<b>4-Year Increase</b>
Medical & Dental Claims	\$89.5M	\$124.7M	+39%
Citywide Software & Licensing	\$6.3M	\$11.1M	+76%

# Total Sources & Uses

## General Governmental Funds – Current Forecast



# FY 25/26 Adopted Budget Forecast

## General Governmental Funds

	Projected FY 24/25	Budget FY 25/26*	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29	Forecast FY 29/30
<b>Beginning Reserve Balance</b>	\$247.5	\$242.9	\$191.5	\$152.8	\$114.9	\$91.6
<b>Total Sources</b>	\$701.5	\$693.5	\$678.6	\$698.3	\$727.8	\$749.3
<b>Total Uses</b>	\$706.0	\$744.9	\$717.3	\$736.2	\$751.1	\$768.2
<b>Net Sources and Uses</b>	(\$4.6)	(\$51.4)	(\$38.7)	(\$37.9)	(\$23.3)	(\$18.9)
<b>Ending Reserve Balance</b>	\$242.9	\$191.5	\$152.8	\$114.9	\$91.6	\$72.7
<b>Ending Reserve Balance Percent**</b>	33.8%	26.7%	20.8%	15.3%	11.9%	9.2%

\*Budgeted sources and uses include \$26.1M in carryover funds.

\*\*As a % of all Next Year's uses of funding

data as of May 2025  
 dollars in millions

# Current Forecast

## General Governmental Funds

	Actuals	Projected	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31	
<b>Beginning Reserve Balance</b>	\$247.5	\$264.3	\$228.0	\$211.1	\$183.8	\$167.3	\$169.6	
<b>Total Sources</b>	\$733.6	\$700.9	\$701.5	\$715.0	\$745.4	\$773.0	\$808.9	
<b>Total Uses</b>	\$716.8	\$737.2	\$718.3	\$742.3	\$761.9	\$770.7	\$793.2	
<b>Net Sources and Uses</b>	\$16.8	(\$36.3)	(\$16.8)	(\$27.3)	(\$16.5)	\$2.3	\$15.8	
<b>Ending Reserve Balance</b>	\$264.3	\$228.0	\$211.1	\$183.8	\$167.3	\$169.6	\$185.4	
<b>Ending Reserve Balance Percent*</b>	35.8%	31.7%	28.4%	24.1%	21.7%	21.4%	22.6%	

\*As a % of all Next Year's uses of funding

data as of February 2026  
 dollars in millions



# General Governmental Funds Forecast

## Changes from Adopted Budget Forecast

Adopted Budget	FY 25/26 FY 26/27 FY 27/28 FY 28/29 FY 29/30 FY 30/31*					
	Net Sources and Uses	(\$51.4)	(\$38.7)	(\$37.9)	(\$23.3)	(\$18.9)
Ending Reserve Balance	\$191.5	\$152.8	\$114.9	\$91.6	\$72.7	\$61.0
<b>Ending Reserve Balance Percent**</b>	<b>26.7%</b>	<b>20.8%</b>	<b>15.3%</b>	<b>11.9%</b>	<b>9.2%</b>	<b>7.4%</b>

\*FY 30/31 was outside of the 5-year forecast presented with FY 25/26 Budget Adoption data as of May 2025  
 \*\*As a % of all Next Year's uses of funding dollars in millions

Current Forecast	FY 25/26 FY 26/27 FY 27/28 FY 28/29 FY 29/30 FY 30/31					
	Net Sources and Uses	(\$36.3)	(\$16.8)	(\$27.3)	(\$16.5)	\$2.3
Ending Reserve Balance	\$228.0	\$211.1	\$183.8	\$167.3	\$169.6	\$185.4
<b>Ending Reserve Balance Percent**</b>	<b>31.7%</b>	<b>28.4%</b>	<b>24.1%</b>	<b>21.7%</b>	<b>21.4%</b>	<b>22.6%</b>

\*\*As a % of all Next Year's uses of funding dollars in millions

data as of February 2026

dollars in millions

Improvement in ending fund balance reserve percentage

# Utility Fund

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# Utility Fund – Financial Policies & Principles

## Financial Policies (Council Adopted)

- Adoption of a Balanced Budget
- Maintain a Reserve Balance of **8-10%**
- Forecasts will be Provided over a Multi-Year Period
- Utility Rates Examined Annually
- Adoption of a 5-Year Capital Improvement Plan

## Financial Principles

- Balance Net Sources & Uses
- **20%** or Higher Reserve Fund Balance
- Smoothed Rate Adjustments throughout the Forecast
- Equity between Residential & Non-Residential Rates
- Affordable Utility Services

# Utility Operations

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- Each utility is operated as a separate business center
- Reserve balance can be used to smooth rate adjustments year-to-year
- Reserve balance can be used to phase in new programs or changes in operations

