



# FY26 Mid-Year Summary Budget Report and FY27 Budget Preview

# Fund Types

- **Governmental Funds**

- **General Fund:** Funded mainly by general type taxes, funds basic governmental activities.
- **Special Revenue and Capital Fund:** Dedicated taxes or other earmarked revenue sources as required by statute, charter provision, ballot language, or ordinance.
- **Debt Service:** General long-term debt principal and interest.

- **Proprietary (Business) Funds**

- **Enterprise:** Similar to private business operations where the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be recovered primarily through user charges.
- **Internal Service:** Services furnished by one department to other departments of the City on a cost-reimbursement basis.

# Fund Types

All Funds FY26  
\$303.7 M

Governmental  
Funds  
\$158.6 M

Proprietary  
Funds  
\$145.1 M

General  
Fund  
\$103.8 M

Special Revenue  
Funds  
\$54.4 M

Capital Projects  
Funds  
\$0.4 M

Enterprise  
Funds  
\$134.9 M

Internal  
Service Funds  
\$10.2 M

Streets  
\$40.9 M

Trust Funds  
\$0.3 M

Water  
\$46.2 M

Wastewater  
\$37.0 M

Fleet  
Maintenance  
\$3.4 M

Risk  
Management  
\$1.5 M

Transient  
Occupancy  
\$1.6 M

Grants  
\$11.6 M

Solid Waste  
\$17.7 M

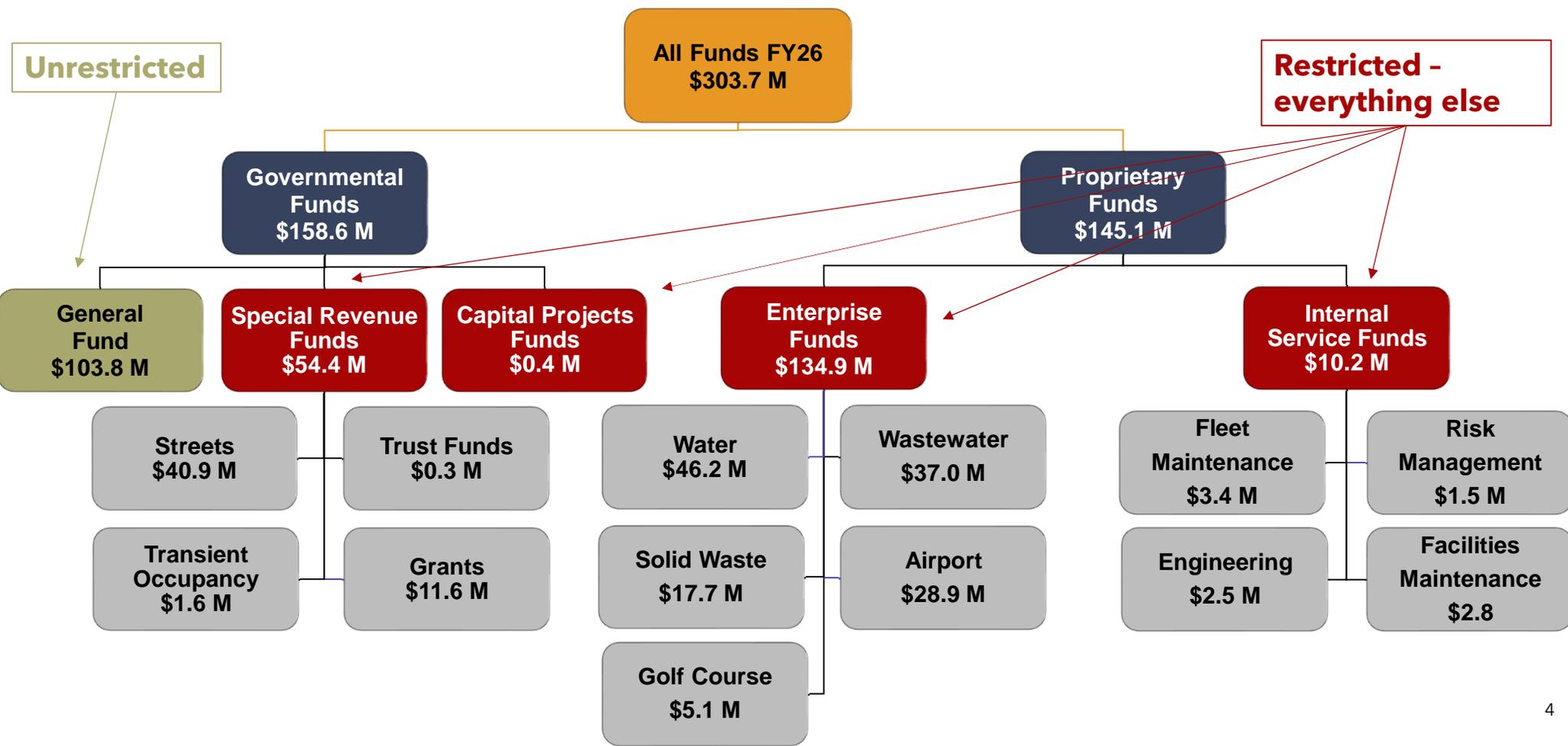
Airport  
\$28.9 M

Engineering  
\$2.5 M

Facilities  
Maintenance  
\$2.8 M

Golf Course  
\$5.1 M

# Fund Types



# Fund Types & Departments

Department	Governmental Funds		Proprietary Funds		Capital Projects Funds
	General Fund	Special Revenue	Enterprise	Internal Service Funds	
Airport			X		
City Clerk	X				
City Council	X	X			
City Court	X	X			
City Manager	X	X			
Budget & Finance	X		X		
Community Development	X	X			
Legal Department	X			X	
Economic Development & Tourism	X	X			
Fire	X	X	X		X
Library	X	X			
Recreation Services & Facilities	X	X	X	X	
Police & Regional Communications	X	X			X
Public Works		X	X	X	X
Non-Departmental	X	X			

