



**Town Manager's
FY 18-19
Recommended Budget
(Item 2.B.1.)**

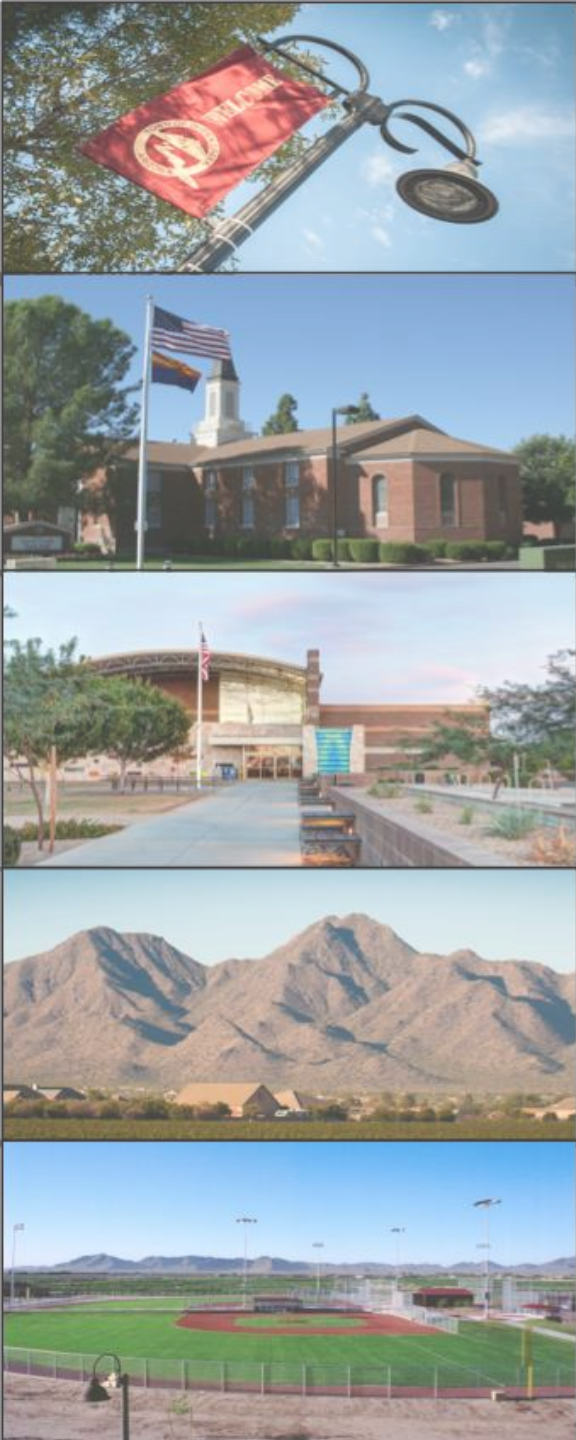
Budget Committee Meeting

April 25, 2018

A Budget . . .

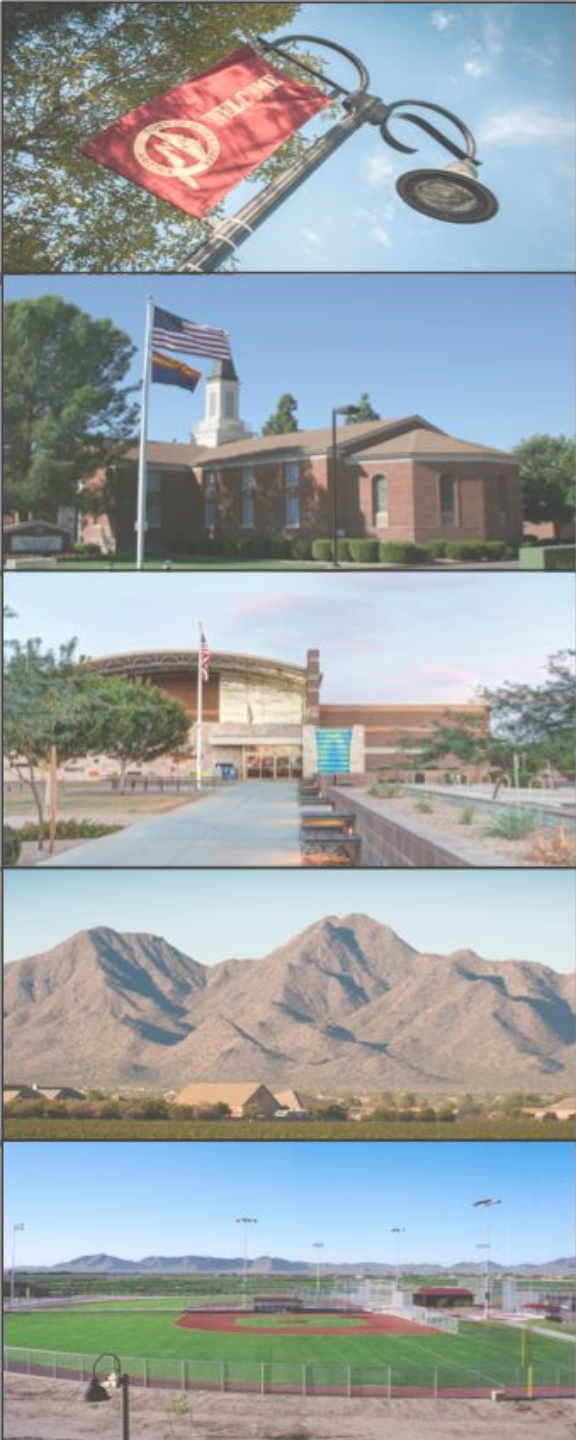
- Identifies Financial Goals
- Is A Spending Plan
- Is A Communication Tool
- Is A Policy Document





THE TOWN'S VISION





Roles and Responsibilities

Staff

- Prepare Estimates
- Identify Policy Issues
- Prepare Town Manager's Recommended Budget

Town Council

- Make Policy Decisions
- Adopt Tentative and Final Budget



Budget Packet Contents and Layout

- Budget Document
 - Budget Development Overview with Revenue and Expenditure Assumptions and Fund Summaries
 - Program Budgets by Department
 - Development and Capital Funds with Project Lists
 - Current Debt Information and Debt Schedules
 - Appendix with Glossary and Town Position Listing
- Non-Profit Funding Requests
- Appendix
 - Line Item Budget Schedules for the Operating and Enterprise Funds

Guiding Principles

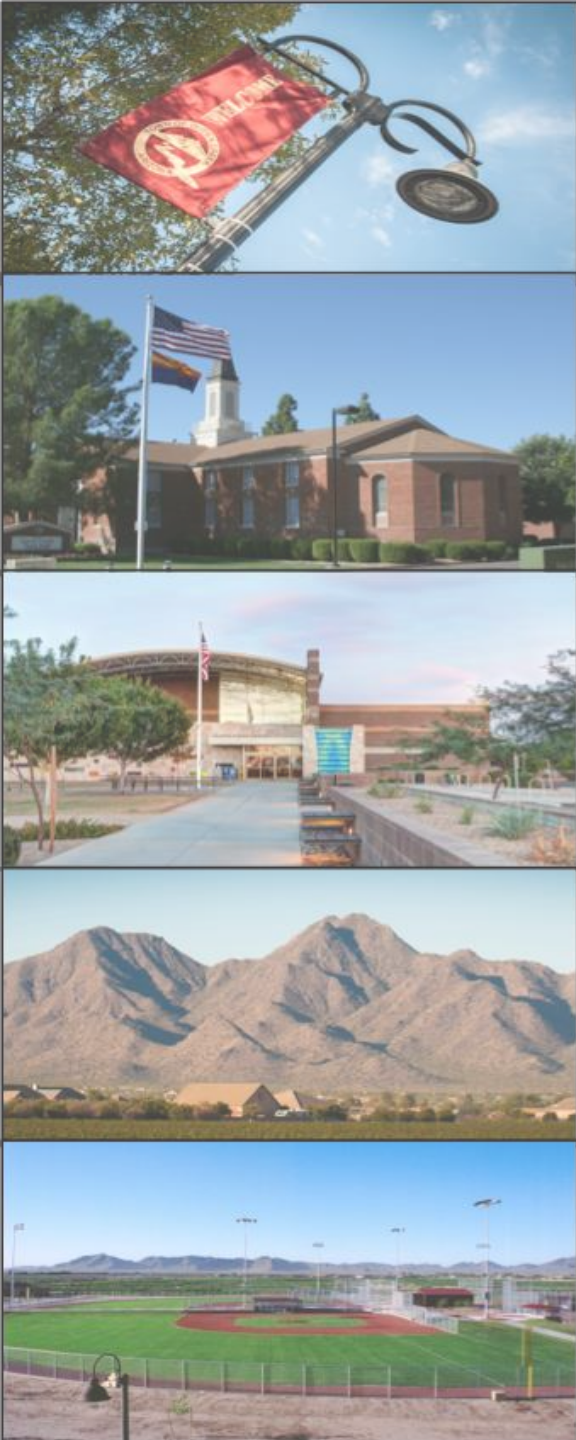
- Maintain a Structurally Sound Budget by Using 5-Year Projections
- Address the Needs of a Growing Community
 - Maintain Levels of Service to Meet Demand
 - New Infrastructure (Roads and Parks)





