

COUNCIL MINUTES

May 1, 2025

The City Council of the City of Mesa met in the Study Session room at City Hall, 20 East Main Street, on May 1, 2025, at 7:30 a.m.

COUNCIL PRESENT

Mark Freeman*
Scott Somers
Francisco Heredia
Jennifer Duff
Alicia Goforth
Julie Spilsbury
Rich Adams*

COUNCIL ABSENT

None

OFFICERS PRESENT

Christopher Brady
Holly Moseley
Jim Smith

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

Vice Mayor Somers conducted a roll call.

1-a. Hear a presentation, discuss, and receive an update on the Fiscal Year 2025/26 proposed budget.

Office of Management and Budget Director Brian Ritschel introduced Budget Coordinator Kristi Griffin and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Ritschel described the process for developing the proposed Fiscal Year 2025/26 budget. (See Page 2 of Attachment 1)

City Manager Christopher Brady outlined the enhanced core services included in the proposed budget and their impact on overall funding. He stated that the Fire Department believes that the addition of the two fire stations will result in a reduction in response time and noted that all the components involved in opening a fire station have been included in the budget. He emphasized that the proposed budget includes several generational improvement projects that the City of Mesa (COM) has not built in almost 20 years. He discussed the continuation of programs and services that were funded through the American Rescue Plan Act (ARPA) during COVID, which have positively impacted the City and enhanced Public Safety. (See Pages 3 through 7 of Attachment 1)

Mr. Ritschel highlighted the budgetary impacts to the proposed budget. (See Page 8 of Attachment 1)

In response to multiple questions from Councilmember Duff, Mr. Ritschel confirmed that the impact to the General Governmental Fund ongoing is approximately \$20 million, which equates to a \$100 million loss throughout the five-year forecast. He estimated the impact of the flat income tax to be between \$7 million to \$10 million ongoing, while the citywide benchmarks and step pay are projected to have an ongoing impact of \$27 million to \$30 million.

Mr. Ritschel explained the two phases and the calculations for the Utility Fund transfer to the General Fund (GF), indicating that the transfer calculation of 30% was set in 2020 and an ordinance was adopted by Council. He reviewed the City's allocation of 83% of the transfer funds to Public Safety and 16.7% funds across all the GF Departments. He presented a Public Safety chart highlighting all the fund allocations and revenues for the Public Safety Department, as well as the City sales tax, state shared revenues, and other revenues. (See Pages 9 through 11 of Attachment 1)

Discussion ensued regarding the proposed budget, including a breakdown of General Governmental Funds, the Utility Transfer Fund, and related allocations.

Councilmember Spilsbury commented that the money in the GF is derived from various sources, not only citizen sales tax.

Mr. Ritschel noted that charts accompanying the tentative budget adoption provide a citywide overview, detailing the breakdown of the General Governmental Funds and categorizing resources and expenditures.

In response to multiple questions from Councilmember Duff, Mr. Ritschel answered that the Public Safety Sales Tax is a separate fund that is not represented in the chart on Page 11. He explained that the Public Safety Fund generates approximately \$35 million annually, which is retained in reserve.

Responding to a question from Councilmember Heredia, Mr. Brady stated that the marijuana sales tax goes towards Public Safety to offset pension liability.

Additional discussion ensued regarding calculating transfer amounts, assumptions, budget adjustments, capital projects, and maintaining reserves.

Mr. Brady discussed the strategies the City of Mesa uses to fund Public Safety and the General Fund, emphasizing the City's commitment to capital projects. He noted that an ordinance establishes a maximum transfer amount to help maintain a balanced financial structure.

Ms. Griffin presented the updates to the forecast for the Fiscal Year 2025/26 proposed budget. She reviewed the General Governmental Funds forecast, noting that the net sources and uses are currently negative \$4.3 million, compared to a negative \$18.1 million forecasted in April of 2025. She pointed out that the forecast for the ending reserve balance in Fiscal Year 2029/30 is 9.4% and has improved from the projected 7.8% in April of 2025. (See Pages 12 and 13 of Attachment 1)

Responding to multiple questions from Councilmember Spilsbury, Ms. Griffin replied that the updates provided on Page 12 are the most notable and significant updates; however, there are

other adjustments to revenue projections from the state and other sources, as well as estimates received from various departments.