# Year to Date Expenditures - By Fund

## through December 31, 2025 (50% of Year Complete)

	<b>FY26 Budget</b>	<b>Expended as of 12/31/2025</b>	<b>% Spent YTD</b>
<b>Expenditures by Fund Type</b>			
General Fund	\$ 103,847,322	\$ 33,255,257	32%
Special Revenue Funds	54,378,217	18,568,963	34%
Capital Project Funds	431,000	1,975	0%
Enterprise Funds	134,855,937	41,382,705	31%
Internal Service Funds	10,233,686	5,632,367	55%
<b>Total Expenditures</b>	<b>\$ 303,746,162</b>	<b>\$ 98,841,267</b>	<b>33%</b>

# Year to Date Revenues - By Fund

## through December 31, 2025 (50% of Year Complete)

<b>Revenue by Fund Type</b>	<b>FY26 Budget</b>	<b>Received as of 12/31/2025</b>	<b>% Received YTD</b>
General Fund	\$ 93,650,638	\$ 44,986,349	48%
Special Revenue Funds	41,988,010	32,948,498	78%
Capital Project Funds	1,533,500	1,595,411	104%
Enterprise Funds	121,131,817	47,362,017	39%
Internal Service Funds	9,717,143	4,651,997	48%
<b>Total Revenue</b>	<b>\$ 268,021,108</b>	<b>\$ 131,544,272</b>	<b>49%</b>

# Year to Date Expenditures (All Funds)

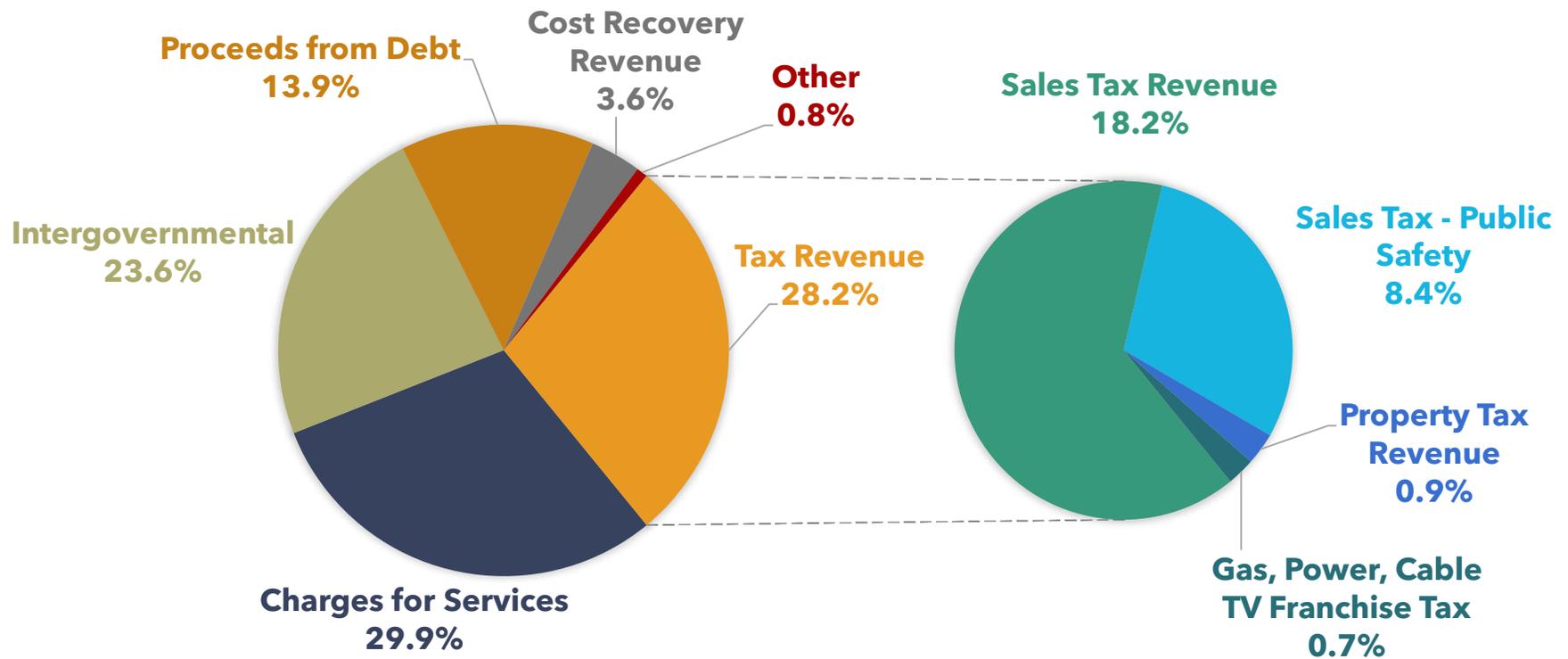
## through December 31, 2025 (50% of Year Complete)

	<b>2026 Adopted Budget</b>	<b>Expended as of 12/31/2025</b>	<b>% Spent YTD</b>
Operating Budget	\$ 145,732,441	\$ 68,024,892	47%
Capital Budget	148,013,721	30,816,375	21%
Contingencies	10,000,000	-	0%
<b>Total</b>	<b>\$ 303,746,162</b>	<b>\$ 98,841,267</b>	<b>33%</b>

# Year to Date Expenditures (All Funds) through December 31, 2025 (50% of Year Complete)

	<u>FY26 Budget</u>	<u>Expended as of 12/31/2025</u>	<u>% Spent YTD</u>
<b>Operating Expenditures</b>			
General Government	\$ 6,681,464	\$ 3,866,611	58%
Airport	3,315,578	1,710,666	52%
Community Development	6,942,972	2,217,803	32%
Fire	17,951,497	7,796,657	43%
Library	3,410,042	1,539,577	45%
Police	21,466,205	8,932,373	42%
Public Works	66,898,639	31,984,995	48%
Recreation Services & Facilities	15,405,316	8,306,591	54%
Regional Communications	2,798,786	1,228,933	44%
Non-Departmental	861,942	440,686	51%
<b>Subtotal Operating</b>	<u>145,732,441</u>	<u>68,024,892</u>	47%
<b>Non-Operating Expenditures</b>			
Airport Capital	24,928,136	1,402,004	6%
Public Safety Capital	38,785,546	4,903,455	13%
Public Works Capital	77,594,526	22,064,383	28%
Other Capital	6,705,513	2,446,532	36%
Contingency	10,000,000	-	0%
<b>Subtotal Non-operating</b>	<u>158,013,721</u>	<u>30,816,375</u>	20%
<b>Total Expenditures</b>	<u>\$ 303,746,162</u>	<u>\$ 98,841,267</u>	33%