Municipal Corporation/Budget Summary

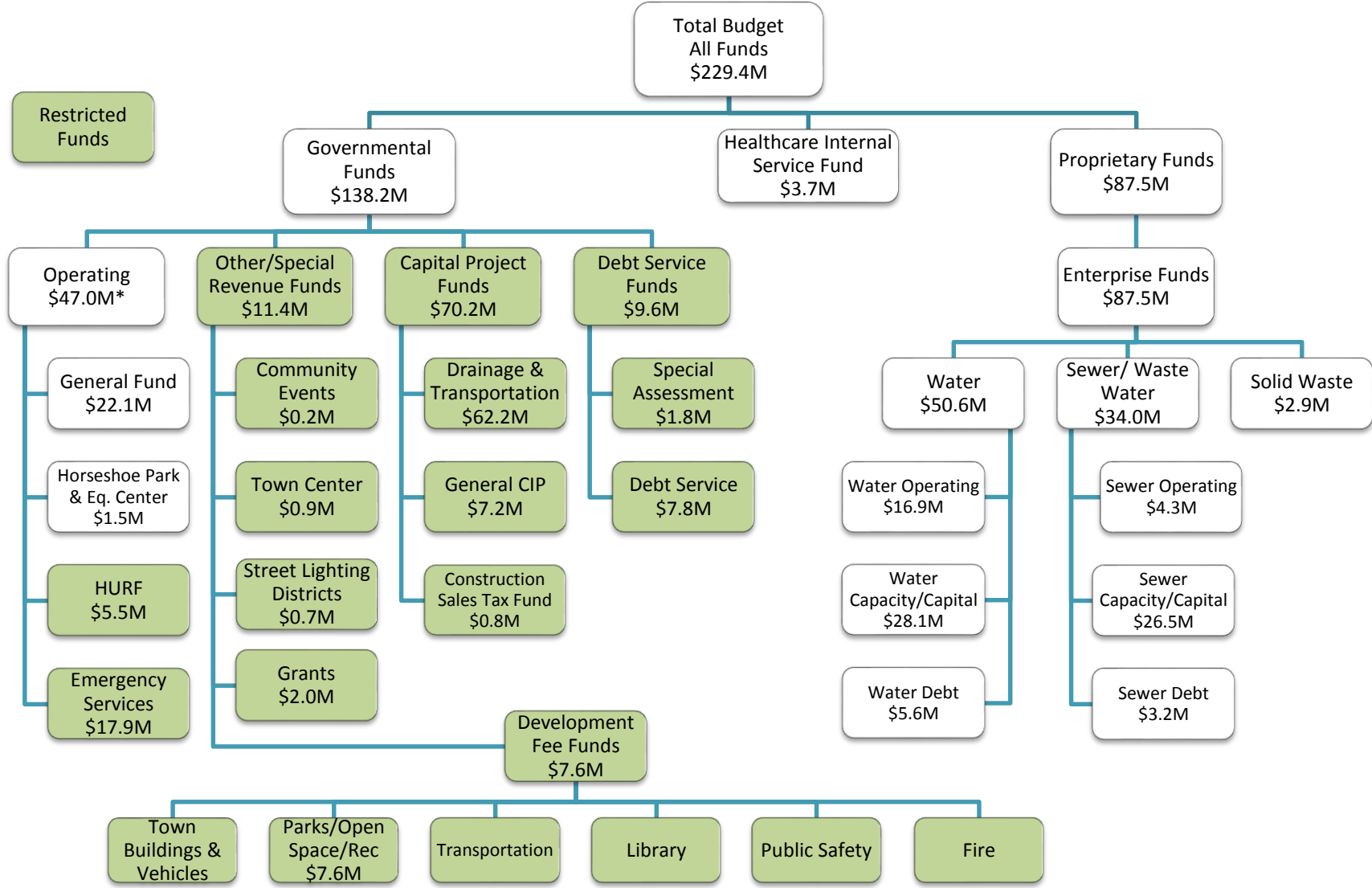
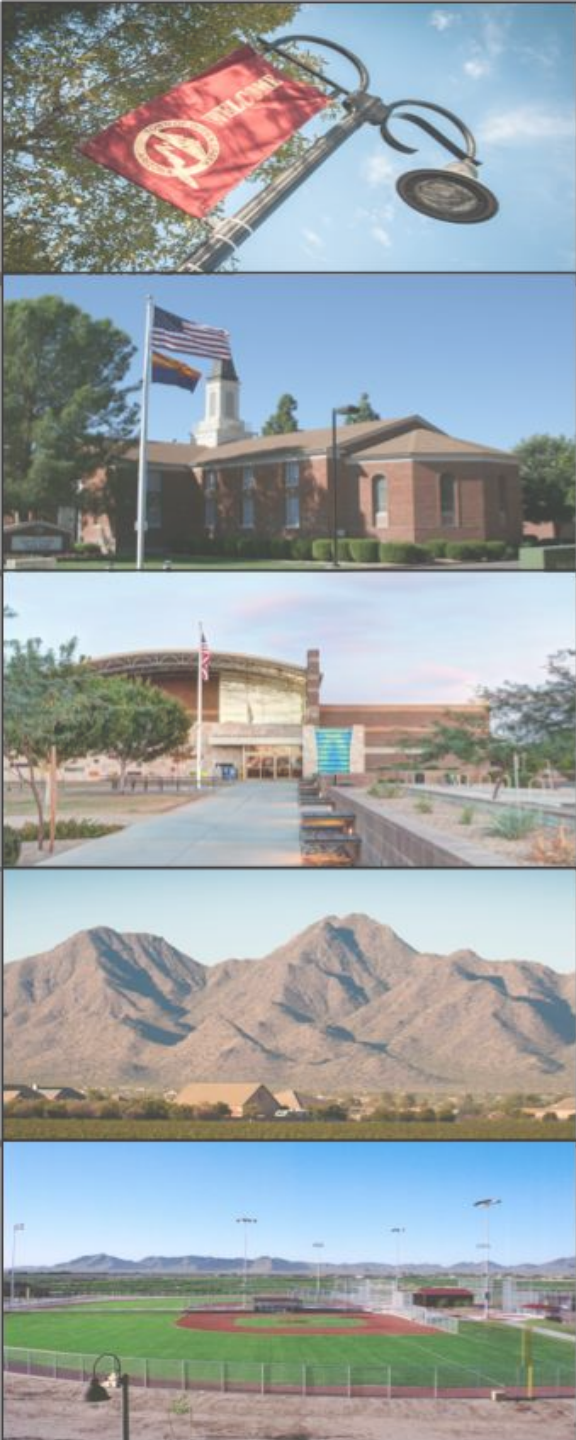
- 2016/2017 CAFR Statement of Net Position: \$443M
- FY18/19 Budget: \$229.4M (Maintains existing service levels)
 - Overall increase of 7.6%
 - Population growth 8,200 (16% increase = 10% annexations + 6% new homes)
- Driving Factors in Overall Budget and Operating Budget:
 - Infrastructure (Capital Program): \$148.9M (65%)
 - New infrastructure (Capital Program) Contingency: \$67.8M (45%)
 - Public Safety (Fire/Medical; Police): \$4M (1.7%)
 - *Create Pension reserve which reduces expenses by \$1.2m*
 - Streets, Parks, Facilities Maintenance
 - Enterprise Funds/Utilities Operations: Addresses Internal Controls & Modernization



New Financial Policy Recommendations

1. Creation of Unfunded Pension Liability Reserves
 - MCSO PSPRS System
 - \$16.5M Effective 6/30/18
 - ASRS System
 - \$4.3M Utility Funds Effective 6/30/18
 - \$20.2M Operating Budget Effective 6/30/23
2. New \$2.5M Annual Revenues for Public Safety from Town's Water and Wastewater Utilities (Franchise Fees, Property Taxes, and Return On Investment)
3. Accelerated Use of CAGR Credits
 - Customer Payments Lowered by \$900K for 13K Customers
 - Total Credits Used: \$3.1M

Budget/Fund Structure : \$229.4M



*does not include transfers - will not tie to total uses provided later in presentation

Town Manager's Recommended Budget

(IN MILLIONS)

	FY 17/18 Revised	FY 17/18 Projected	FY 18/19	\$ Change	% Change
Total Expenses	\$213.1	\$154.9	\$229.4	\$16.3	8%

	FY 17/18 Revised	FY 17/18 Projected	FY 18/19	\$ Change	% Change
Revenues	\$196.2*	\$196.2*	\$121.8	-\$74.4*	-38%*
Use of Fund Balance	<u>\$16.9</u>	<u>\$-</u>	<u>\$107.6</u>		
Total Sources	\$213.1	\$196.2	\$229.4		

*Bond Proceeds of \$75M are Included in FY 17/18 Revenues.

FY 18-19 Recommended FTE Changes



Funding Source	New FTE
Operating Budget	24.4 FTE
Utilities (Enterprise) Budget	10.0 FTE
CIP Budget	<u>1.0 FTE</u>
Total New FTE	35.4 FTE



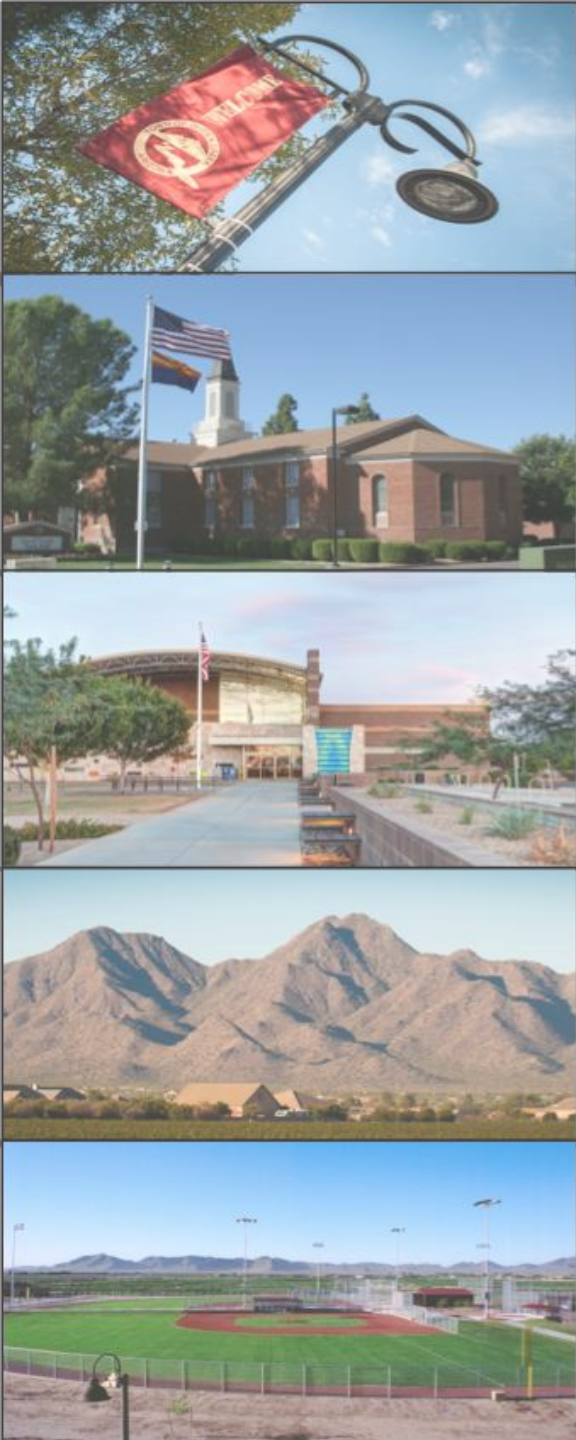
Operating Budget



Operating Budget

Consists of:

1. General Fund
2. Emergency Management Services Fund (EMS)
3. Highway User Revenue Fund (HURF / Gas Tax)
4. Horseshoe Park and Equestrian Center Fund (HPEC)