Mr. Brady explained how the forecast and projected ending reserve balance were calculated and stated that the City takes a conservative approach.

In response to multiple questions from Councilmember Duff, Mr. Brady clarified that staff analyze the performance on a monthly basis and applies adjustments to the budget where necessary; however, the dynamics of the forecast do not change.

Responding to a question from Councilmember Adams, Mr. Brady confirmed that the 2% department reduction is only for Fiscal Year 25/26 and was chosen through a collaborative approach.

In response to multiple questions from Councilmember Spilsbury, Mr. Brady responded that forecasting has been discussed for several months with Council and all departments.

(At 8:40 a.m., Vice Mayor Somers excused Mayor Freeman from the remainder of the meeting.)

Councilmember Duff explained that Mesa operates under a City Manager form of government, in which the City Manager and professional staff provide guidance on financial management.

In response to a question from Councilmember Duff, Mr. Ritschel responded that the policy adopted by the Council stipulates a goal of 8% to 10% annually in reserves, but the guiding principle is 10% to 15%.

Ms. Griffin shared the budget process schedule. (See Page 15 of Attachment 1)

City Clerk Holly Moseley informed Council and the public that a link is available on the City's budget webpage at www.mesaaz.gov/Government/Management-Budget/Budget where residents are able to submit budget comments and questions for Councilmembers and staff to review.

In response to a question from Councilmember Spilsbury, Mr. Brady stated that any feedback should be submitted immediately to allow departments time to make any necessary adjustments.

Mr. Ritschel clarified that the tentative budget adoption on May 19, 2025, establishes the maximum allowable budget. He added that between May 19 and June 2, 2025, funds may be reallocated among budget items; however, the overall budget cannot be increased.

Responding to a question from Councilmember Spilsbury, Mr. Brady explained that the Mesa Business Builder and Cybersecurity programs will continue to use the ARPA funds until they expire at the end of 2026, and then the General Governmental Funds will cover the costs of those programs.

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

- 2-a. Approval of minutes from executive sessions held on January 27, 2025, and February 13, 2025.

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

Upon tabulation of votes, it showed:

AYES – Somers–Adams–Duff–Goforth–Heredia–Spilsbury

NAYS – None

ABSENT – Freeman

Vice Mayor Somers declared the motion carried unanimously by those present.

3. Current events summary, including meetings and conferences attended.

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

4. Scheduling of meetings.

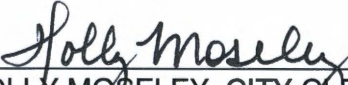
City Manager Christopher Brady stated that the schedule of meetings is as follows:

Thursday, May 8, 2025, 7:30 a.m. – Study Session

5. Adjournment.

Without objection, the Study Session adjourned at 9:07 a.m.

ATTEST:



HOLLY MOSELEY, CITY CLERK





MARK FREEMAN, MAYOR

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 1st day of May 2025. I further certify that the meeting was duly called and held and that a quorum was present.