# FY26 Total Citywide Revenue Sources



# Year to Date Revenues (All Funds)

## through December 31, 2025 (50% of Year Complete)

	FY26 Budget	Received as of 12/31/2025	% Received YTD
<b>Operating Revenues</b>			
Tax Revenue	\$ 75,109,514	\$ 39,648,115	53%
Intergovernmental	26,375,856	12,932,637	49%
Licenses and Permits	229,800	153,752	67%
Charges for Services	79,871,375	42,031,392	53%
Fines and Forfeitures	350,800	193,047	55%
Investment Income	699,000	2,957,122	423%
Miscellaneous	164,517	4,451,825	2706%
Internal Service	9,717,143	4,588,213	47%
<b>Subtotal Operating Revenues</b>	<b>\$ 192,518,005</b>	<b>\$ 106,956,103</b>	
<b>Non-Operating Revenues</b>			
Intergovernmental	36,585,300	20,193,040	55%
Gifts and Donations	653,628	201,143	31%
Proceeds from Debt	38,264,175	4,193,986	11%
<b>Total Revenue</b>	<b>\$ 268,021,108</b>	<b>\$ 131,544,272</b>	

# Year to Date Expenditures - General Fund

## through December 31, 2025 (50% of Year Complete)

	FY26 Budget	Expended as of 12/31/2025	% Spent YTD
<b>Operating Expenditures</b>			
General Government	\$ 2,537,932	\$ 1,345,663	53%
Community Development	2,957,167	1,159,451	39%
Economic Development	528,578	200,264	38%
Fire	14,086,437	7,007,913	50%
Fire - Public Safety Tax	1,460,438	480,271	33%
Library	3,274,034	1,516,956	46%
Police	17,523,276	8,158,060	47%
Police - Public Safety Tax	2,295,367	277,750	12%
Recreation Services & Facilities	7,037,276	4,337,029	62%
Regional Communications	2,798,786	1,228,933	44%
Non-Departmental	786,942	440,686	56%
<b>Subtotal Operations</b>	<b>55,286,233</b>	<b>26,152,975</b>	<b>47%</b>
<b>Non-Operating Expenditures</b>			
Public Safety Capital	38,671,576	4,888,395	13%
Recreation Services & Facilities	4,684,513	2,008,020	43%
Other Capital	205,000	205,867	100%
Capital Contingency	5,000,000	-	0%
<b>Subtotal Non-operating</b>	<b>48,561,089</b>	<b>7,102,282</b>	
<b>Total Expenditures</b>	<b>\$ 103,847,322</b>	<b>\$ 33,255,257</b>	

# Year to Date Revenues – General Fund

## through December 31, 2025 (50% of Year Complete)

	FY26 Budget	Expended as of 12/31/2025	% Received YTD
<b>Revenues</b>			
Tax Revenue	\$ 50,099,514	\$ 26,444,742	53%
Intergovernmental	21,311,988	10,429,677	49%
Licenses and Permits	158,100	78,970	50%
Charges for Services	6,450,401	3,955,324	61%
Fines and Forfeitures	290,800	178,551	61%
Investment Income	351,000	1,527,502	435%
Miscellaneous	76,530	2,371,583	3099%
Proceeds from Debt	14,912,305	-	0%
<b>Total Revenues</b>	<b>\$ 93,650,638</b>	<b>\$ 44,986,349</b>	<b>48%</b>

# FY27 Budget Considerations

State-wide Impacts

Personnel

Rates and Fees



# State-wide Impacts

- **Legislative attacks on city revenues continue:**

- Residential Rentals eliminated 12/31/2024 (\$2.3m annually)
- Proposed Food Tax elimination (Est total annual loss \$10.4m - General Fund \$6.9m and Streets Fund \$3.5m) SB1090 (Finchem)
- Proposed 4 - year moratorium on any increases in rates, fees, taxes HB4030 & HCR2052 (Olson)