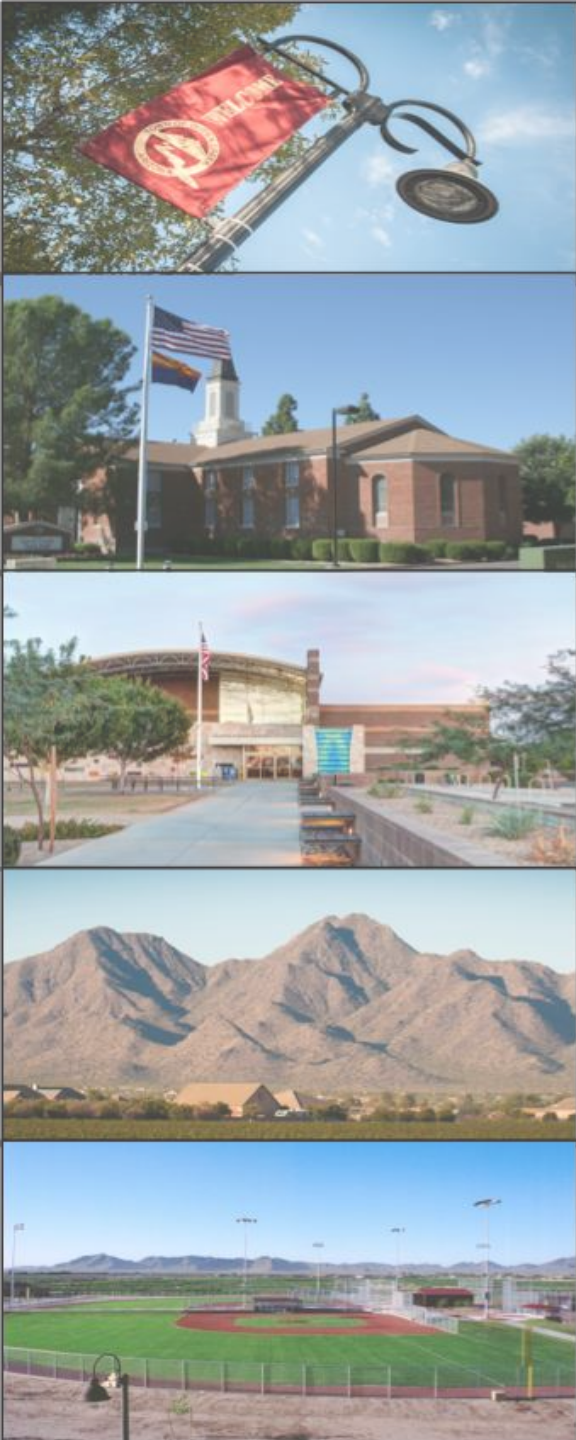
Long-Term Objectives

1. Fully Fund 10-Year \$195M Transportation Plan by Using \$6.5M Placeholder

Responsible Party	Project Cost	%
Town (\$55M Bond and PAY-AS-YOU-GO)	\$102M	52%
Developer/Other Governments	<u>\$93M</u>	<u>48%</u>
Total	\$195M	100%

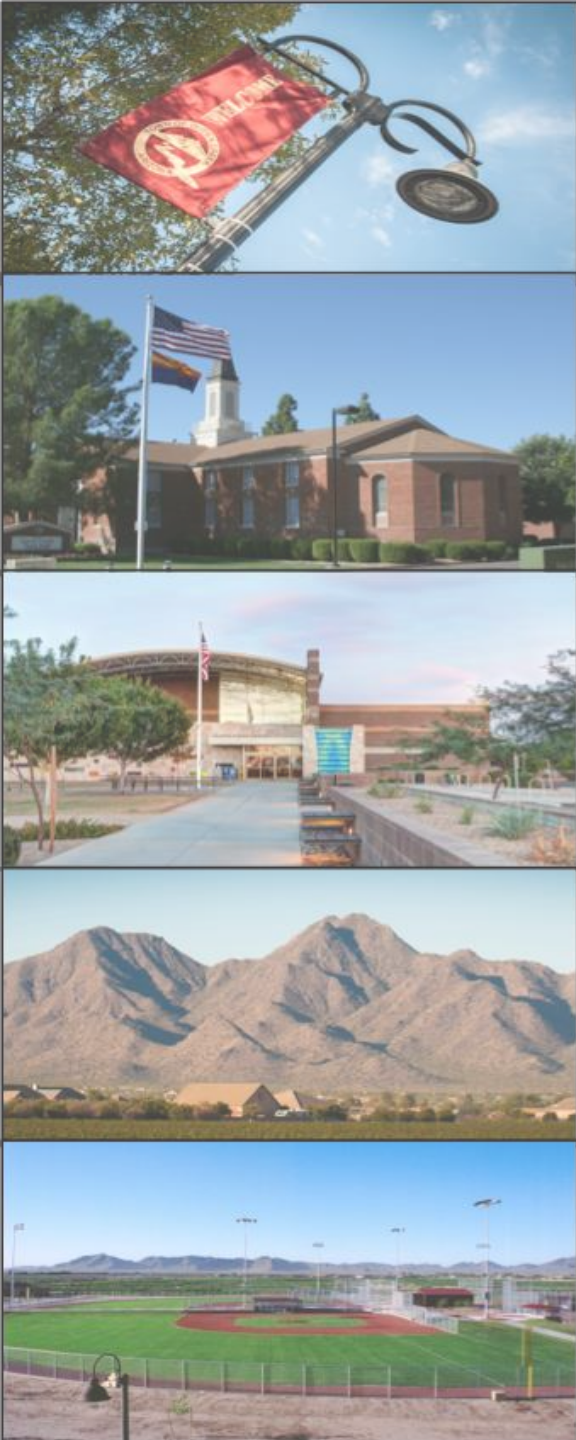
2. Fund Increased Public Safety and Fire Staffing

- Increased Fire Staffing
 - 2 New Stations Within Next 5 Years
- Increased MSCO Staffing
 - 2 Additional Staffing Beats Within Next 5 Years