HOLLY MOSELEY, CITY CLERK

PROPOSED BUDGET UPDATE FISCAL YEAR 2025/26

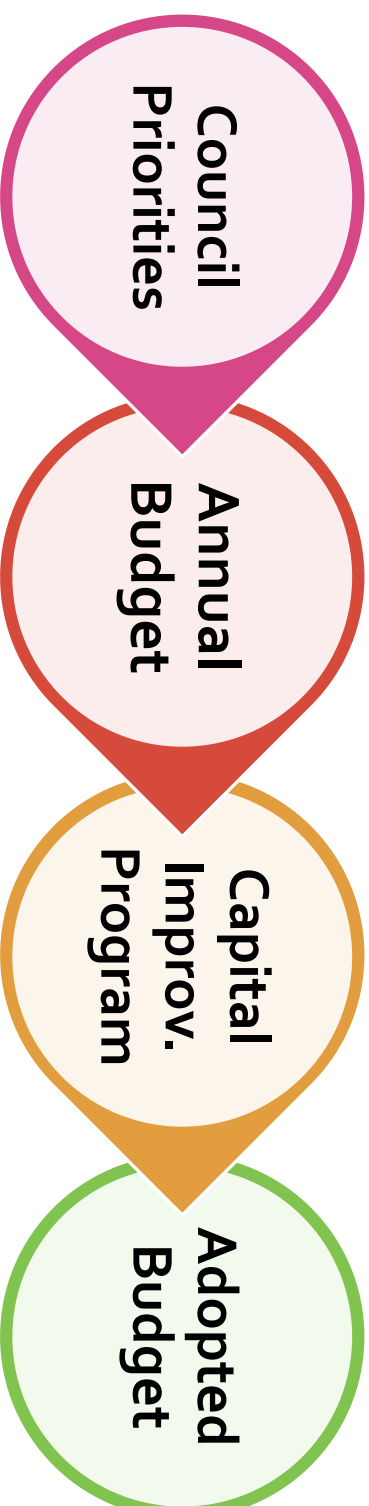
Mesa City Council

Presenters: Brian A. Ritschel – Management & Budget Director
Kristi Griffin – Operations Budget Coordinator

May 1, 2025



FY 2025/26 Proposed Budget



FY 2025/26 Proposed Budget

Enhanced Core Services

- Two new fire stations
- Lehi (Station 223)
- Hawes Crossing (Station 224)



Lehi Rendering



Hawes Crossing Rendering

FY 2025/26 Proposed Budget

Enhanced Core Services

- Northeast Public Safety Facility
- Police substation (First substation since 2005)
- Fire station 222



FY 2025/26 Proposed Budget

Enhanced Core Services

- Addition of ambulances for the Transport Services program



FY 2025/26 Proposed Budget

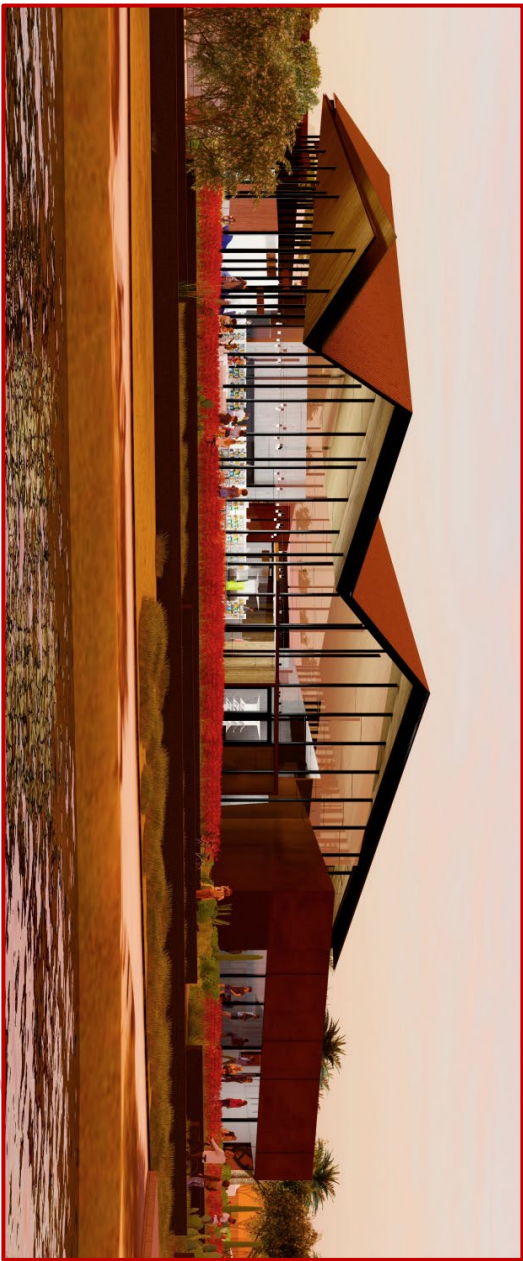


The Recreational Facility site will be constructed on 25 acres.

