

QUARTERLY FINANCIAL BRIEFING

3RD QUARTER FY 2023

Part I:

Grants Program (ARPA)

FY 2023 Financial Status

Part II: FY 2024 Outlook

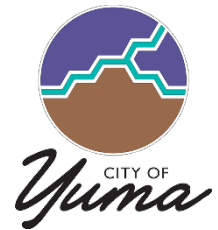


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Forecast and Stress Test *Part II*

The format of this presentation is intended to serve as both a work session presentation and Quarterly Report Document.

All data may not be addressed during the presentation. Inquiries are welcomed during and after the work session.

ARPA UPDATE

The federal government signed the American Rescue Plan Act (ARPA) into law on March 11, 2021. The program provides support to local governments in responding to the economic and public health impacts of COVID-19 and to mitigate impacts on local communities. All expenditures must comply with U.S. Department of Treasury requirements. Recipients must obligate the funds by December 31, 2024, and spend them by December 31, 2026.

On April 6, 2022, City Council adopted Resolution R2022-012 that approved the City's ARPA Project List, which outlines the City's intended uses for the funds. This project was one of the originally adopted ARPA funded in the FY 2023 City Council approved budget.



Obligate by: December 31, 2024



Spend by: December 31, 2026

ARPA Update

STATUS Q1



ID	Project	Project Budget		Actual Spending		Obligate / Encumbered	Total Spent or Obligate	Available Balance
		Original	Amended	FY 2022	FY 2023			
1	Jobs Education Project	\$ 200,000	\$ 200,000	-	-	-	-	\$ 200,000
2	Economic Development Marketing	100,000	100,000	-	-	-	-	100,000
3	Economic Development-Small Business	200,000	200,000	-	-	-	-	200,000
4	East Mesa Community Park	10,000,000	10,000,000	-	-	\$ 168,985	\$ 168,985	9,831,015
5	City-Wide Parks Revitalization	250,000	250,000	-	-	-	-	250,000
6	Castle Park Flooring	415,000	415,000	-	-	-	-	415,000
7	Kennedy Regional Park Improve	500,000	500,000	-	-	-	-	500,000
8	Playground Replacement Program	500,000	500,000	-	-	-	-	500,000
9	Ambulance	500,000	500,000	-	-	218,192	218,192	281,808
10	Fire Station 7 Construction	2,000,000	2,000,000	-	-	-	-	2,000,000
11	Readiness Center AC & Gym Enhance	750,000	750,000	-	-	461,855	461,855	288,145
12	Kennedy Regional Skate Park	2,500,000	2,500,000	-	-	-	-	2,500,000
13	Ventilation System Air Purifier	53,000	53,000	-	-	-	-	53,000
14	East Wetlands Park Improvements	300,000	300,000	-	-	-	-	300,000
15	Fire Station Alerting System	250,000	250,000	-	-	-	-	250,000
16	Enterprise Document Management System	80,000	-	-	-	-	-	-
17	EnerGov Connect Portal	20,000	20,000	-	-	-	-	20,000
18	Audio Upgrade Portable Conference Chamber System	25,000	25,000	-	\$ 10,570	45,892	56,462	(31,462)
19	Fire Station-Ambulance Medical Supplies	130,000	130,000	\$ 61,260	35,299	263,345	359,904	(229,904)
20	Technologies Upgrades to 190	100,000	100,000	-	-	176,533	176,533	(76,533)
21	COVID Overtime for Public Safety	600,000	600,000	-	-	-	-	600,000
22	HERO Pay Bonuses	1,000,000	1,000,000	1,000,000	-	-	1,000,000	-
23	Boys & Girls Club Funding	100,000	100,000	-	-	-	-	100,000
24	Public Safety Trk Rehab	800,000	800,000	-	-	-	-	800,000
25	Intelligence Trans Sys PH 1	1,500,000	1,500,000	-	-	-	-	1,500,000
26	HHW Awning & Repaving of Maint Yd	250,000	250,000	-	113,978	219,094	333,072	(83,072)
27	Location Data Analytic Tool	-	40,000	-	-	-	-	40,000
28	Contingency	-	40,000	-	-	-	-	40,000
Total		\$23,123,000	\$23,123,000	\$1,061,260	\$ 159,847	\$ 1,553,895	\$ 2,775,002	\$20,347,998