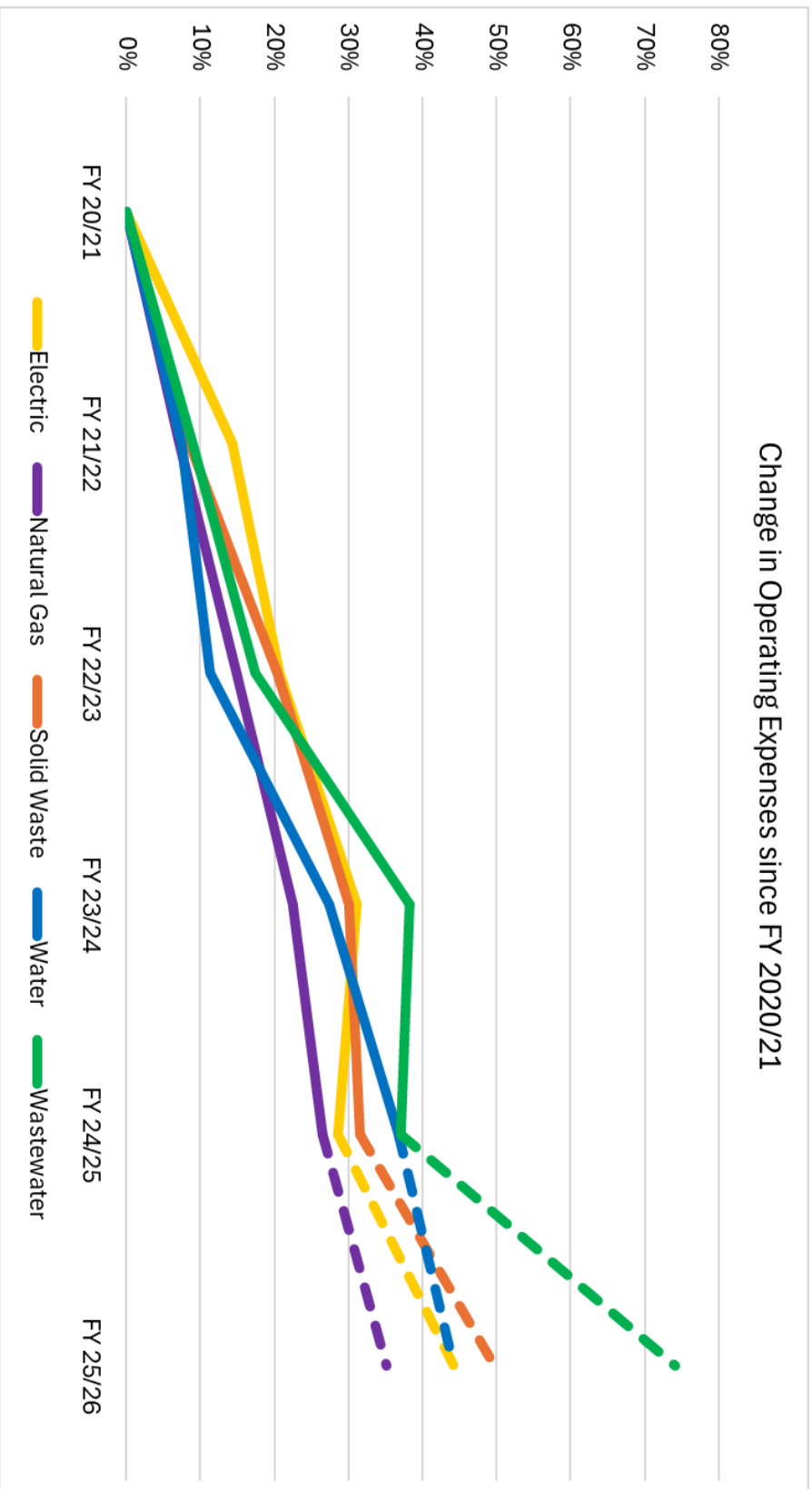


# Inflationary Pressures – Baseline Operating Expenses

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	<b>FY 20/21</b>	<b>FY 24/25</b>	<b>4-Year Increase</b>
Fleet Maintenance & Repair	\$10.2M	\$15.3M	+51%
Solid Waste Disposal	\$8.4M	\$10.1M	+20%
Water Commodity	\$10.2M	\$15.9M	+56%
WTR/WW Plant Chemicals	\$3.1M	\$4.8M	+57%
Val Vista Water Treatment Plant	\$8.7M	\$14.1M	+61%
91 <sup>st</sup> Ave. Water Reclamation Plant	\$3.7M	\$6.0M	+62%