2 tennis courts	8 pickleball courts	pathways
4 basketball courts	4 volleyball courts	restrooms
RC car track	play equipment	“ninja”-style exercise course

Enhanced Core Services

- Gateway Library
 - First full library since 1995
- Eastmark Great Park Phase V



FY 2025/26 Proposed Budget

Enhanced Core Services

- Continuation of American Rescue Plan Act (ARPA) funded programs.
- Behavioral Health Services
- Off the Streets Program
- Mesa Business Builder @ The Studios
- Cyber security

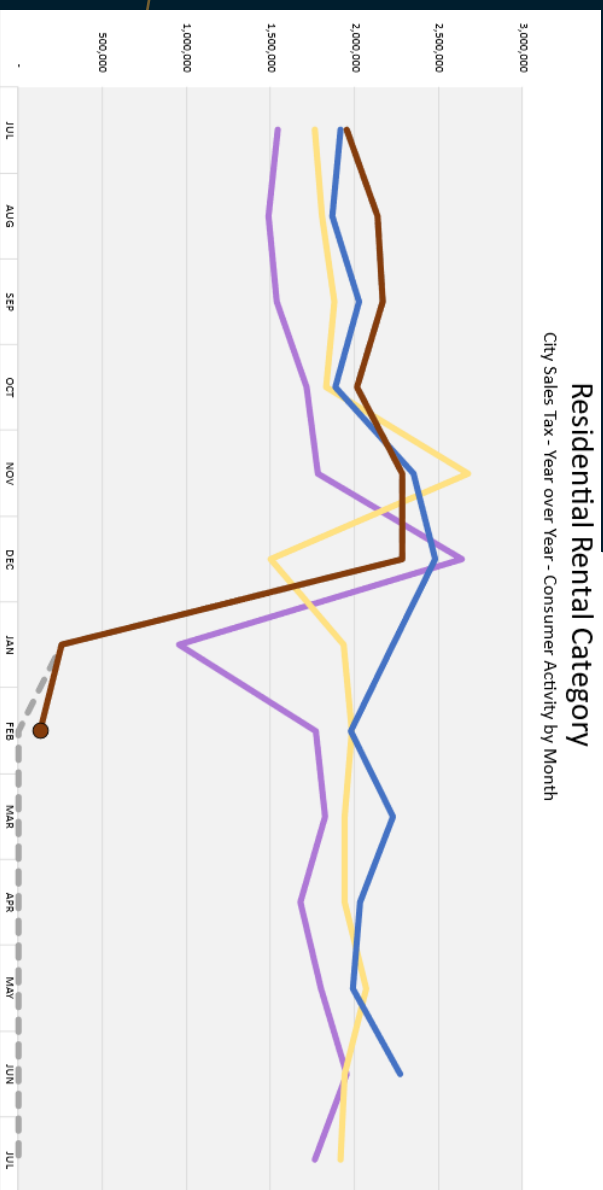


Your Small Business Toolbox

FY 2025/26 Proposed Budget

Budget Impacts

- Elimination of Residential Rental Tax
- Implementation of the flat state income tax
- Salary benchmark adjustments and step pay for all eligible employees



FY 2025/26 Proposed Budget

Follow-up: Utility Fund Transfer Calculation

Transfer determined by Gross Utility Revenues (excluding pass-throughs)

25% funds Public Safety	(83.3% of transfer)
+ 5% funds all GF depts	(16.7% of transfer)

= 30% of gross utility revenues (100% of Utility Fund transfer amt to the GF)

FY 2025/26 Proposed Budget

Follow-up: Utility Fund Transfer Allocation

83.3% of the transfer funds Public Safety

+ 16.7% of the transfer funds all General Fund (GF) depts

- 9.2% (55% of GF budget supports Public Safety)
- 7.5% (45% of GF budget supports all other GF depts)