Obligate by: December 31, 2024

Spend by: December 31, 2026

ARPA Update

STATUS Q3



ID	Project	Project Budget		Actual Spending		Obligate /	Total Spent or	Available
		Original	Amended	FY 2022	FY 2023	Encumbered	Obligate	Balance
1	Jobs Education Project	\$ 200,000	\$ 200,000	-	-	-	-	\$ 200,000
2	Economic Development Marketing	100,000	100,000	-	\$ 75,000	\$ 23,205	\$ 98,205	1,795
3	Economic Development-Small Business	200,000	200,000	-	-	-	-	200,000
4	East Mesa Community Park	10,000,000	10,000,000	-	26,485	142,499	168,985	9,831,015
5	City-Wide Parks Revitalization	250,000	222,000	-	9,442	125,150	134,592	87,408
6	Castle Park Flooring	415,000	465,000	-	-	464,135	464,135	865
7	Kennedy Regional Park Improve	500,000	535,000	-	370,928	125,287	496,215	38,785
8	Playground Replacement Program	500,000	478,000	-	-	461,855	461,855	16,145
9	Ambulance	500,000	500,000	-	-	-	-	500,000
10	Fire Station 7 Construction	2,000,000	2,019,412	-	19,412	2,000,000	2,019,412	0
11	Readiness Center AC & Gym Enhance	750,000	715,000	-	-	-	-	715,000
12	Kennedy Regional Skate Park	2,500,000	2,500,000	-	-	352,645	352,645	2,147,355
13	Ventilation System Air Purifier	53,000	53,000	-	50,268	-	50,268	2,732
14	East Wetlands Park Improvements	300,000	300,000	-	-	-	-	300,000
15	Fire Station Alerting System	250,000	250,000	-	-	-	-	250,000
16	Enterprise Document Management System	80,000	-	-	-	-	-	-
17	EnerGov Connect Portal	20,000	-	-	-	-	-	-
18	Audio Upgrade Portable Conference Chamber System	25,000	25,000	-	12,007	7,520	19,527	5,473
19	Fire Station-Ambulance Medical Supplies	130,000	130,000	\$ 61,260	68,739	-	130,000	0
20	Technologies Upgrades to 190	100,000	100,000	-	41,049	-	41,049	58,951
21	COVID Overtime for Public Safety	600,000	600,000	-	-	-	-	600,000
22	HERO Pay Bonuses	1,000,000	1,000,000	1,000,000	-	-	1,000,000	-
23	Boys & Girls Club Funding	100,000	100,000	-	69,268	-	69,268	30,732
24	Public Safety Trk Rehab	800,000	800,000	-	-	800,000	800,000	-
25	Intelligence Trans Sys PH 1	1,500,000	1,500,000	-	-	-	-	1,500,000
26	HHW Awning & Repaving of Maint Yd	250,000	333,755	-	200,665	133,090	333,755	(0)
27	Location Data Analytic Tool	-	-	-	-	-	-	-
28	Contingency	-	(3,167)	-	-	-	-	(3,167)
Total		\$ 23,123,000	\$ 23,123,000	\$ 1,061,260	\$ 943,263	\$ 4,635,386	\$ 6,639,909	\$ 16,483,091