# Inflationary Pressures – Total Operating Expenses



# Priority Utility Capital Projects

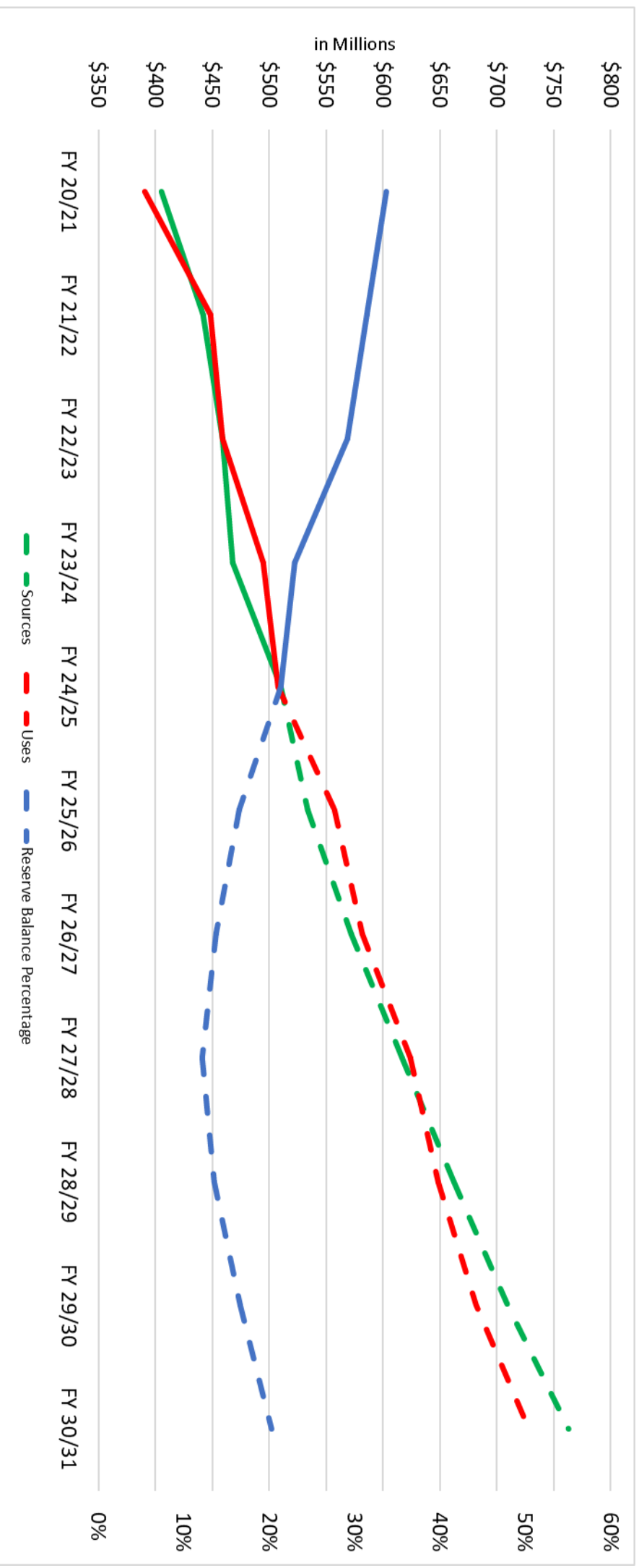
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- Significant Capital Projects:
  - Central Mesa Reuse Pipeline
  - Signal Butte Water Treatment Plant Expansion
  - Smart Metering
  - Natural Gas Capacity Expansion Projects
  - Broadway Road Improvements w/ Transportation



# Total Sources & Uses

## Utility Fund



# FY 25/26 Adopted Budget Forecast

## Utility Fund

	FY 24/25 Projected	FY 25/26 Budget	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
<b>WATER</b>	\$3.6	(\$6.8)	(\$13.8)	(\$11.2)	(\$4.8)	\$5.2
<b>WASTEWATER</b>	(\$9.5)	(\$12.2)	(\$7.7)	(\$3.8)	\$0.8	\$6.0
<b>SOLID WASTE</b>	(\$4.8)	(\$4.1)	\$1.7	\$0.7	\$4.2	\$10.4
<b>ELECTRIC</b>	\$1.0	(\$1.1)	(\$1.1)	(\$1.5)	(\$1.8)	(\$2.3)
<b>NATURAL GAS</b>	(\$2.4)	(\$4.1)	(\$3.2)	(\$2.8)	\$0.6	\$0.5
<b>DISTRICT COOLING</b>	(\$0.5)	(\$0.2)	(\$0.2)	(\$0.3)	(\$0.2)	(\$0.2)
<b>TOTAL NET SOURCES AND USES</b>	(\$12.6)	(\$28.4)	(\$24.2)	(\$18.9)	(\$1.3)	\$19.5
<b>Beginning Reserve Balance</b>	\$117.0	\$104.4	\$76.0	\$51.8	\$32.9	\$31.6
<b>Ending Reserve Balance</b>	\$104.4	\$76.0	\$51.8	\$32.9	\$31.6	\$51.0
<b>Ending Reserve Balance Percent*</b>	18.5%	11.9%	8.1%	4.9%	4.6%	7.0%