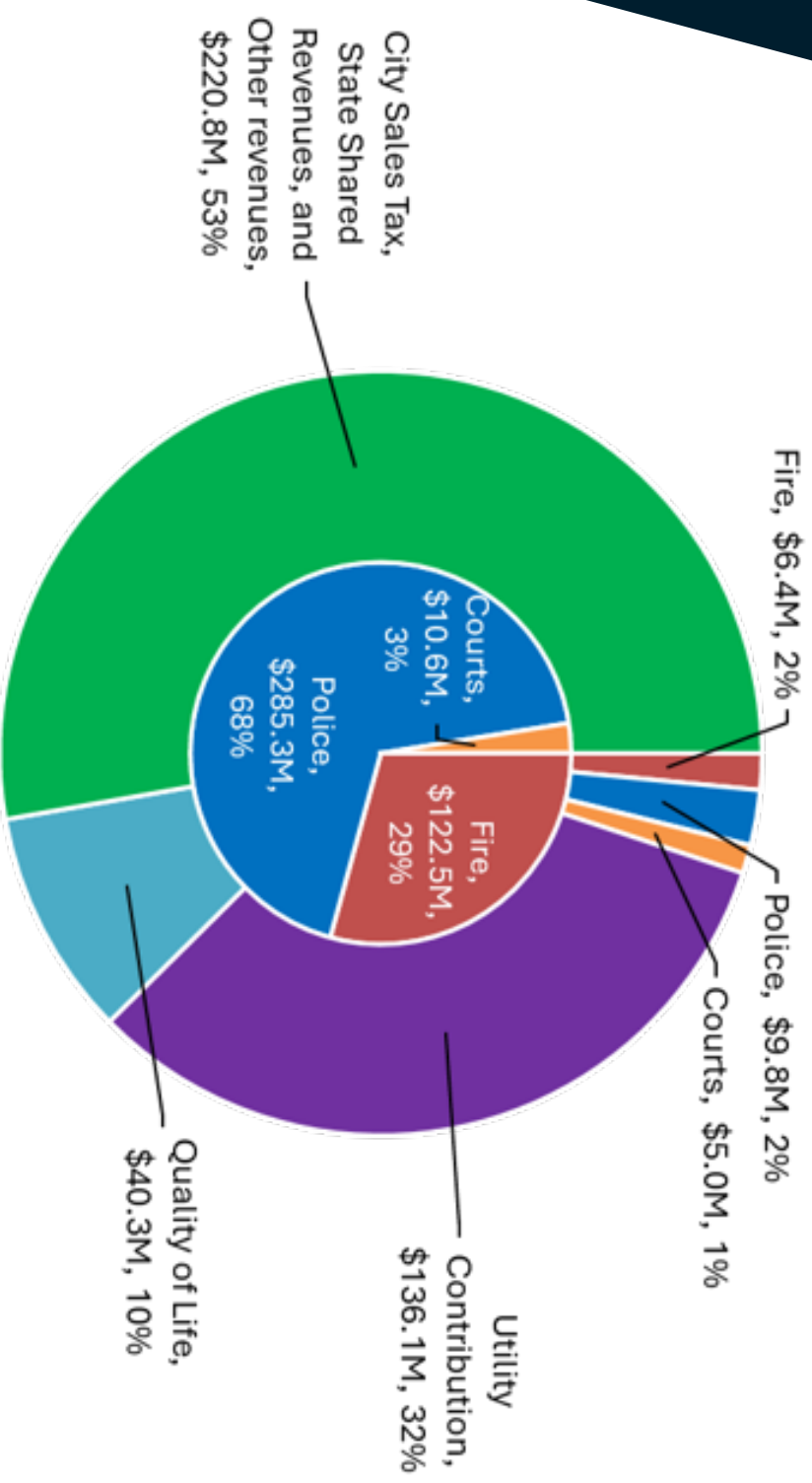
= 100% of Utility Fund transfer amount to the General Fund