Obligate by: December 31, 2024

Spend by: December 31, 2026

Discussion & Direction - Mayor and City Council



Next Topic: FY 2023 Financial Status

FY 2023 REVENUE MODEL



MAJOR OPERATING REVENUE		BENCHMARK (BM) TO BUDGET (BUD)					YEAR OVER YEAR		
(A) Source	(B) Fund	(C) FY 2023 July-Mar	(D) FY 2023 Total Budget	(E) % of Budget	(F) Bench Mark	(G) BM Variance	(H) FY 2022 July-Mar	(I) Amount Change	(J) % Change
(1) City Sales Tax (1.0%)	General	\$ 24,234,656	\$ 32,236,000	75%	74%	1.2%	\$ 22,896,027	\$ 1,338,629	5.8%
(2) Property Tax	"	9,722,021	15,008,556	65%	64%	1.3%	9,603,716	118,305	1.2%
(3) State Sales Tax	"	10,579,585	13,676,000	77%	74%	3.7%	9,844,010	735,575	7.5%
(4) State Income Tax	"	13,814,019	17,441,000	79%	75%	4.2%	9,488,006	4,326,013	45.6%
(5) Vehicle License Tax	"	3,960,174	5,260,000	75%	74%	1.3%	3,760,134	200,040	5.3%
(6) Gasoline Tax (0.5%)	HURF	6,988,873	9,500,000	74%	74%	0.0%	6,866,911	121,962	1.8%
(7) Road Tax (0.5%)	Road Tax	12,115,488	15,946,000	76%	74%	2.0%	11,446,067	669,421	5.8%
(8) Public Safety Tax (0.2%)	Public Safety	4,804,735	6,344,000	76%	74%	1.8%	4,576,869	227,866	5.0%
(9) Two Percent Tax	Two Percent	6,521,726	8,280,000	79%	72%	6.4%	6,163,424	358,302	5.8%
(10) Water Revenues	Water	20,079,221	26,889,250	75%	72%	2.6%	18,783,999	1,295,222	6.9%
(11) Wastewater Revenues	Wastewater	13,681,682	19,044,800	72%	72%	0.0%	13,497,367	184,315	1.4%
(12) Solid Waste Fees	Solid Waste	3,911,321	5,509,500	71%	72%	-1.2%	3,756,375	154,946	4.1%
(13) TOTAL MAJOR OPERATING REVENUE		\$ 130,413,501	\$ 175,135,106	74%	72%	2.2%	\$ 120,682,905	\$ 9,730,596	8.1%

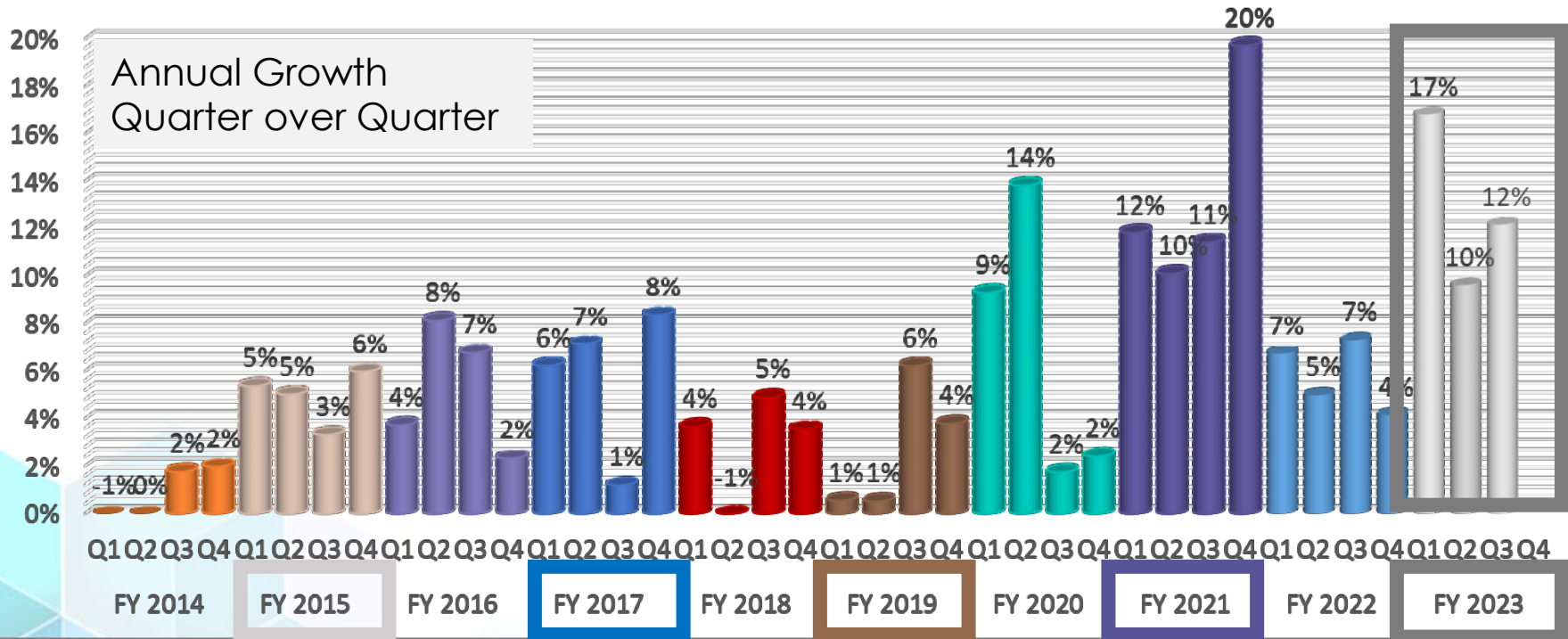
Sound revenue monitoring includes comparing historical trends with current collections and future expectations; and monitoring factors that drive each revenue including identifying risk indicators.