\*As a % of Next Fiscal Year's Expenditures

data as of May 2025  
dollars in millions

# Current Forecast

## Utility Fund

	Actuals FY 24/25	Projected FY 25/26	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29	Forecast FY 29/30	Forecast FY 30/31
<b>WATER</b>	\$5.2	(\$8.2)	(\$2.5)	\$2.2	\$12.9	\$16.3	\$23.2
<b>WASTEWATER</b>	(\$4.1)	(\$8.0)	(\$5.8)	(\$5.4)	(\$2.2)	\$4.0	\$1.7
<b>SOLID WASTE</b>	\$1.5	(\$3.0)	\$1.2	(\$0.3)	\$2.4	\$8.8	\$9.8
<b>ELECTRIC</b>	\$0.7	(\$0.2)	(\$0.1)	(\$0.6)	(\$0.7)	(\$0.9)	(\$0.7)
<b>NATURAL GAS</b>	(\$0.5)	(\$3.5)	(\$2.5)	(\$2.3)	\$1.0	\$0.5	\$1.6
<b>DISTRICT COOLING</b>	(\$0.3)	(\$0.6)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)
<b>TOTAL NET SOURCES AND USES</b>	\$2.4	(\$23.5)	(\$9.8)	(\$6.7)	\$13.2	\$28.4	\$35.3
<b>Beginning Reserve Balance</b>	\$117.0	\$119.4	\$95.9	\$86.0	\$79.4	\$92.6	\$121.0
<b>Ending Reserve Balance</b>	\$119.4	\$95.9	\$86.0	\$79.4	\$92.6	\$121.0	\$156.3
<b>Ending Reserve Balance Percent*</b>	21.4%	16.5%	13.8%	12.2%	13.6%	16.6%	20.3%

\*As a % of Next Fiscal Year's Expenditures

data as of January 2026  
dollars in millions

# Utility Fund Forecast

## Changes from Adopted Budget Forecast

Adopted Budget	FY 25/26 FY 26/27 FY 27/28 FY 28/29 FY 29/30 FY 30/31*					
Net Sources and Uses	(\$28.4)	(\$24.2)	(\$18.9)	(\$1.3)	\$19.5	\$33.3
Ending Reserve Balance	\$76.0	\$51.8	\$32.9	\$31.6	\$51.0	\$84.3
<b>Ending Reserve Balance Percent**</b>	<b>11.9%</b>	<b>8.1%</b>	<b>4.9%</b>	<b>4.6%</b>	<b>7.0%</b>	<b>11.2%</b>
*FY 30/31 was outside of the 5-year forecast presented with FY 25/26 Budget Adoption						
**As a % of all Next Year's uses of funding						
data as of May 2025 dollars in millions						
<b>Current Forecast</b>	<b>FY 25/26</b>	<b>FY 26/27</b>	<b>FY 27/28</b>	<b>FY 28/29</b>	<b>FY 29/30</b>	<b>FY 30/31</b>
Net Sources and Uses	(\$23.5)	(\$9.8)	(\$6.7)	\$13.2	\$28.4	\$35.3
Ending Reserve Balance	\$95.9	\$86.0	\$79.4	\$92.6	\$121.0	\$156.3
<b>Ending Reserve Balance Percent**</b>	<b>16.5%</b>	<b>13.8%</b>	<b>12.2%</b>	<b>13.6%</b>	<b>16.6%</b>	<b>20.3%</b>
data as of February 2026 dollars in millions						

Improvement in ending fund balance reserves and net sources and uses

# Budget Process Calendar

- March 4** Public Budget Meeting – Northeast Public Safety Facility
- March 10** Public Budget Meeting – The Post
- March 11** Public Budget Meeting – Gateway Library
- April 2** Review FY 2026/27 Proposed Budget
- April 2 – April 20** Department Budget Presentations to City Council  
Review of Utility Projects Plan (CIP)
- April 30** FY 2026/27 Tentative Budget Update  
Review of Non-Utility Projects Plan (CIP)
- May 18** Adoption of FY 2026/27 Tentative Budget
- June 1** Public Hearing and Adoption of Capital Improvement Program  
Final Adoption of FY 2026/27 Budget  
Public Hearing on Secondary Property Tax
- July 20** Adoption of Secondary Property Tax Levy

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# Utility Fund Transfer to General Fund