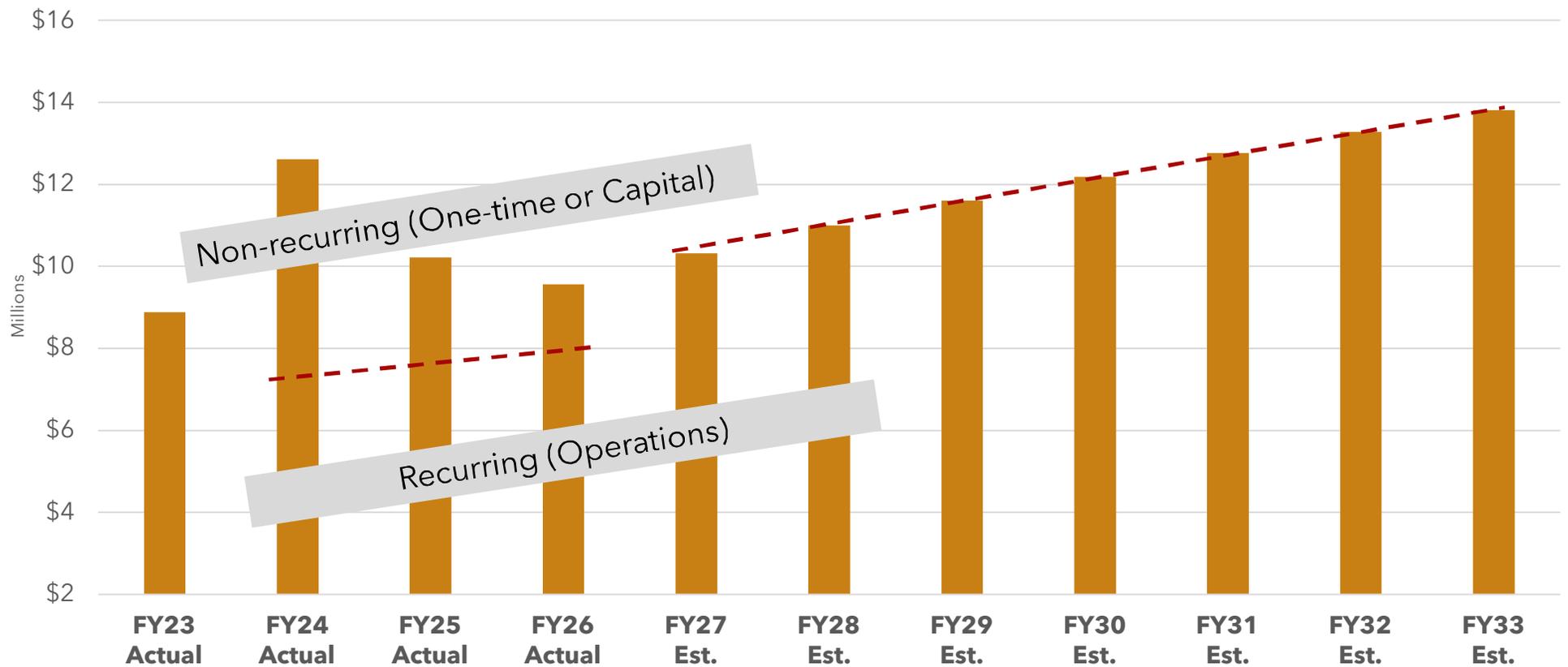
- **Reduced State Shared revenues**

- San Tan Valley newly incorporated - Approx. 2% reduction to all prior 91 Cities and Towns
- Urban Revenue Sharing (Income Tax) - Statewide collection up 9.8% in FY25 compared to FY24.
- Prescott's growth rate compared to other Cities and Towns will impact the shared revenue received in the distribution formula

# State Shared Revenue

	FY25	FY26	Per Resident	Per Home
<b>General Fund</b>				
State Income Tax	\$ 10,223,268	\$ 9,502,734	\$ 199	\$ 420
State Sales Tax	7,263,032	7,361,497	154	325
Vehicle License Tax	3,922,399	4,097,757	86	181
Total General Fund	21,408,699	20,961,988	439	926
<b>Streets Fund</b>				
HURF (Gas Tax)	4,868,238	5,063,868	106	224
Total State Shared Revenues	\$ 26,276,937	\$ 26,025,856	\$ 545	\$ 1,150

# City of Prescott's Share of State Income Tax (URS)

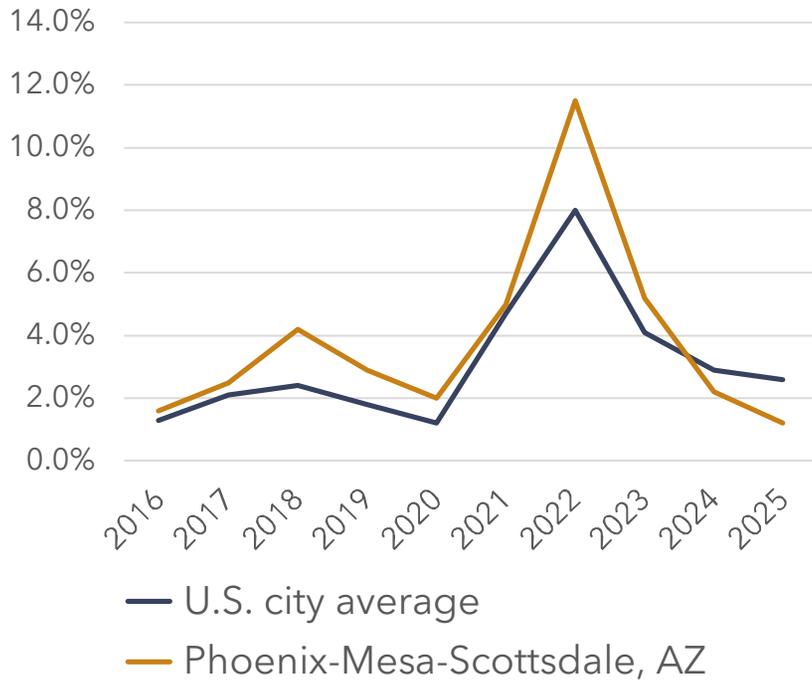


# Personnel Costs

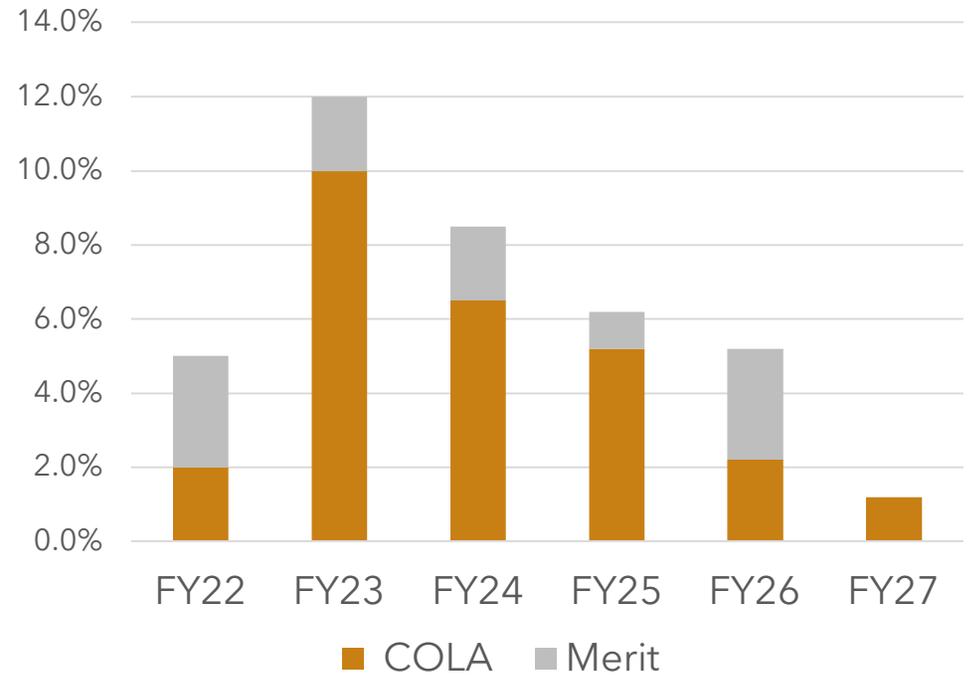
- **Continue funding Market Compensation Pay Plan is a priority**
  - Cost of Living (COLA) for FY27 is 1.2% using PHX Metro CPI 2025 Annual
  - Merit still being discussed
- **Health Insurance premiums significantly increasing**
  - Yavapai Combined Trust Board set rate increases at 19% for Health, 10% for Dental, 2% for Vision.
- **Pension contributions are decreasing in all categories - detail on next slides**