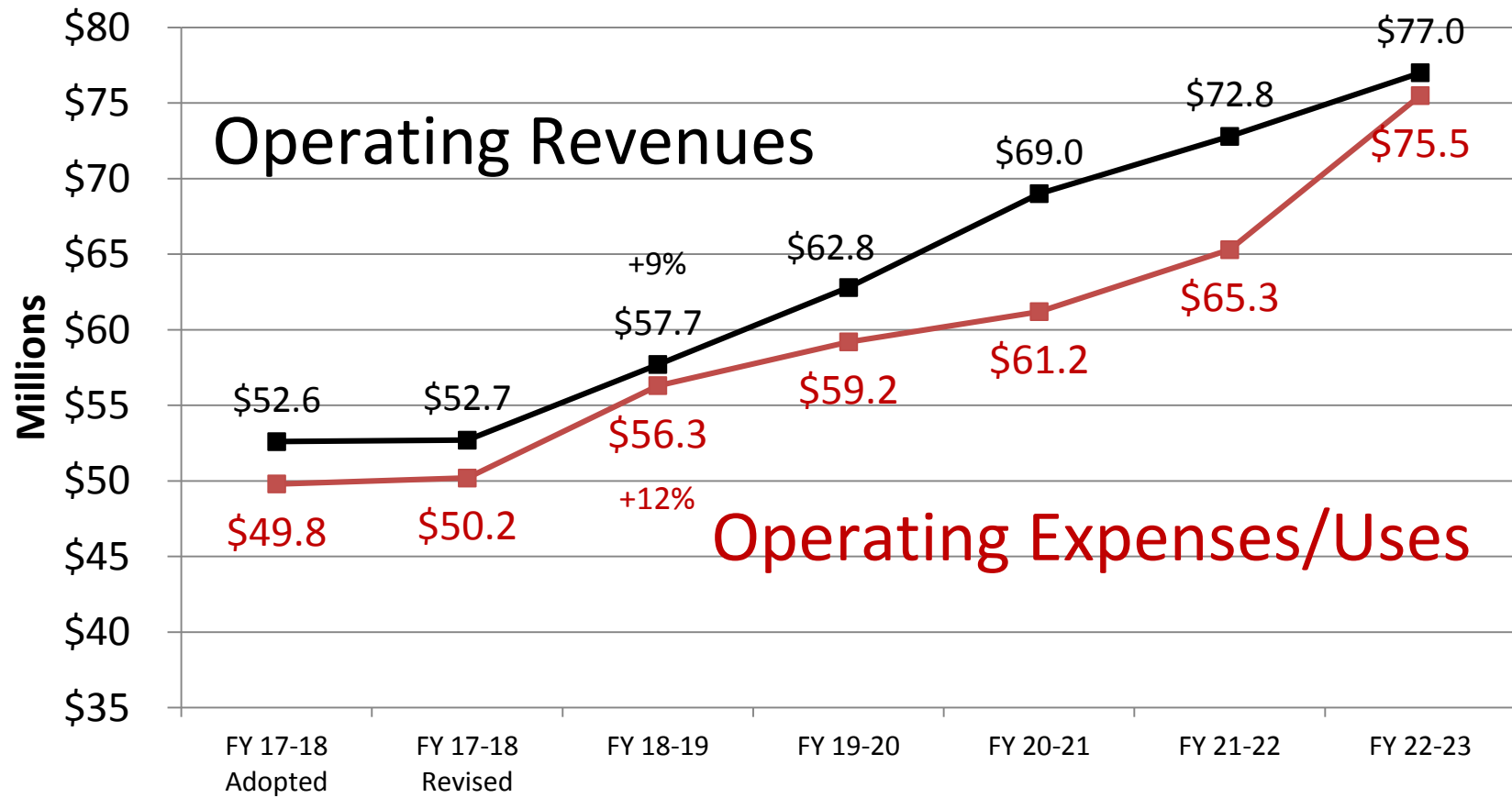


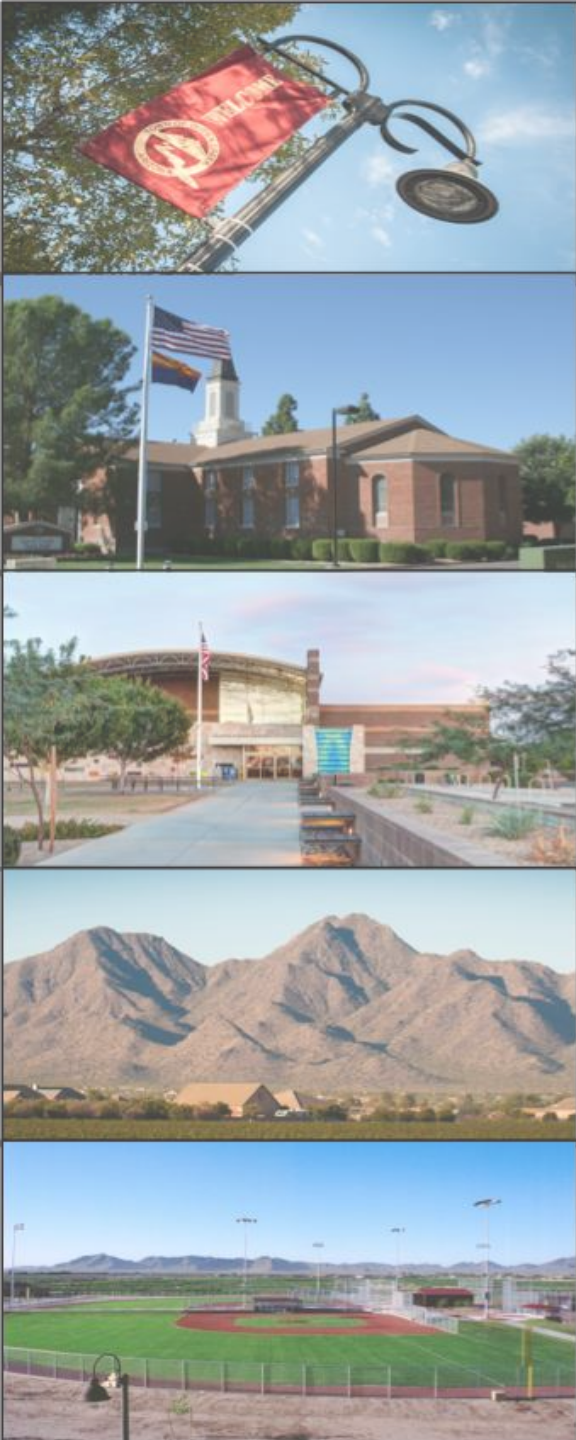
Long-Term Objectives (CONCLUDED)

3. Fund \$3.4M Non-Growth Share of Public Safety Facility Costs Over Planning Period
 - MCSO: \$0.2M
 - Fire: \$3.2M
4. Eliminate Reliance on Construction Sales Tax Revenues Over Planning Period
 - Possible Options – one time monies for one time expenditures
 - Parks Master Plan Funding
 - Other Infrastructure
 - Eliminate / Reduce Tax



Operating Budget Projection





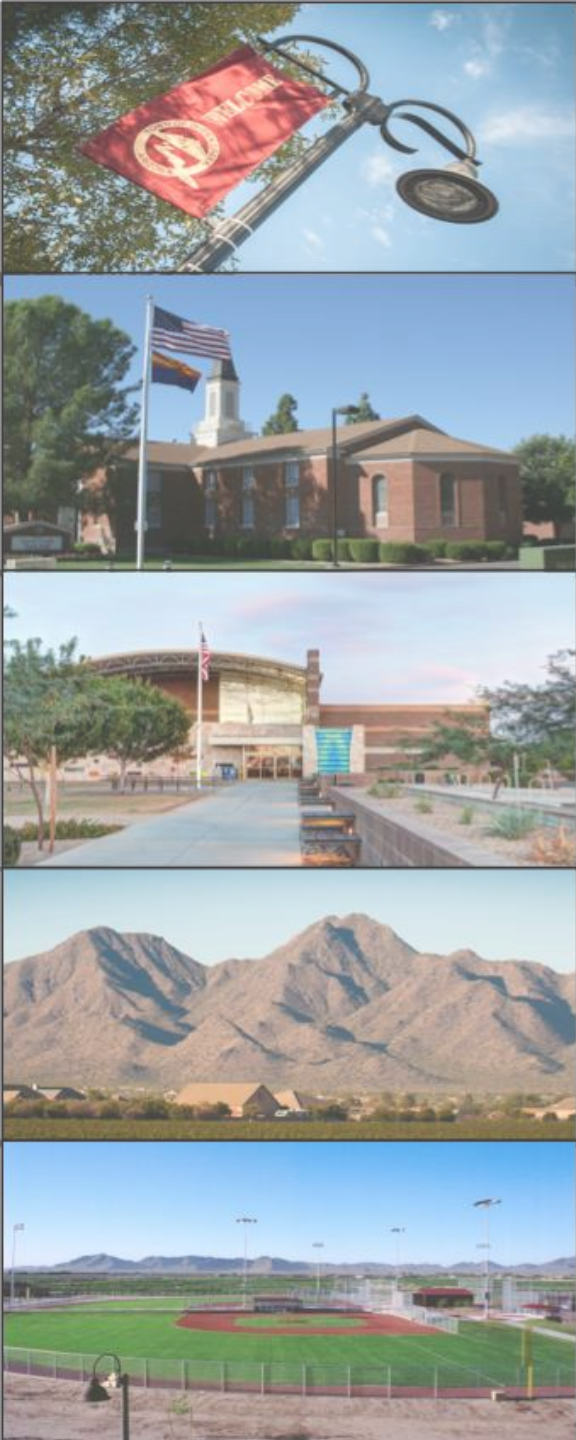
FY 18-19 OPERATING BUDGET

(IN MILLIONS)

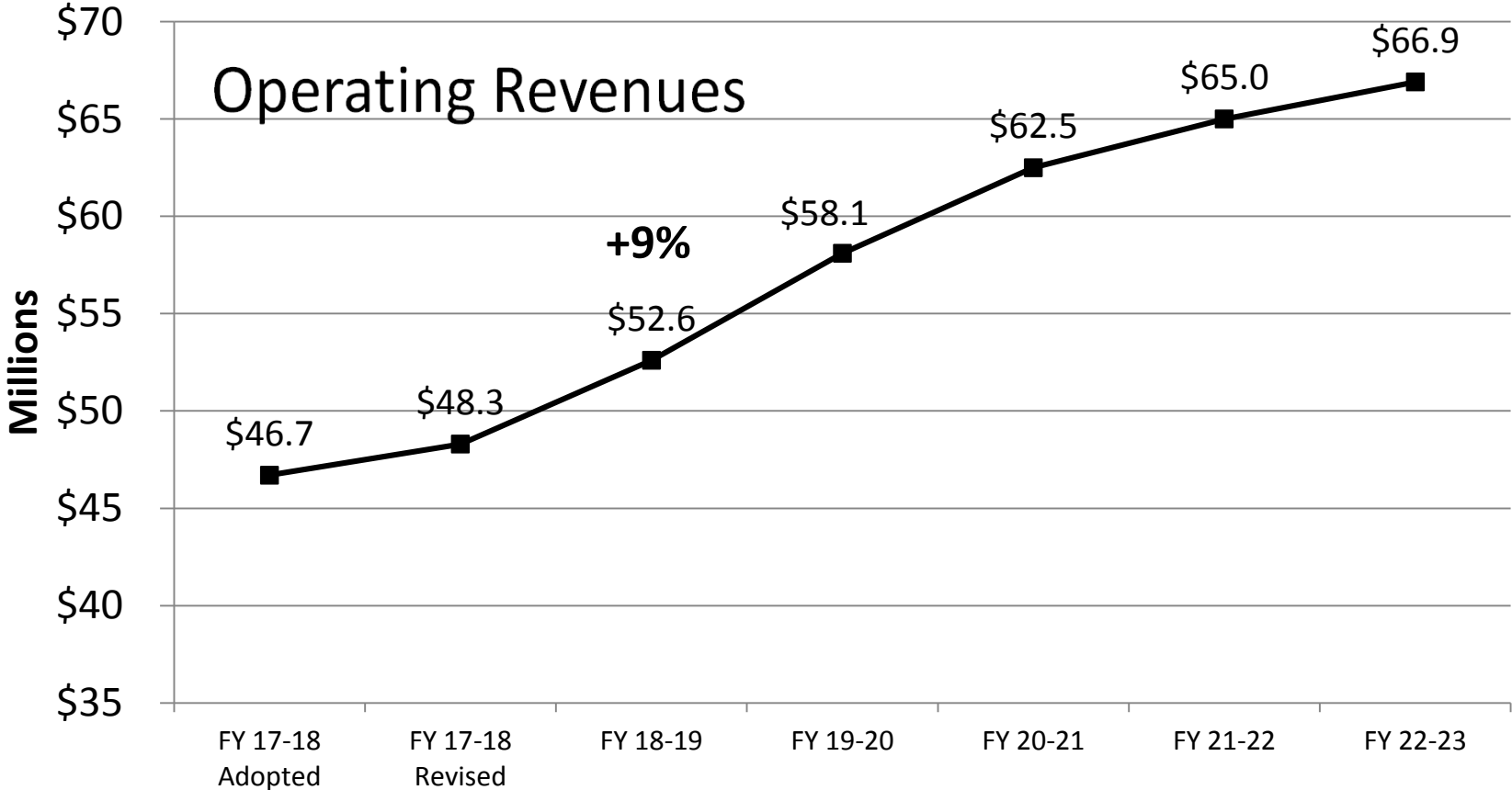
	Recommended Budget
Sources (Revenues)	\$57.7
Uses (Expenses)	\$56.3
Uses (Fund Increased Reserves)	<u>\$1.0</u>
Net Annual	<u>\$0.4</u>
<u>Ending Fund Balance</u>	
25% Reserve Requirement	\$15.4
MCSO Unfunded Liability Pension Reserve	\$16.2
Available for Allocation	<u>\$0.7</u>
Total	<u>\$32.3</u>