## Current Forecast

<u>Utility Transfer to General Fund</u>		FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	FY 30/31
<b>General Governmental Funds</b>								
Beginning Balance		\$ 247.5	\$ 264.3	\$ 228.0	\$ 211.1	\$ 183.8	\$ 167.3	\$ 169.6
Sources		\$ 733.6	\$ 700.9	\$ 701.5	\$ 715.0	\$ 745.4	\$ 773.0	\$ 808.9
Uses		\$ 716.8	\$ 737.2	\$ 718.3	\$ 742.3	\$ 761.9	\$ 770.7	\$ 793.2
<b>Net Sources &amp; Uses</b>		<b>\$ 16.8</b>	<b>\$ (36.3)</b>	<b>\$ (16.8)</b>	<b>\$ (27.3)</b>	<b>\$ (16.5)</b>	<b>\$ 2.3</b>	<b>\$ 15.8</b>
End Balance		\$ 264.3	\$ 228.0	\$ 211.1	\$ 183.8	\$ 167.3	\$ 169.6	\$ 185.4
<b>Reserve Balance Percentage</b>		<b>35.8%</b>	<b>31.7%</b>	<b>28.4%</b>	<b>24.1%</b>	<b>21.7%</b>	<b>21.4%</b>	<b>22.6%</b>
<b>Utility Fund</b>		<b>FY 24/25</b>	<b>FY 25/26</b>	<b>FY 26/27</b>	<b>FY 27/28</b>	<b>FY 28/29</b>	<b>FY 29/30</b>	<b>FY 30/31</b>
Beginning Balance		\$ 117.0	\$ 119.4	\$ 95.9	\$ 86.0	\$ 79.4	\$ 92.6	\$ 121.0
Sources		\$ 510.8	\$ 534.4	\$ 572.1	\$ 617.4	\$ 662.1	\$ 710.0	\$ 763.4
Uses		\$ 508.4	\$ 558.0	\$ 581.9	\$ 624.1	\$ 648.9	\$ 681.7	\$ 728.1
<b>Net Sources &amp; Uses</b>		<b>\$ 2.4</b>	<b>\$ (23.5)</b>	<b>\$ (9.8)</b>	<b>\$ (6.7)</b>	<b>\$ 13.2</b>	<b>\$ 28.4</b>	<b>\$ 35.3</b>
End Balance		\$ 119.4	\$ 95.9	\$ 86.0	\$ 79.4	\$ 92.6	\$ 121.0	\$ 156.3
<b>Reserve Balance Percentage</b>		<b>21.4%</b>	<b>16.5%</b>	<b>13.8%</b>	<b>12.2%</b>	<b>13.6%</b>	<b>16.6%</b>	<b>20.3%</b>

Dollars in millions

# Utility Fund Transfer to General Fund

Hold Forecasted Transfer Amounts Equal to FY 24/25 Transfer Amount

Utility Transfer to General Fund    \$ 138.1    \$ 138.1    \$ 138.1    \$ 138.1    \$ 138.1    \$ 138.1    \$ 138.1

**General Governmental Funds**    **FY 24/25**    **FY 25/26**    **FY 26/27**    **FY 27/28**    **FY 28/29**    **FY 29/30**    **FY 30/31**

Beginning Balance    \$ 247.5    \$ 264.3    \$ 220.9    \$ 184.6    \$ 125.3    \$ 63.5    \$ 6.1

Sources    \$ 733.6    \$ 693.8    \$ 682.0    \$ 683.0    \$ 700.2    \$ 713.2    \$ 733.1

Uses    \$ 716.8    \$ 737.2    \$ 718.3    \$ 742.3    \$ 761.9    \$ 770.7    \$ 793.2

**Net Sources & Uses**    **\$ 16.8**    **\$ (43.4)**    **\$ (36.3)**    **\$ (59.3)**    **\$ (61.7)**    **\$ (57.5)**    **\$ (60.1)**

End Balance    \$ 264.3    \$ 220.9    \$ 184.6    \$ 125.3    \$ 63.5    \$ 6.1    \$ (54.0)

**Reserve Balance Percentage**    **35.8%**    **30.8%**    **24.9%**    **16.4%**    **8.2%**    **0.8%**    **-6.6%**

**Utility Fund**    **FY 24/25**    **FY 25/26**    **FY 26/27**    **FY 27/28**    **FY 28/29**    **FY 29/30**    **FY 30/31**

Beginning Balance    \$ 117.0    \$ 119.4    \$ 103.0    \$ 112.6    \$ 137.9    \$ 196.4    \$ 284.5

Sources    \$ 510.8    \$ 534.4    \$ 572.1    \$ 617.4    \$ 662.1    \$ 710.0    \$ 763.4

Uses    \$ 508.4    \$ 550.9    \$ 562.5    \$ 592.1    \$ 603.7    \$ 621.9    \$ 652.2

**Net Sources & Uses**    **\$ 2.4**    **\$ (16.5)**    **\$ 9.6**    **\$ 25.3**    **\$ 58.4**    **\$ 88.1**    **\$ 111.2**