Column "F" is the percentage of total revenue typically collected in the first Quarter of the fiscal year. All factors consistent, this helps measure the likelihood of a revenue meeting the budget goal at year-end.

Column "G" compares the benchmark "F" with the current percentage of collections in column "E". The higher the % in "G", the greater the chance of making the budget goal.

This chart complements graphical revenue analysis for the General fund and includes other major revenue sources.

Revenue Analysis – General Fund



Key:

Q1 = July-September

Q2 = October-December

Q3 = January – March

Q4 = April – June

FY = Fiscal Year

This graph shows the % change for Q1 over Q1, Q2 over Q2, and so forth.

Growth can be from expanding the base, higher consumer consumption or and in increase in prices or tax rates.

This information is useful in detecting slowing revenue growth. This could be a signal of adverse impacts to the City's financial condition if the budget goal is not to be met.

Revenue Analysis – General Fund

Analysis:

- Q1= 2% over trend
- Q2, Q3 = high end of trend
- FY 2023 Goal favorable to exceed
- Flatter growth FY2024, net

Recommendation:

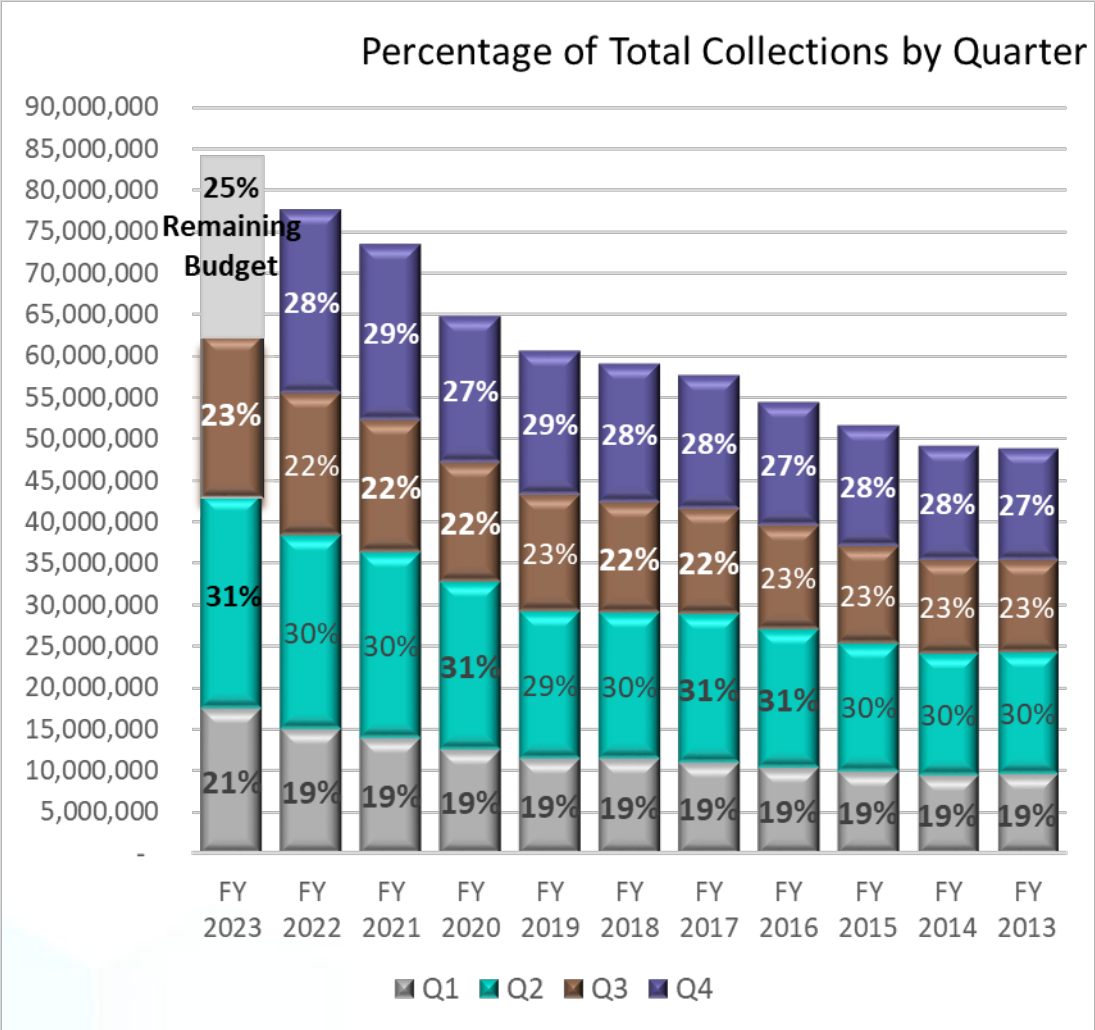
- ✓ Not add new or hold back priorities;
- ✓ Keep moving forward, approved initiatives and the FY 2023 Council adopted budget

End of FY 2023 budget hearings:

- Census population growth lower than estimates and rest of AZ
- Last minute updated state shared revenue estimates:
 - Smaller % shared or revenues
 - But bigger base to share
 - Caution for FY 2024 Legislation

Other Revenue data for FY 2024:

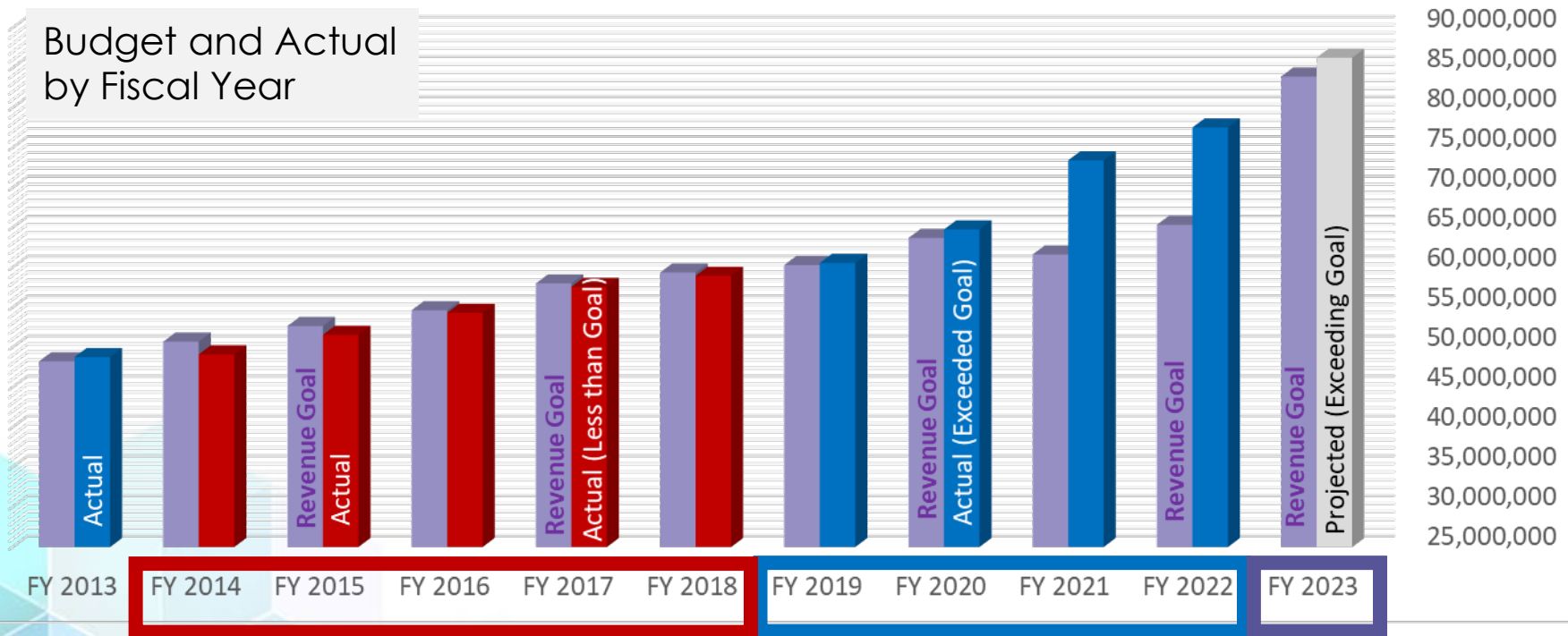
- ✓ Local TPT, by category provided in the FY 2024 section of this document