Operating Budget – Revenues



Operating Budget Projection - Revenues



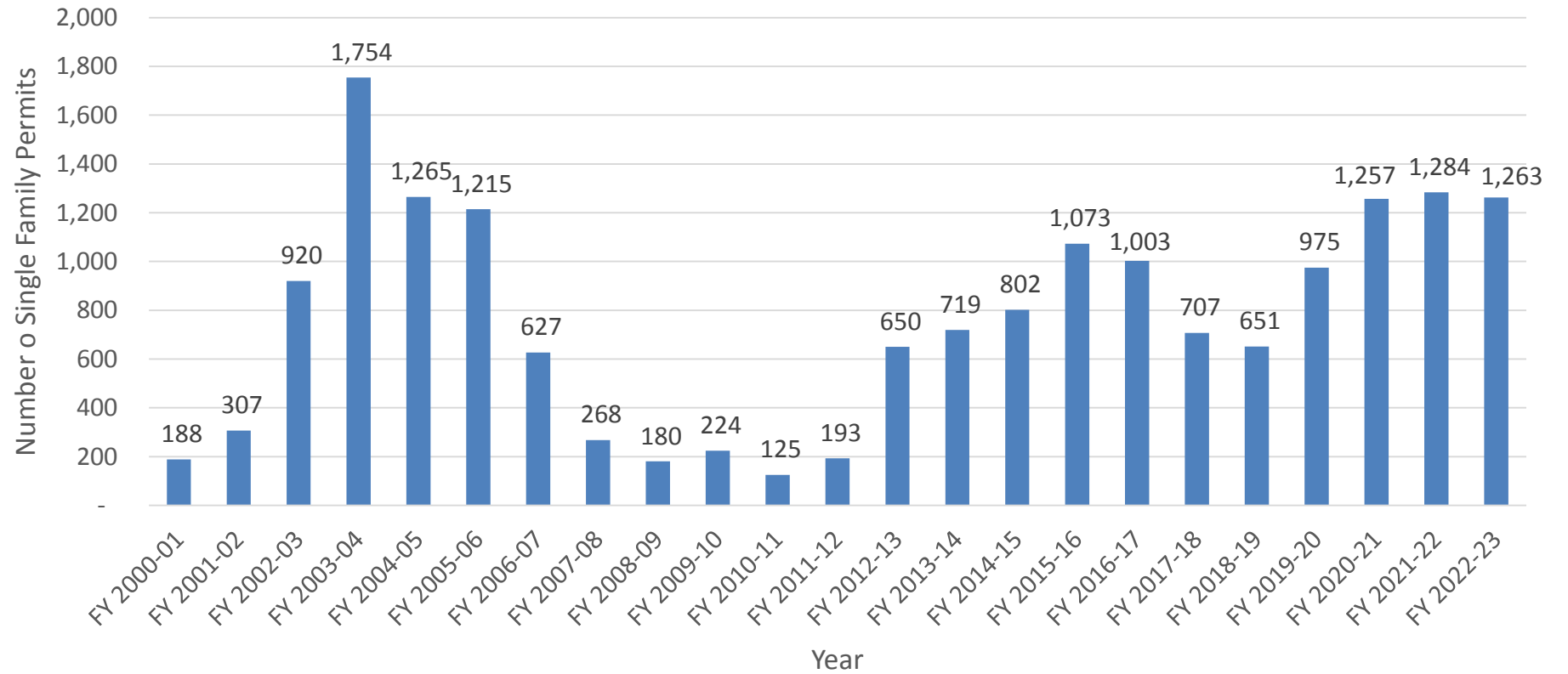


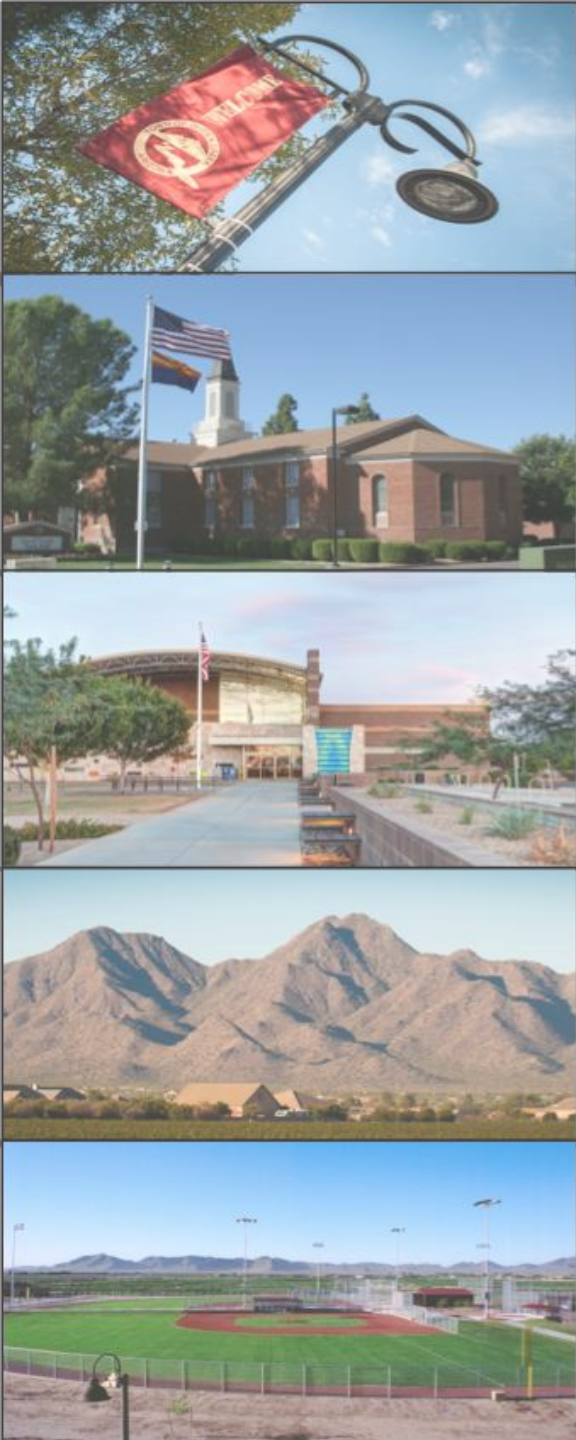
Operating Revenue Highlights

1. Steady Population Growth Continues
 - Annexation (+5K Population)
 - Increased Consumer Spending
2. Sales Tax Revenues Remain Strong
 - #3 Median Household Income in Maricopa County (\$95,712)
 - Increased Sales from Existing Stores and Restaurants
 - New Sales in New Stores and Restaurants

New Housing Starts

Fluctuations from FY 2016-17 through FY 2020-21 reflect availability of new housing products (not the economy).

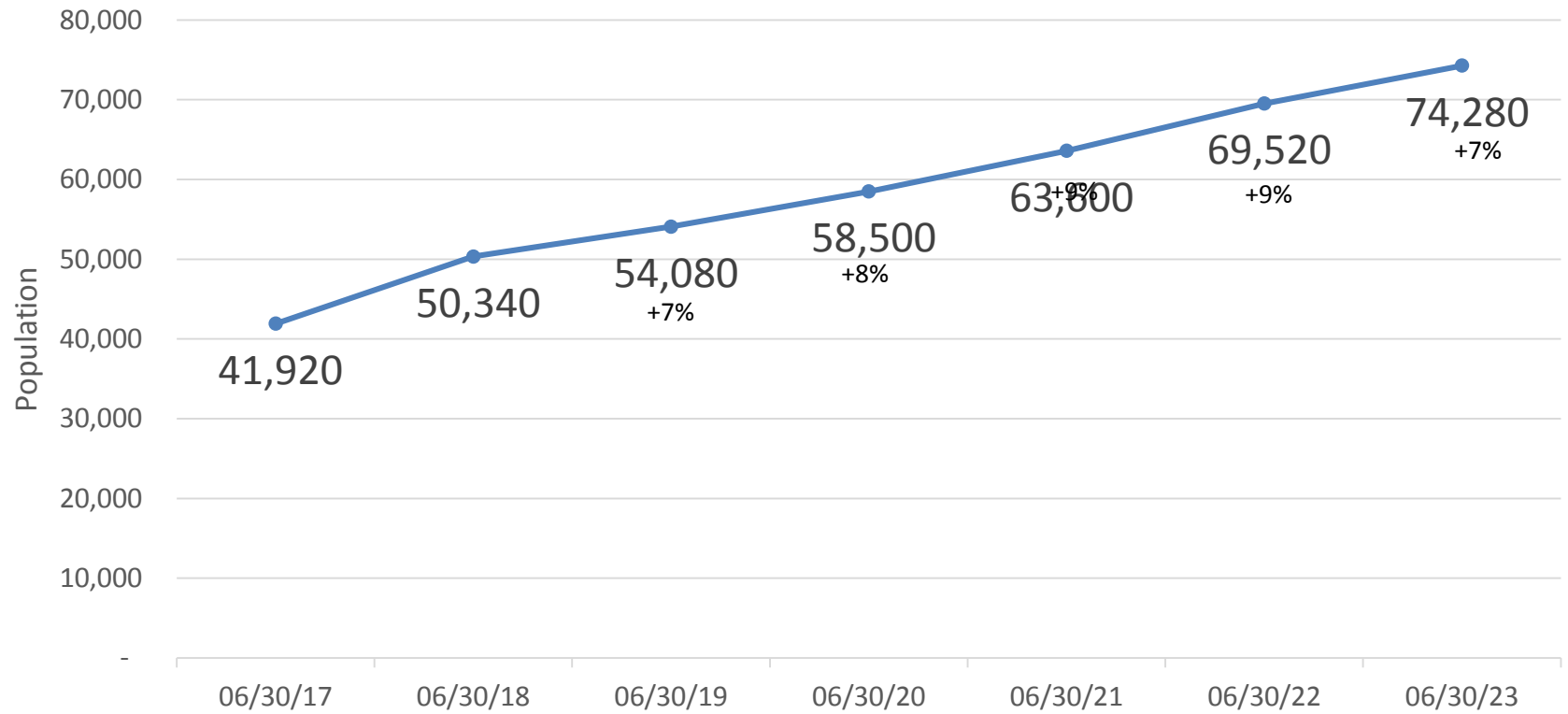




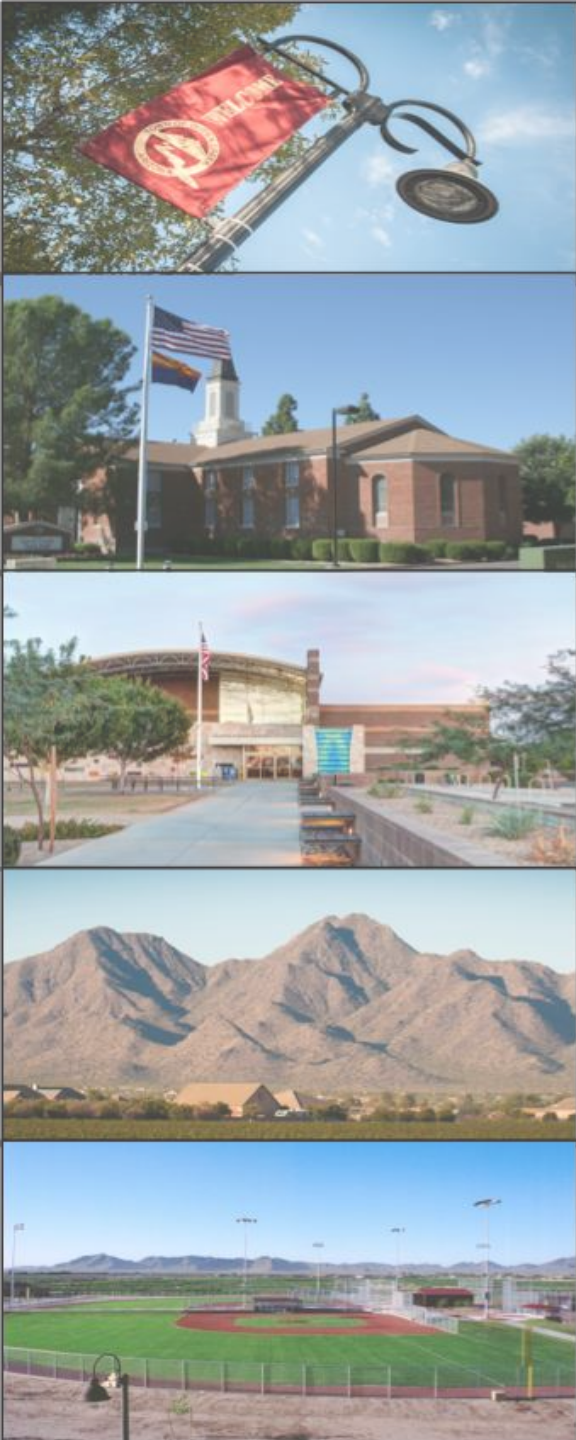
5-Year Population Projection

77% Population Increase in 5 Years (+33K)