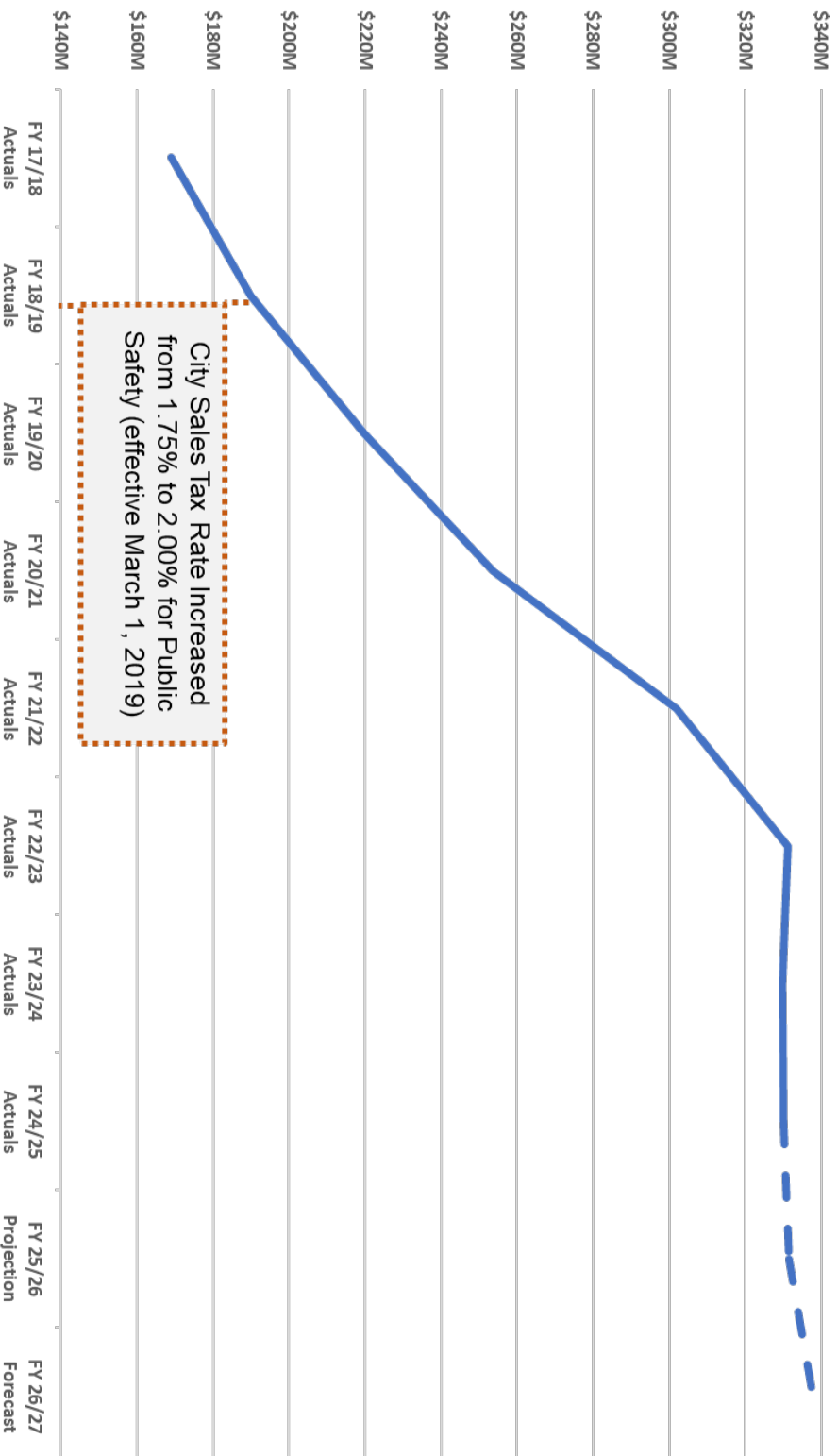
End Balance    \$ 119.4    \$ 103.0    \$ 112.6    \$ 137.9    \$ 196.4    \$ 284.5    \$ 395.7

**Reserve Balance Percentage**    **21.7%**    **18.3%**    **19.0%**    **22.8%**    **31.6%**    **43.6%**    **58.5%**

- \$239.4M Impact:**
- Decrease to General Governmental Funds Balance
  - Increase to Utility Fund Balance
  - The City could potentially miss payment obligations