# Personnel Costs - COLA & Merit

### Consumer Price Index for All Urban Consumers (CPI-U)



### COLA & Merit by Fiscal Year



# Personnel Costs - Employer Pension Contribution Rates

	<u>PSPRS Tier 1&amp;2- Police</u>	<u>PSPRS Tier 1&amp;2- Fire</u>	<u>ASRS</u>	<u>PSPRS Tier 3- Police</u>	<u>PSPRS Tier 3- Fire</u>
FY23	29.74%	34.77%	12.17%	28.10%	32.35%
FY24	15.14%	25.26%	12.29%	13.56%	20.73%
FY25	11.83%	19.00%	12.27%	9.38%	14.68%
FY26	14.02%	16.94%	12.00%	10.41%	12.26%
FY27	12.61%	13.70%	11.98%	9.08%	9.03%
Change FY26/FY27	-1.41%	-3.24%	-0.02%	-1.33%	-3.23%

# Personnel Costs – PSPRS Unfunded Liability

## Pension and Health Tiers 1 & 2

	<u>FY16</u>	<u>FY17</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>
Prescott Fire (023)	\$ 40,755,684	\$ 45,111,795	\$ 36,490,742	\$ 29,237,657	\$ 22,863,294
Prescott Police (024)	37,690,195	41,320,813	32,554,886	26,833,023	20,287,847
<b>Total Unfunded Liability</b>	<b>\$ 78,445,879</b>	<b>\$ 86,432,608</b>	<b>\$ 69,045,628</b>	<b>\$ 56,070,680</b>	<b>\$ 43,151,141</b>
<b>Funding Ratio</b>	<b>31.1%</b>	<b>30.1%</b>	<b>46.3%</b>	<b>58.5%</b>	<b>69.4%</b>
	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>	<u>FY24</u>	<u>FY25</u>
Prescott Fire (023)	\$ 11,540,733	\$ 6,286,897	\$ 3,212,968	\$ 1,972,752	\$ 195,827
Prescott Police (024)	10,806,309	2,388,153	672,998	1,615,717	711,594
<b>Total Unfunded Liability</b>	<b>\$ 22,347,042</b>	<b>\$ 8,675,050</b>	<b>\$ 3,885,966</b>	<b>\$ 3,588,469</b>	<b>\$ 907,421</b>
<b>Funding Ratio</b>	<b>84.4%</b>	<b>94.4%</b>	<b>97.6%</b>	<b>97.9%</b>	<b>99.5%</b>

# Rates and Fees

- **Rate and Fee Change Proposals**

- General Fund - Property Tax
- Solid Waste Rates for Services
- Rate and Fee Study Ongoing for Development Fees (Comm Dev, Fire, Public Works) - May 12th Study Session
  - Not ready to adopt for July 1 -> potential mid-year adjustments

- **Further discussion on these topics**

- 60-day Public Notice due March 27<sup>th</sup>
- Council consideration on May 26<sup>th</sup> Voting Meeting

# General Fund - Property Tax

	FY2026 Adopted	FY2027 Proposed
Levy	\$2,304,514	\$2,492,987
Rate	0.2329 per \$100 assessed	0.2374 per \$100 assessed

- Levy increase with only new construction is \$2,349,120
- Maximum allowable levy limit is \$2,492,987 (+\$143,867)
  - Previously two consecutive years of no increase in levy besides new construction value
  - Typically, we have brought the levy to the maximum every 3 years or so (last ones were FY2024, FY2021, FY2017)