Build Out Population: 110K



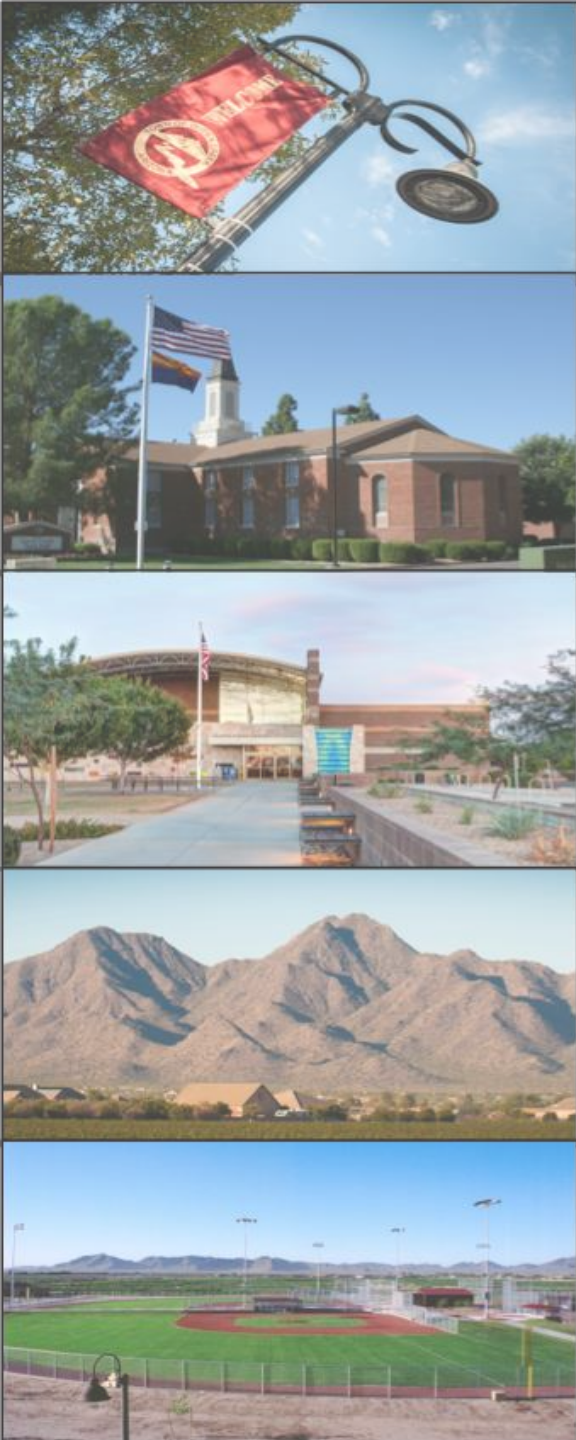
6/30/18 Includes Recent Ironwood Annexation, +5K



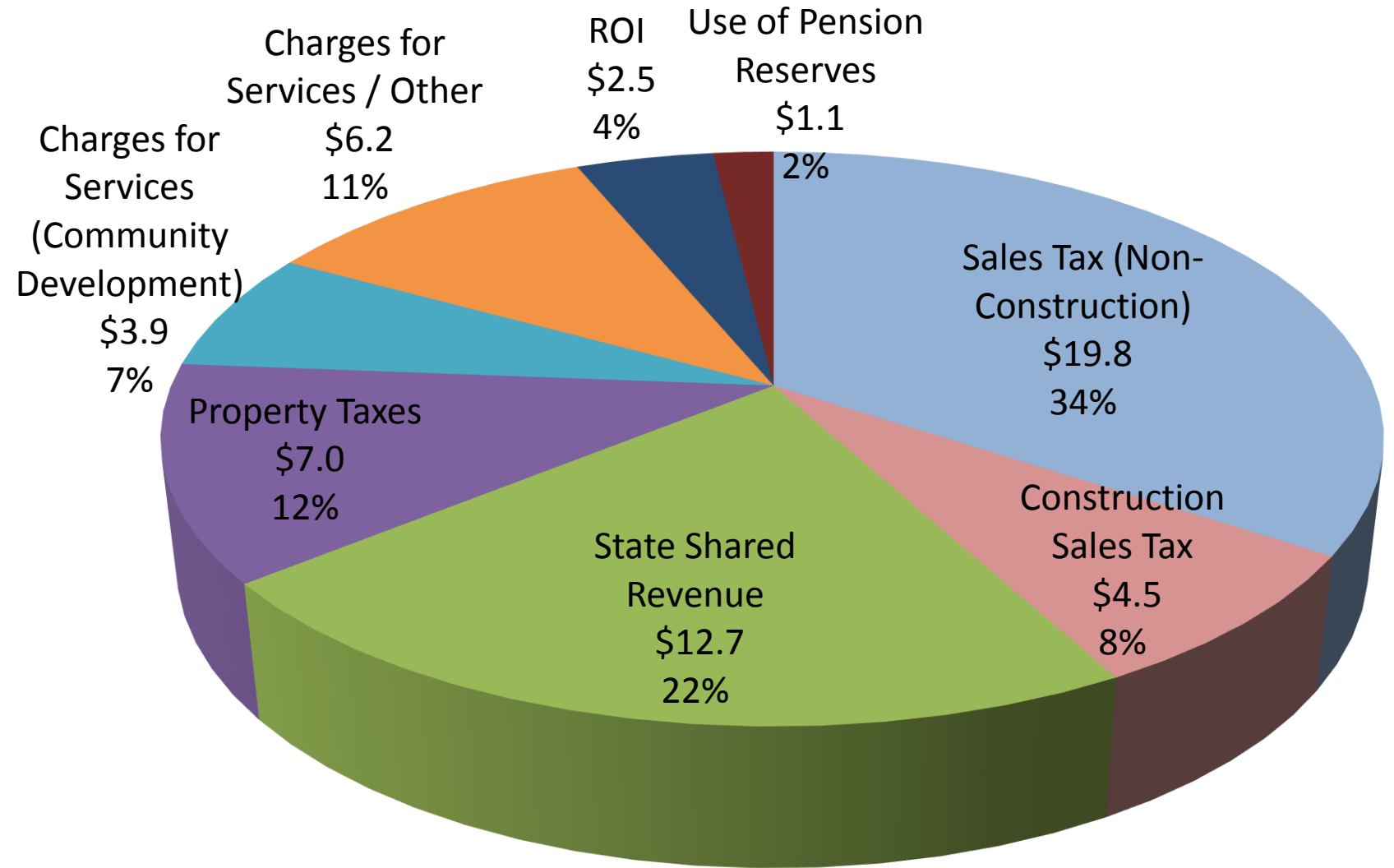
Operating Revenue Highlights

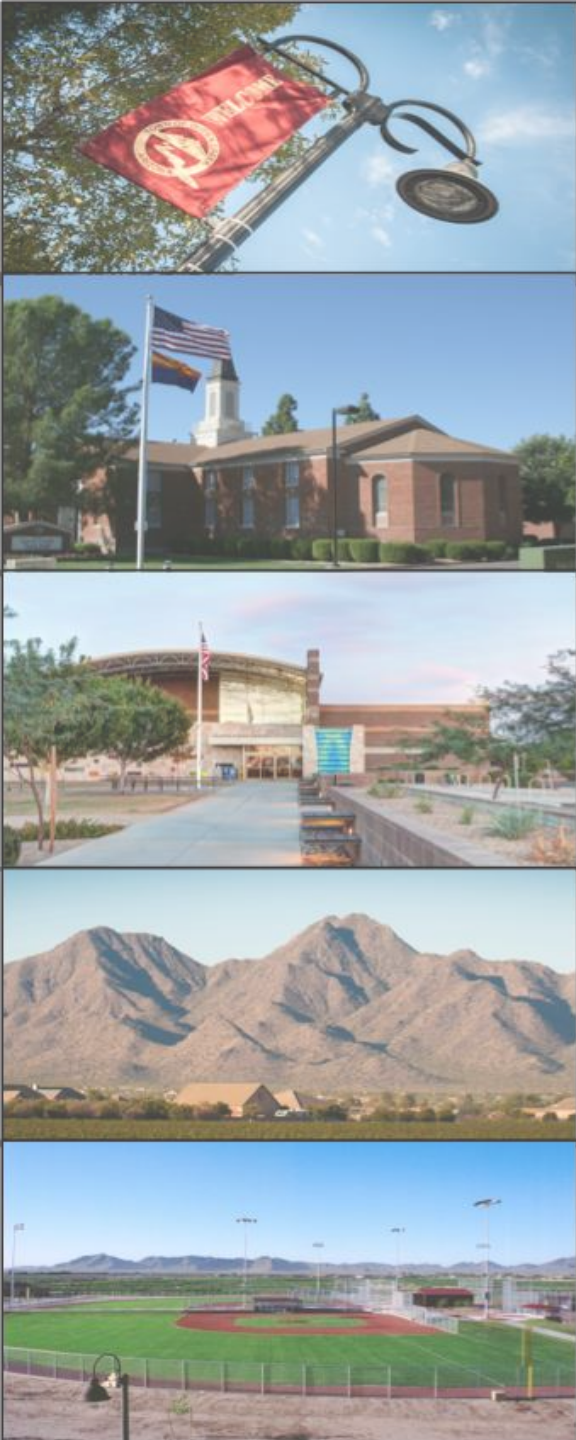
(CONCLUDED)