83.3% + 9.2% = 92.5% of the Utility Fund transfer funds Public Safety

FY 2025/26 Proposed Budget

Public Safety Pie Chart

Fiscal Year 2025/26
General Governmental and General Capital Funds - Public Safety \$418.4M*



*Excludes \$31.9M General Governmental Funds Public Safety Carryover

Inner ring represents total public safety related expenditures
Outer ring represents total public safety related revenues

FY 2025/26 Proposed Budget

Forecast Updates

- FY 24/25 projected amounts include:
 - Increased commercial and residential building permit revenues
 - Increased state shared revenue estimates for State Sales Tax and Vehicle License Tax
 - Revised expenditure estimates from departments; includes savings due to vacancies (one-time savings)

GENERAL GOVERNMENTAL FUNDS FORECAST

	Actuals FY 23/24	Projected FY 24/25	Budget FY 25/26*	Forecast FY 26/27	Forecast FY 27/28	Forecast FY 28/29	Forecast FY 29/30
Beginning Reserve Balance	\$219.7	\$247.5	\$243.2	\$191.7	\$153.2	\$115.6	\$92.5
Total Sources	\$704.0	\$701.5	\$667.4	\$678.6	\$698.3	\$727.8	\$749.3
Total Uses	\$676.2	\$705.7	\$718.9	\$717.1	\$735.9	\$750.9	\$767.8
Net Sources and Uses	\$27.8	(\$4.3)	(\$51.5)	(\$38.5)	(\$37.6)	(\$23.1)	(\$18.5)
Ending Reserve Balance	\$247.5	\$243.2	\$191.7	\$153.2	\$115.6	\$92.5	\$74.1
Ending Reserve Balance Percent**	35.1%	33.8%	26.7%	20.8%	15.4%	12.1%	9.4%

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

data as of April 2025

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

dollars in millions

UTILITY FUND FORECAST

	FY 23/24 Actuals	FY 24/25 Projected	FY 25/26 Budget	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
WATER	(\$0.2)	\$3.6	(\$6.4)	(\$13.5)	(\$11.2)	(\$4.9)	\$5.1
WASTEWATER	(\$13.8)	(\$9.5)	(\$11.2)	(\$7.6)	(\$3.4)	\$0.9	\$6.1
SOLID WASTE	(\$8.2)	(\$4.8)	(\$3.9)	\$1.5	\$1.0	\$4.0	\$10.2
ELECTRIC	(\$0.3)	\$1.0	(\$1.1)	(\$1.0)	(\$1.2)	(\$1.8)	(\$2.3)
NATURAL GAS	(\$4.5)	(\$2.4)	(\$3.7)	(\$2.9)	(\$2.1)	\$0.9	\$0.8
DISTRICT COOLING	(\$0.4)	(\$0.5)	(\$0.2)	(\$0.2)	(\$0.3)	(\$0.2)	(\$0.2)
TOTAL NET SOURCES AND USES	(\$27.4)	(\$12.6)	(\$26.4)	(\$23.6)	(\$17.2)	(\$1.1)	\$19.7
Beginning Reserve Balance	\$144.4	\$117.0	\$104.4	\$78.0	\$54.4	\$37.3	\$36.2
Ending Reserve Balance	\$117.0	\$104.4	\$78.0	\$54.4	\$37.3	\$36.2	\$55.9
Ending Reserve Balance Percent*	22.4%	18.6%	12.3%	8.5%	5.6%	5.2%	7.7%

data as of April 2025

dollars in millions

*As a % of Next Fiscal Year's Expenditures

BUDGET PROCESS CALENDAR

May 1 FY 2025/26 Proposed Budget Update

*** May 7** City Budget & Finance Community Meeting – Red Mountain Recreation Center

*** May 14** City Budget & Finance Community Meeting – The Post

May 19 Adoption of FY 2025/26 Tentative Budget

June 2 Public Hearing and Adoption of Capital Improvement Program
Final Adoption of FY 2025/26 Budget
Public Hearing on Secondary Property Tax

June 16 Adoption of Secondary Property Tax Levy