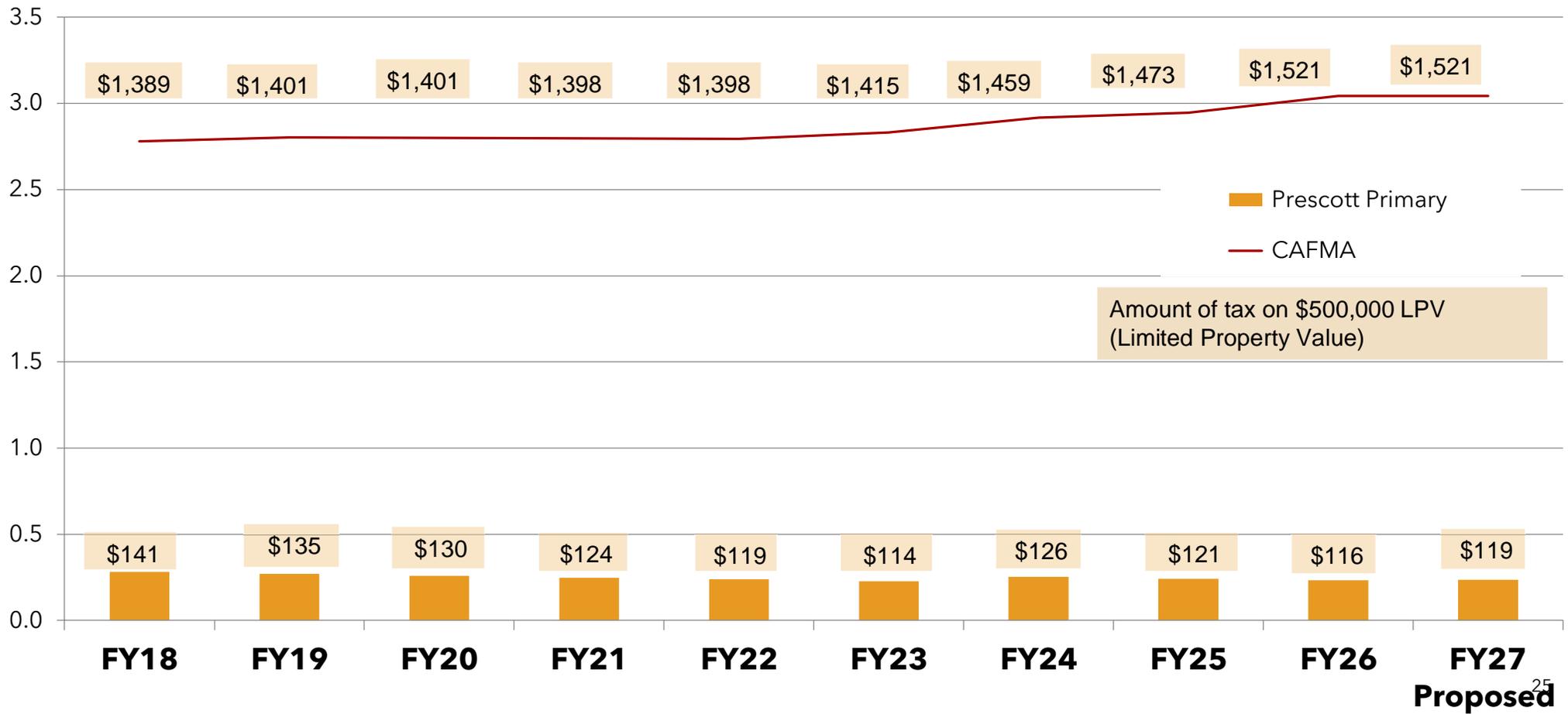
# General Fund - Property Tax

AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	SPECIAL DISTRICT \$ PER ACRE	2025 TAX SUMMARY	
0120	5.5673	0.4864		PRIMARY PROPERTY TAX	2,919.19
				LESS STATE AID TO EDUCATION	-588.27
				NET PRIMARY PROPERTY TAX	2,330.92
				SECONDARY PROPERTY TAX	255.04
				SPECIAL DISTRICT TAX	0.00
				<b>TOTAL TAX DUE FOR 2025</b>	<b>2,585.96</b>

	TAX AUTHORITY	LEVY	PURPOSE	TAX RATE	2024 TAX	2025 TAX	INCREASE / DECREASE
	2000 YAVAPAI COUNTY	PRM		1.6443	821.14	862.18	41.04
	4155 CITY OF PRESCOTT	PRM		0.2329	121.00	122.12	1.12
IN	7001 PRESCOTT UNIFIED SD #1	PRM		2.2438	569.60	588.26	18.66
	8150 YAVAPAI COMMUNITY COLLEGE	PRM		1.4463	746.86	758.36	11.50
	11900 FIRE DISTRICT ASSISTANCE TAX	SEC		0.0767	40.20	40.22	0.02
	14900 YAVAPAI COUNTY LIBRARY DIST.	SEC		0.1346	67.22	70.58	3.36
	15001 YAVAPAI FLOOD CONTROL DIST.	SEC		0.1599	83.60	83.84	0.24
	30001 MOUNTAIN INSTITUTE CTED	SEC		0.0500	24.96	26.22	1.26
	57001 SEC. PRESCOTT UNIFIED SD #1	SEC		0.0652	33.22	34.18	0.96
	<b>TOTALS</b>				<b>2,507.80</b>	<b>2,585.96</b>	<b>78.16</b>

4.7% of total

# Property Tax Comparison



# Solid Waste Fund - Rates Adjustment

- **Operating deficiency occurred with FY25**

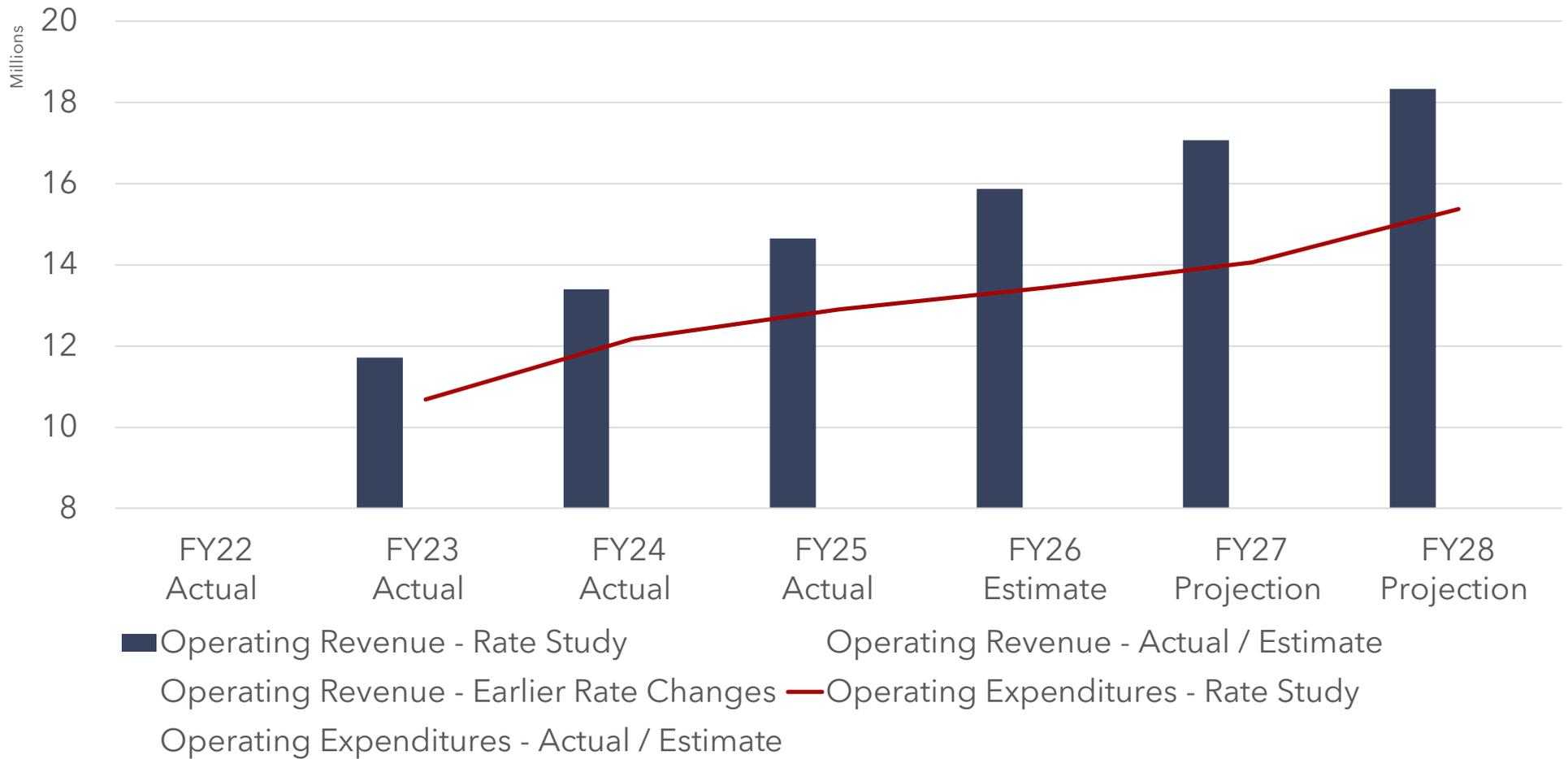
- Rate Study completed in 2022, Council adopted 5-year rates on January 24, 2023
- Two remaining rate increases in place for January 1, 2027 and January 1, 2028.
- Revenue lower and expenditures higher than anticipated in the rate study.
- Action is required now to both adjust revenues and expenditures to correct.
  1. Proposal is to adjust fees for service to the last year of the last rate study July 1st
  2. Then pursue a full rate study starting in the Spring of 2027 to evaluate service delivery, costs of service, and structural or expense adjustment possibilities