3. Aggregate Property Assessed Values Continue to Increase (12%)
 - Aggregate Appreciation (5%)
 - Aggregate New Construction (7%)
4. New \$2.5M Annual Revenues from Town's Water and Wastewater Utilities (Franchise Fees, Property Taxes, and Return On Investment)



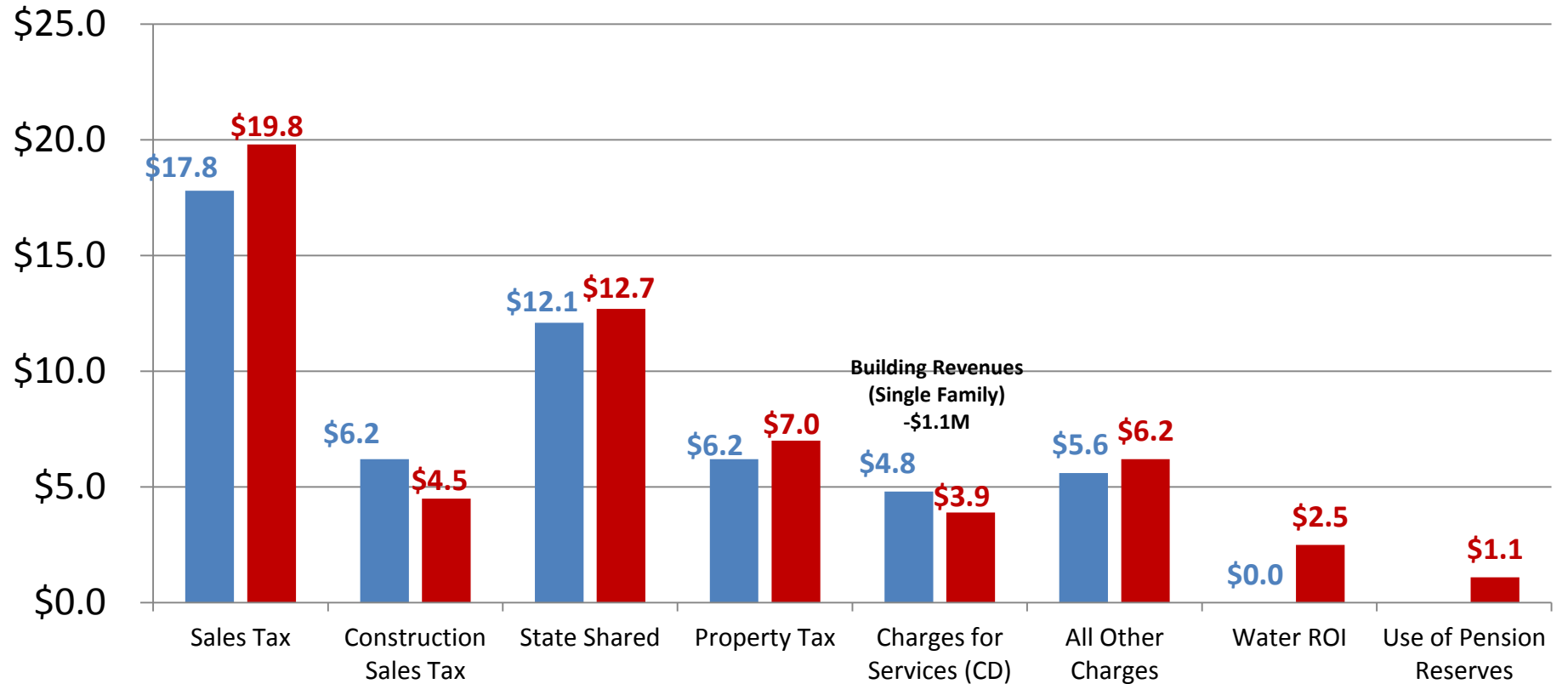
FY 18-19 Operating Revenues: \$57.7M

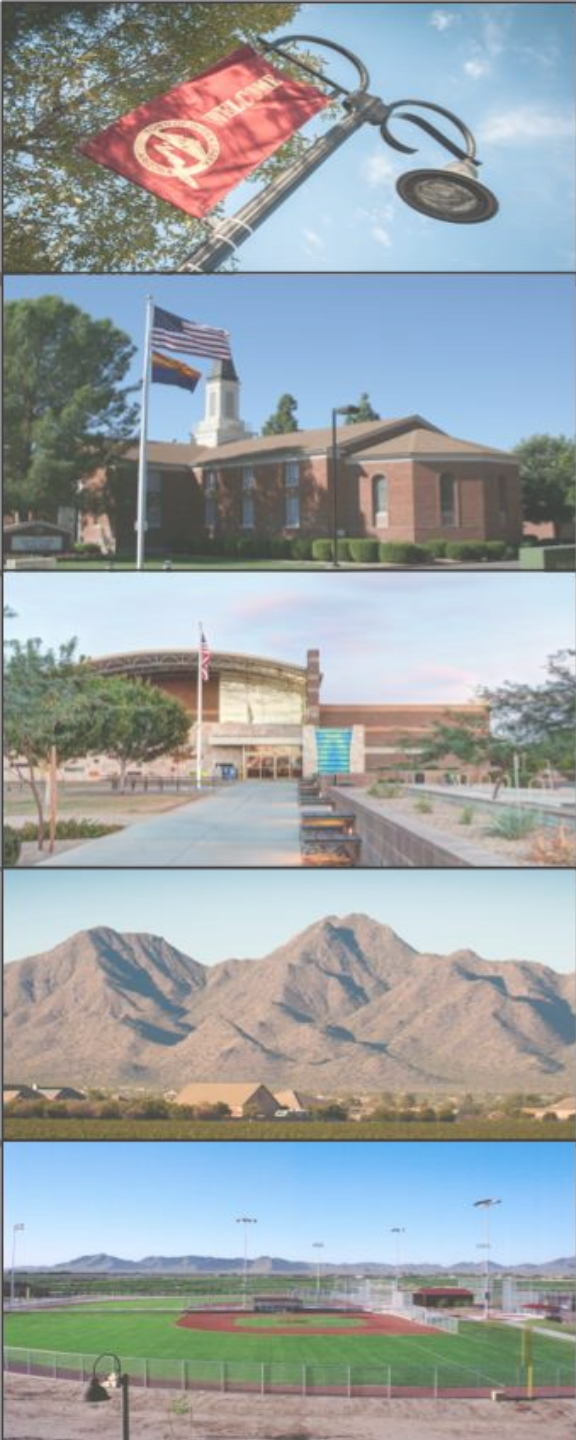




OPERATING REVENUE GROWTH: +\$3.8M (+9%)