Dollars in millions

# City Sales Tax Revenues



# City Sales Tax Revenues

## FY 22/23 through FY 24/25

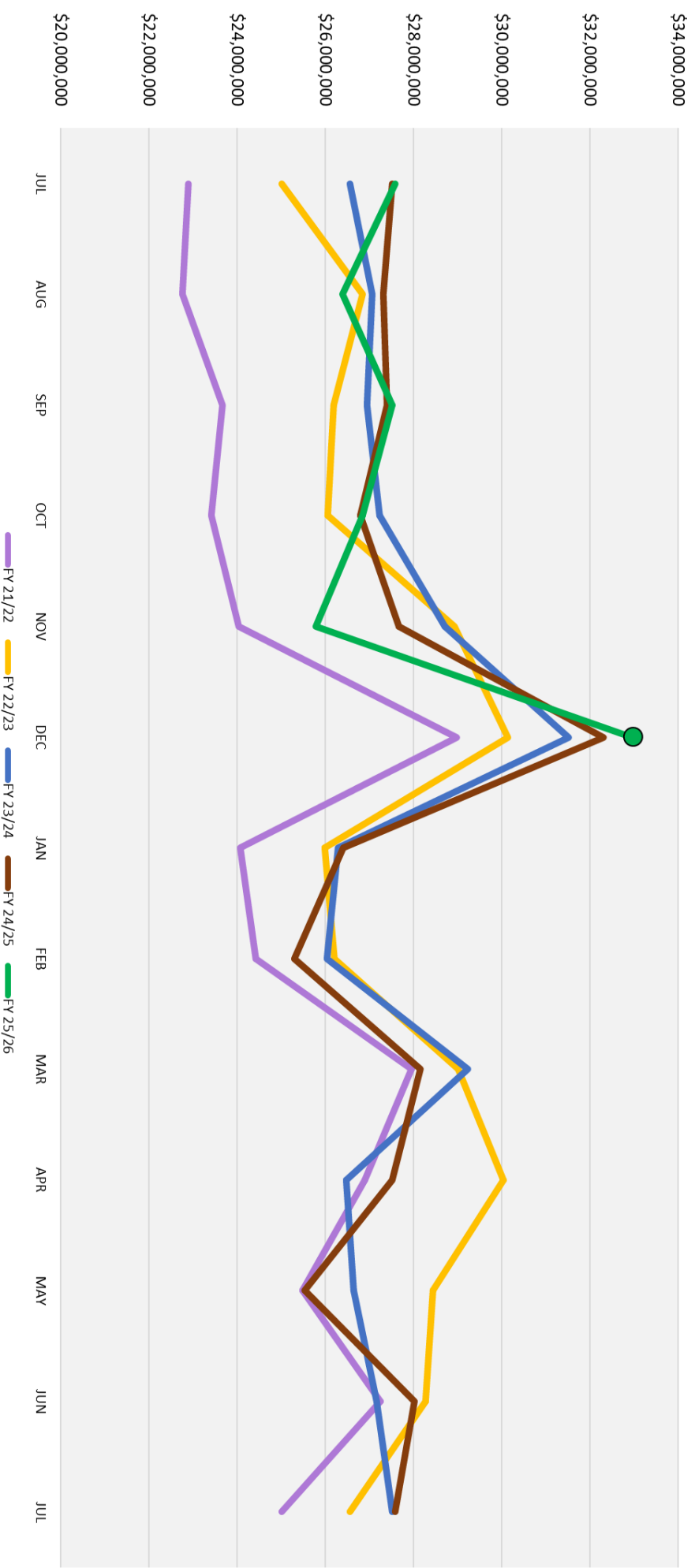


### TAX REVENUE SUMMARY

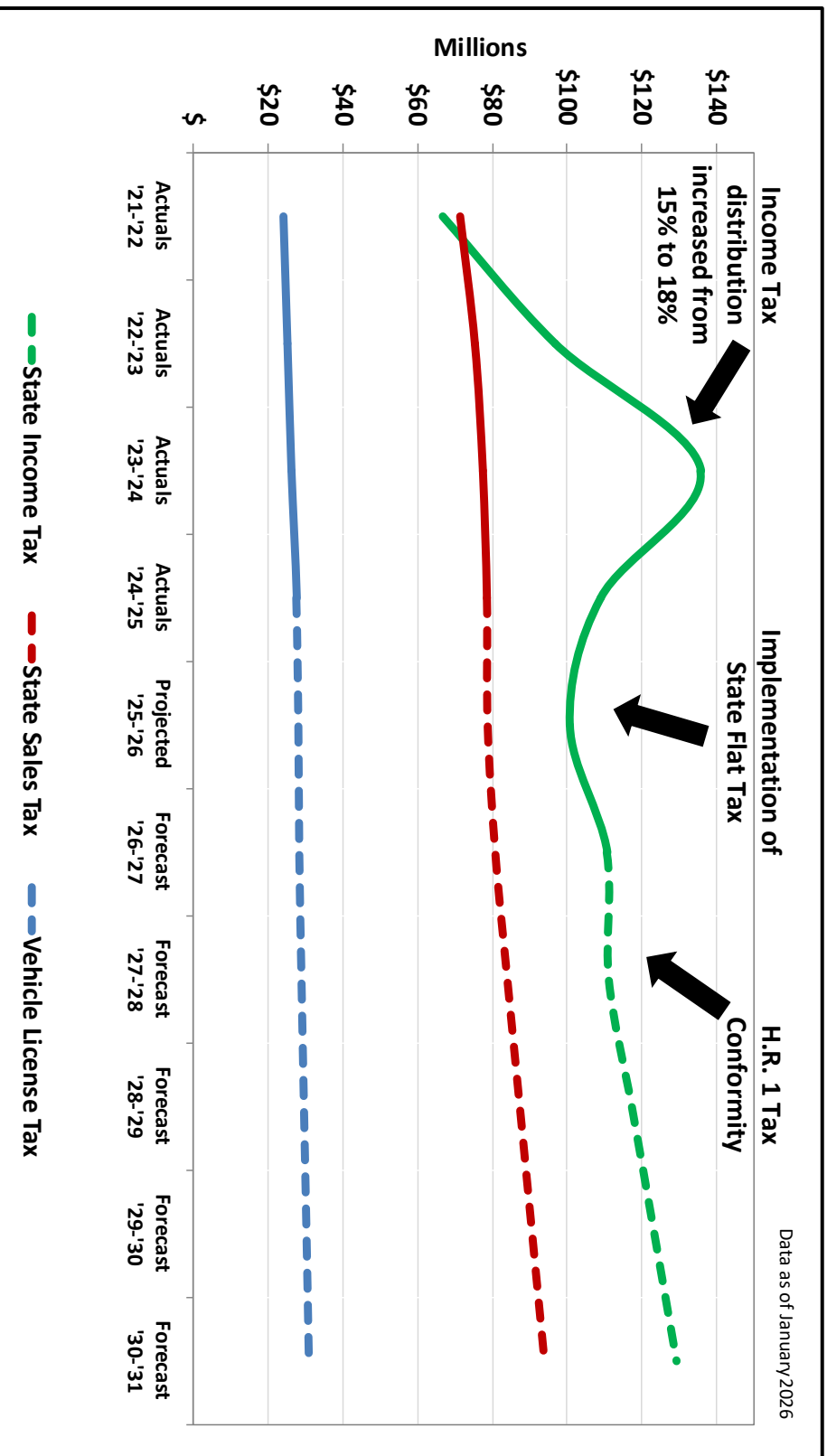
Consumer Activity - June 2025

Category	June					Fiscal Year to Date					
	2023		2024		2025	2022/2023		2023/2024		2024/2025	
					Var from					Var from	
					FY23/24					FY23/24	
					% of Total					% of Total	
Retail Sales	\$ 13,942,352.73	\$ 13,694,691.37	\$ 15,011,188.83		9.6%	\$ 169,720,116.67	\$ 168,774,843.75	\$ 173,095,967.61		2.6%	\$ 52.4%
Rentals	2,475,010.34	2,738,524.09	2,744,632.42		0.2%	28,109,938.68	29,221,793.28	29,803,332.89		2.0%	9.0%
Utilities	1,861,320.02	2,084,718.52	2,261,574.24		8.5%	19,981,726.15	21,608,740.19	23,860,968.28		10.4%	7.2%
Restaurants & Bars	2,194,093.46	2,263,049.42	2,416,545.04		6.8%	27,811,724.04	28,317,608.67	29,352,468.22		3.7%	8.9%
Communications	265,570.77	275,718.37	290,222.22		5.3%	3,493,028.86	3,359,740.09	3,515,829.64		4.6%	1.1%
Amusements	240,367.94	265,923.74	268,885.89		1.1%	2,716,015.24	2,861,320.81	2,938,891.88		2.7%	0.9%
Publishing	37,891.42	41,110.36	46,975.34		14.3%	477,568.78	522,915.46	475,436.42		-9.1%	0.1%
Miscellaneous	171,400.05	147,541.02	146,177.41		-0.9%	1,381,309.09	1,770,245.34	1,877,494.71		6.1%	0.6%
Printing & Advertising	62,523.24	54,355.65	59,049.01		8.6%	631,941.01	659,189.17	743,481.89		12.8%	0.2%