# Solid Waste Fund - Rates Adjustment

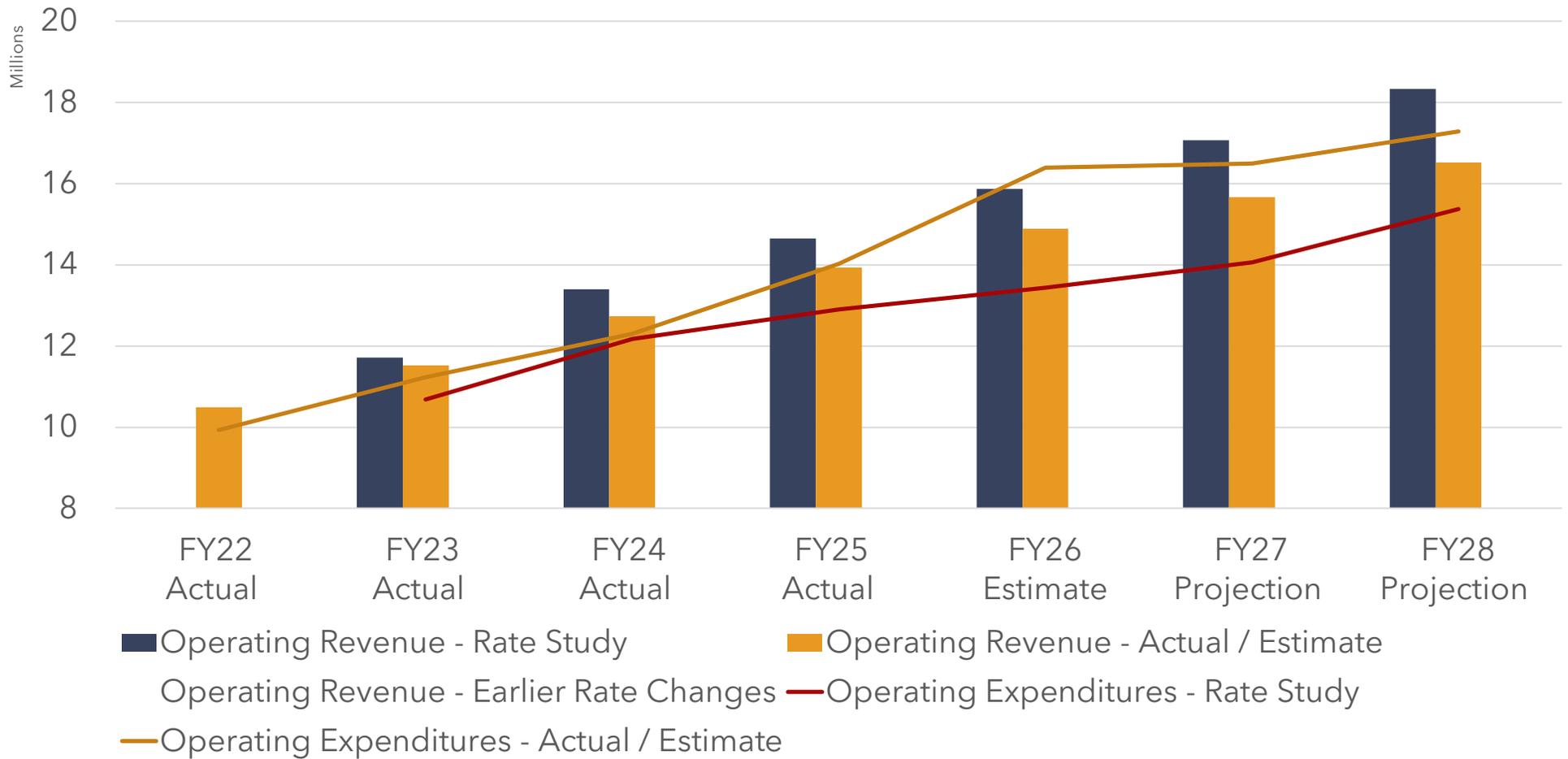
- **Fund Balance & Capital Sustainability**

- Non-restricted fund balance is \$416,619 at the beginning of FY2026 and is projected to decline to \$-1,456,916 by the end of FY2026.
- The ongoing vehicle replacement schedule requires operating revenues to exceed annual operating costs.
  - The average cost of vehicle replacements is approximately \$1.8M per fiscal year.
- Internal loans from the General Fund have been used to smooth the impact of vehicle replacements for the past five years (through FY2025); however, this is not a sustainable long-term approach.