Graph shows amount and % of total collections by quarter. Note consistency of % in each Q since 2013.

Revenue Analysis – General Fund

Budget and Actual by Fiscal Year



Revenue goals are set lower, expected to be exceeded, within reason:

- If goal is exceeded, the revenue can be used the next FY;
- However, if goal is too low, it can cause delays in projects or leave important City Initiatives unfunded or held back

When revenue goals are set too high or not met, risk of overextended (stress test):

- Determine the extent of the amount and duration until revenues rebound
- If reduced expenditures are warranted
- Possible re-prioritization of programs

City Sales Tax 2023 & 2022 (Q3)

- Half year was 8.8% Q2
- Steep increase was 29% Q2
- Slower, but still collecting was (-20%) Q2
- Total was 6.4% Q2
- Up from 1.6% in Q2

CITY'S 1.7% SALES TAX (1.0% General; 0.5% Road; 0.2% Public Safety)

Category	July-Mar FY 2023	July-Mar FY 2022	Change in	
			\$	%
Retail	\$ 23,365,134	\$ 21,952,134	\$ 1,413,000	6.4%
Restaurants and bars	4,579,741	4,206,226	373,515	8.9%
Food for home consumption	5,055,383	4,114,825	940,558	22.9%
Hotels	992,653	978,378	14,275	1.5%
Utilities	2,080,311	2,160,103	(79,792)	-3.7%
All other	2,666,525	2,505,636	160,889	6.4%
Total Recurring	\$ 38,739,747	\$ 35,917,302	\$ 2,822,445	7.9%
Construction	2,455,130	3,001,659	(546,529)	-18.2%
Total City's 1.7% Tax	\$ 41,194,877	\$ 38,918,961	\$ 2,275,916	5.8%

TWO PERCENT TAX (2.0%)

Category	July-Mar FY 2023	July-Mar FY 2022	Change in	
			\$	%
Restaurants and bars	\$ 5,388,975	\$ 5,063,837	\$ 325,138	6.4%
Hotels	1,132,716	1,099,590	33,126	3.0%
Total Two Percent Tax	\$ 6,521,691	\$ 6,163,427	\$ 358,264	5.8%

City Sales Tax 2023 & 2022 (Q3)

GENERAL FUND (1.0%)