<b>Sub-Total</b>	<b>\$ 21,250,529.97</b>	<b>\$ 21,565,632.54</b>	<b>\$ 23,245,250.40</b>		<b>7.8%</b>	<b>\$ 254,323,368.52</b>	<b>\$ 257,096,396.76</b>	<b>\$ 265,663,871.54</b>		<b>3.3%</b>	<b>80.5%</b>
Contracting	\$ 5,088,318.79	\$ 3,317,538.05	\$ 4,675,311.97		40.9%	\$ 53,531,533.39	\$ 47,454,484.23	\$ 50,118,155.18		5.6%	15.2%
<b>Sub-Total with Contracting</b>	<b>\$ 26,338,848.76</b>	<b>\$ 24,883,170.59</b>	<b>\$ 27,920,562.37</b>		<b>12.2%</b>	<b>\$ 307,854,901.91</b>	<b>\$ 304,550,880.99</b>	<b>\$ 315,782,026.72</b>		<b>3.7%</b>	<b>95.6%</b>
Residential Rental	\$ 1,939,815.56	\$ 2,274,044.50	\$ 104,700.32		-95.4%	\$ 23,280,802.87	\$ 25,269,381.89	\$ 14,394,434.89		-43.0%	4.4%
<b>Total</b>	<b>\$ 28,278,664.32</b>	<b>\$ 27,157,215.09</b>	<b>\$ 28,025,262.69</b>		<b>3.2%</b>	<b>\$ 331,135,704.78</b>	<b>\$ 329,820,262.88</b>	<b>\$ 330,176,461.61</b>		<b>0.1%</b>	<b>100.0%</b>

# City Sales Tax Revenues



# State Shared Revenues



# Current Outlook

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## Expense Pressures

- Compensation & Benefits
  - FY 25/26 Public Safety Sworn Benchmark Adjustment:
    - \$23M per year ongoing impact
    - Up to 12% Salary increase
  - FY 25/26 Non-sworn benchmark adjustment
- Step Pay increases under consideration:
  - 5% for Public Safety Sworn Union employees
  - 3-4% for Civilian employees
- Public Safety Overtime