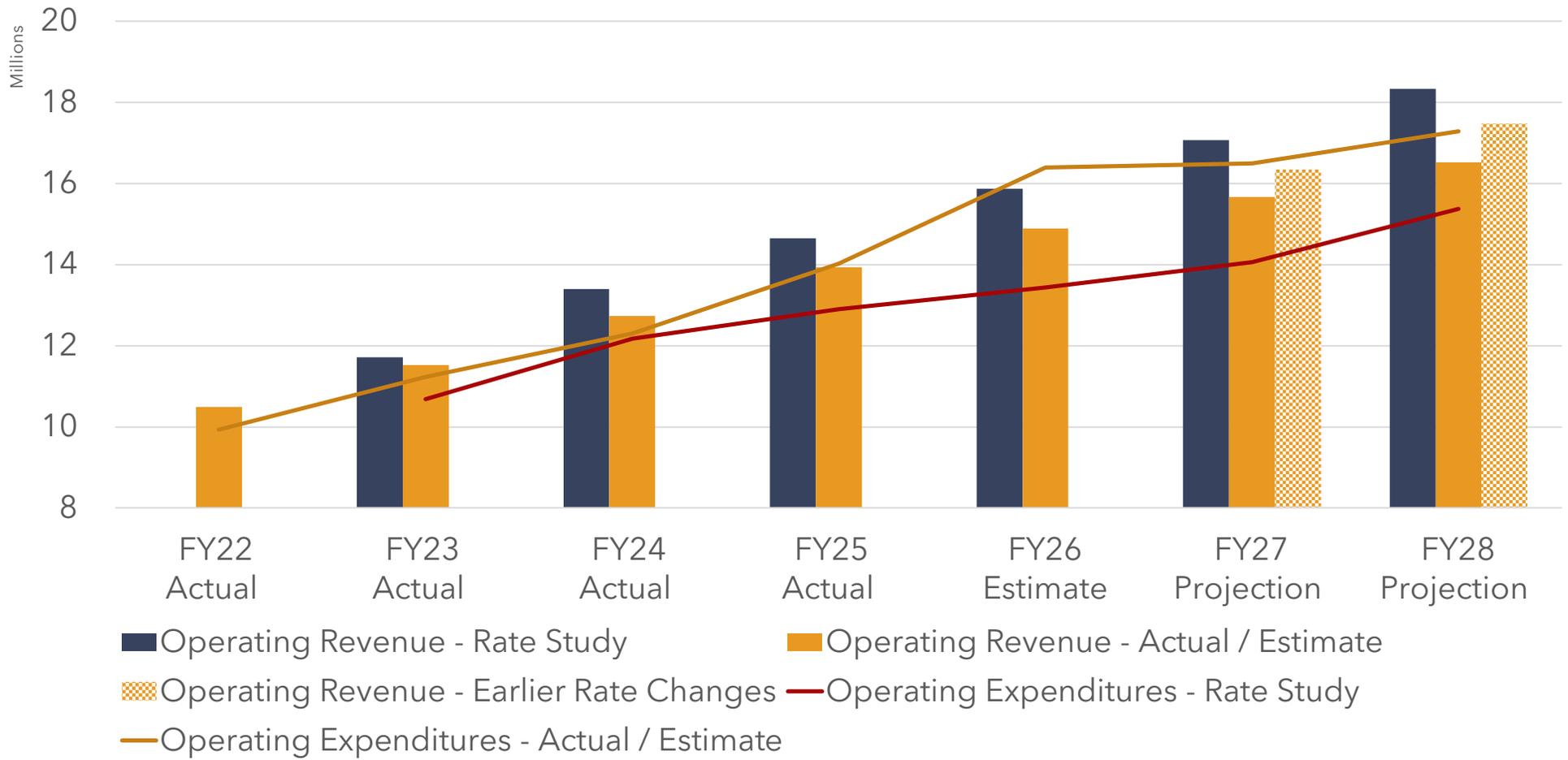
# Solid Waste Fund - Rates Adjustment



# Solid Waste Fund - Rates Adjustment



# Solid Waste Fund - Rates Adjustment



# Solid Waste Fund - Rates Adjustment

- **Cost escalations:**

- The hauling contract RFP occurred after the rate study was completed and resulted in significantly higher costs than anticipated.
- Vehicle replacement costs have increased beyond projections in the rate study.

- **Revenue impacts:**

- Volume at the transfer station has not reached the levels anticipated in the rate study.

- **Debt Service:**

- Because sufficient revenue was not generated to fund vehicle replacements, internal loans have been issued. These loans increase ongoing debt service requirements for operations rather than being covered with one-time funding.

# FY27 Budget Considerations

**Budget Process**

**Building a Sustainable City Budget**



# FY27 Council Budget Process

1/20/26 to 1/21/26	Council Strategic Planning Retreat
3/3/26	FY26 mid-year budget report and FY27 preliminary look
1/15/26 to 3/13/26	Department planning and submission of budget information and requests
3/30/26 to 4/10/26	City Manager and Budget Department review and formation of FY27 recommended budget
4/20/26	FY27 Budget available to Council and Public for review
4/27/26	Budget Workshop #1 - Public Works, Airport, Community Development Recreation Services
5/11/26	Budget Workshop #2 - Police, Fire, Library, General Government
6/9/26	Tentative budget adoption, publish budget and notice of hearing
6/24/26	Final budget adoption, Budget Hearing, Property Tax Hearing
7/14/26	Property Tax Levy Adoption

# Building a Sustainable City Budget



# Questions

Thank you!