Category	July-Mar	July-Mar	Change in	
	FY 2023	FY 2022	\$	%
Retail	\$ 13,744,196	\$ 12,913,020	\$ 831,176	6.4%
Restaurants and bars	2,693,965	2,474,251	219,714	8.9%
Food for home consumption	2,973,755	2,420,485	553,270	22.9%
Hotels	583,914	575,516	8,398	1.5%
Utilities	1,223,712	1,270,649	(46,937)	-3.7%
All other	1,570,883	1,476,137	94,746	6.4%
Total Recurring	\$ 22,790,425	\$ 21,130,058	\$ 1,660,367	7.9%
Construction	1,444,194	1,765,682	(321,488)	-18.2%
Total General Tax	\$ 24,234,619	\$ 22,895,740	\$ 1,338,879	5.8%

PUBLIC SAFETY (0.2%)

Category	July-Mar	July-Mar	Change in	
	FY 2023	FY 2022	\$	%
Retail	\$ 2,748,839	\$ 2,582,604	\$ 166,235	6.4%
Restaurants and bars	538,793	494,850	43,943	8.9%
Food for home consumption	594,751	484,097	110,654	22.9%
Hotels	116,783	115,103	1,680	1.5%
Utilities	244,742	254,130	(9,388)	-3.7%
All other	311,988	293,156	18,832	6.4%
Total Recurring	\$ 4,555,896	\$ 4,223,940	\$ 331,956	7.9%
Construction	288,839	353,136	(64,297)	-18.2%
Total Public Safety Tax	\$ 4,844,735	\$ 4,577,076	\$ 267,659	5.8%

TWO PERCENT TAX (2.0%)

Category	July-Mar	July-Mar	Change in	
	FY 2023	FY 2022	\$	%
Restaurants and bars	\$ 5,388,975	\$ 5,063,837	\$ 325,138	6.4%
Hotels	1,132,716	1,099,590	33,126	3.0%
Total Two Percent Tax	\$ 6,521,691	\$ 6,163,427	\$ 358,264	5.8%

ROAD TAX (0.5%)

Category	July-Mar	July-Mar	Change in	
	FY 2023	FY 2022	\$	%
Retail	\$ 6,872,098	\$ 6,456,510	\$ 415,588	6.4%
Restaurants and bars	1,346,983	1,237,125	109,858	8.9%
Food for home consumption	1,486,877	1,210,243	276,634	22.9%
Hotels	291,957	287,758	4,199	1.5%
Utilities	611,856	635,324	(23,468)	-3.7%
All other	783,618	736,344	47,274	6.4%
Total Recurring	\$ 11,393,389	\$ 10,563,304	\$ 830,085	7.9%
Construction	722,097	882,841	(160,744)	-18.2%
Total Road Tax	\$ 12,115,486	\$ 11,446,145	\$ 669,341	5.8%

Under current conditions there are no immediate indications in revenue or spending trends to warrant mitigating action to reduce or restrict expenditure budgets or City's operations and services.

Like the rest of the nation, the on-going caution for disruptions in economic and consumer confidence related to supply chains, inflationary factors, and the availability of materials and labor.

Continue staying flexible and adaptable with contingency plans and actions identified will assist the City in navigating these concerns.

Management will continue monitoring revenues, economic factors and legislative actions and will alert City Council with mitigating actions if revenue trends or risk indicators signal the onset of adverse conditions that will be detrimental to the City's financial condition.

Discussion & Direction - Mayor and City Council



BUDGET CALENDAR

KEY DATES FOR MAYOR AND CITY COUNCIL'S 2024 BUDGET AND CIP		
DATE	TOPIC	EVENT
April 18	Budget	Administrators message, Executive Summary and Budget Briefs
May 1	CIP	Date Capital Improvement Plan Document will be Available by
May 3	Budget	Available for Follow-up, Questions and Discussions
May 16	Budget	Available for Follow-up, Questions and Discussions
May 17	CIP	Capital Improvement Plan Presentation and Discussion
"	Budget	Proposed Budget Adopted (Tentative Budget)
June 7	Budget	Public Hearing on the Budget
"	Taxes	and Truth-in-Taxation if Applicable
"	CIP	Adoption of CIP and Budget 2024
"	Taxes	Introduction of Tax Levy and MID Ordinances
June 21	Taxes	Adoption of Tax Levy and MID Ordinances

Subject to minor change

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3RD QUARTER FY 2023

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