\$52.7M FY 17-18 Revised to \$57.7M FY18-19 Forecast

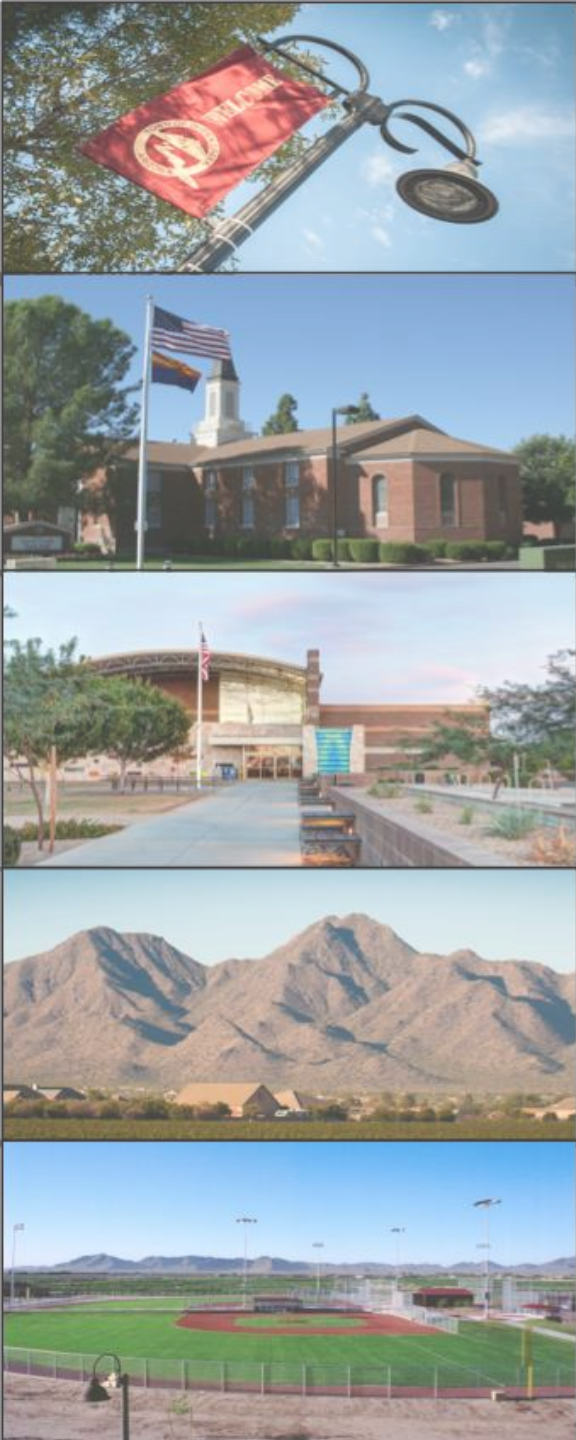




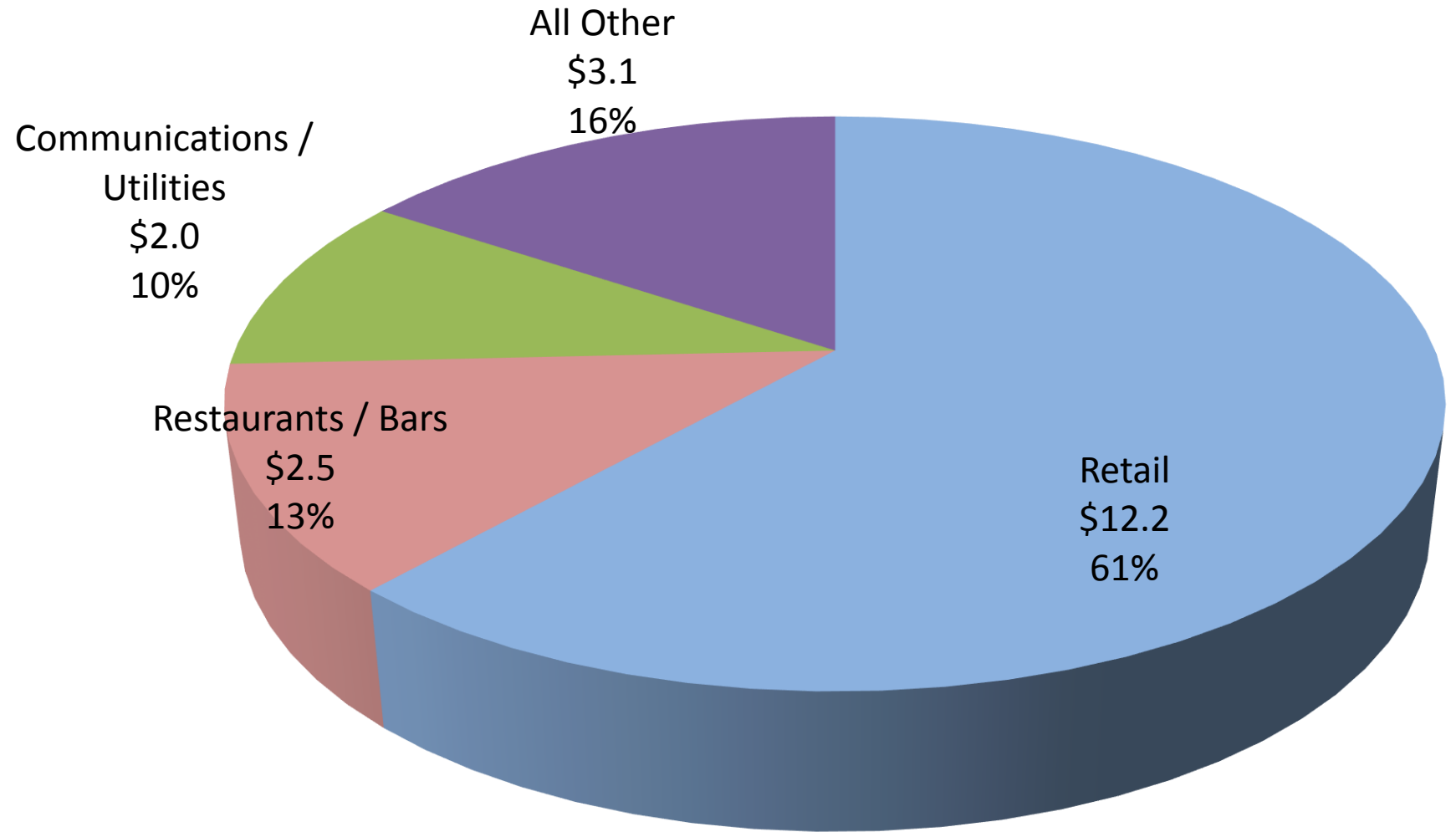
FY 18-19 Operating Revenues

(IN MILLIONS)

Category	FY 17-18 Revised	FY 18-19	\$ Change	% Change
Sales Tax (Non-Construction)	\$17.8	\$19.8	\$2.0	11%
Construction Sales Tax	\$6.2	\$4.5	-\$1.7	-27%
State Shared Revenues	\$12.1	\$12.7	\$0.6	5%
Property Taxes	\$6.2	\$7.0	\$0.8	12%
Charges for Services (Community Development)	\$4.8	\$3.9	-\$1.1	-19%
Charges for Services / Other	\$5.6	\$6.2	\$0.6	11%
Water ROI	\$ -	\$2.5	\$2.5	
Use of Pension Reserves (MCSO)	<u>\$ -</u>	<u>\$1.1</u>	<u>\$1.1</u>	
Total	<u>\$52.7</u>	<u>\$57.7</u>	<u>\$3.8</u>	<u>9%</u>



FY 18-19 SALES TAX: \$19.8M



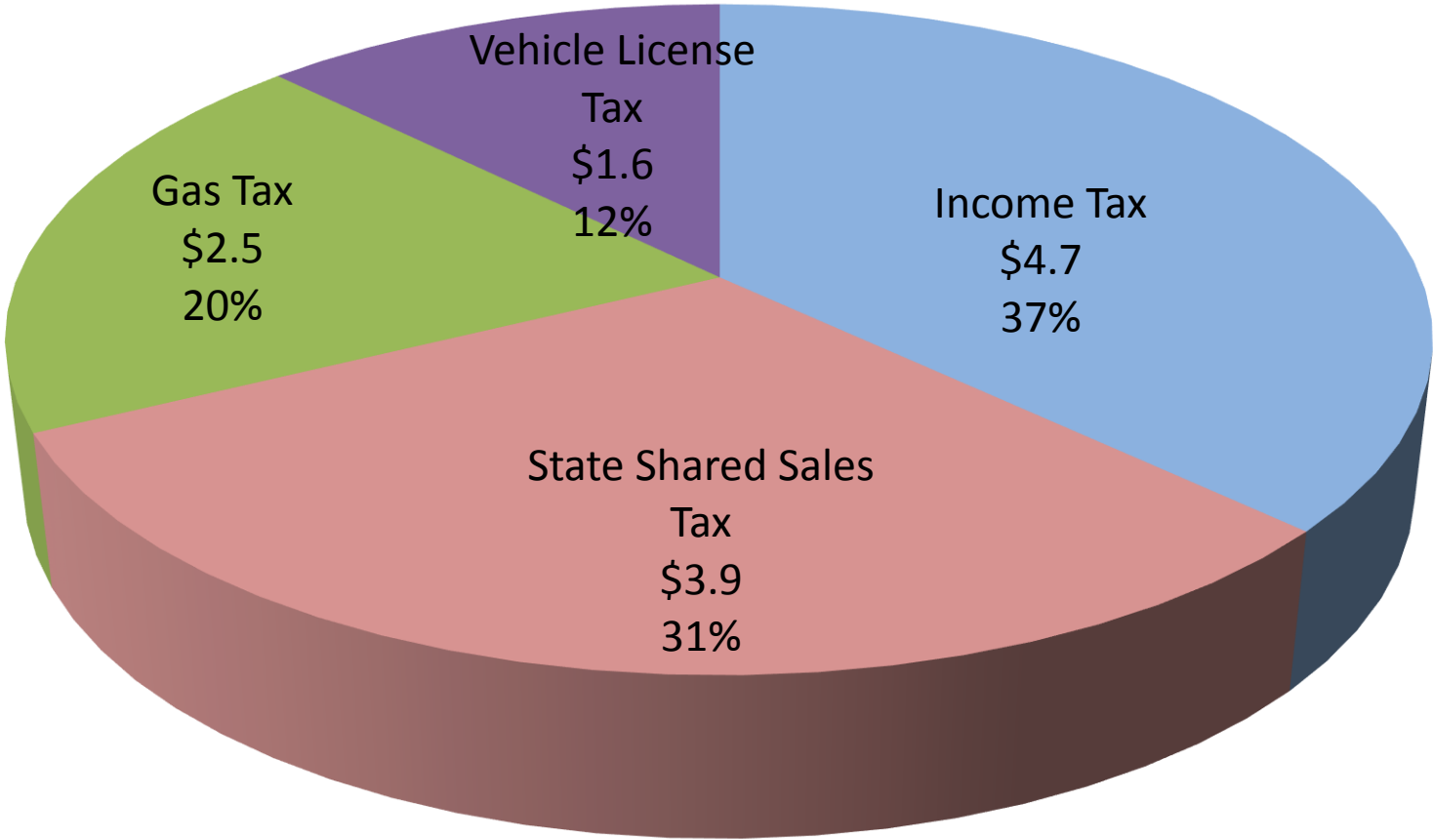
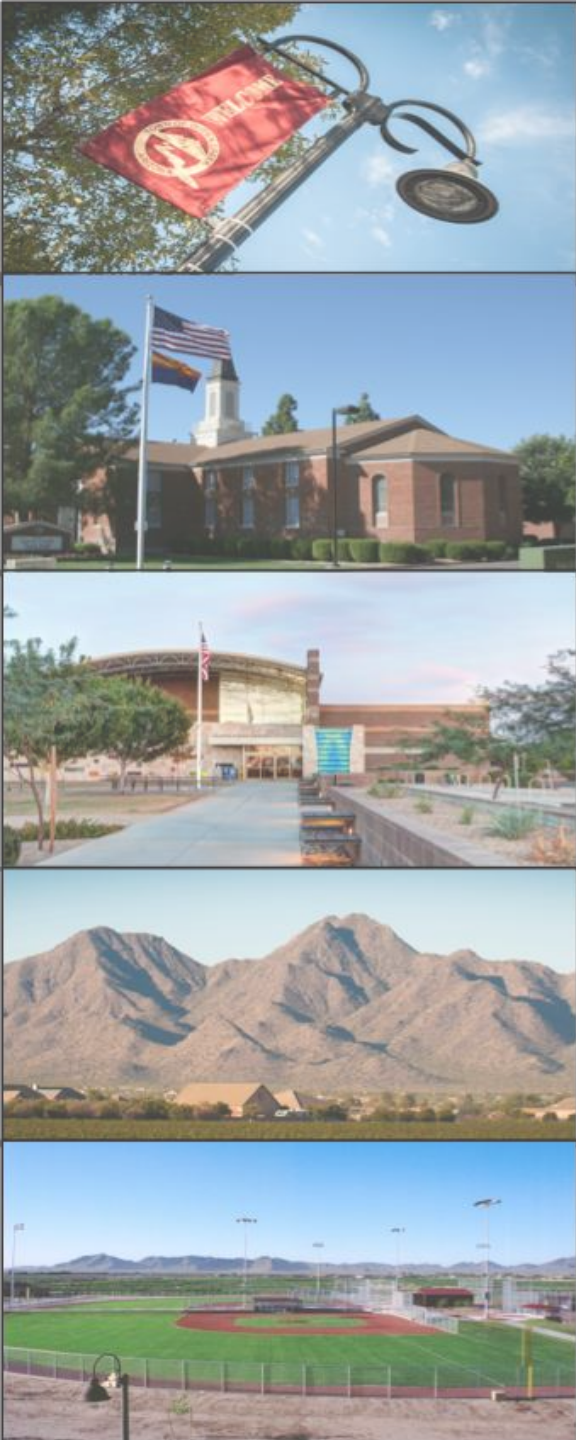
FY 18-19 Sales Tax

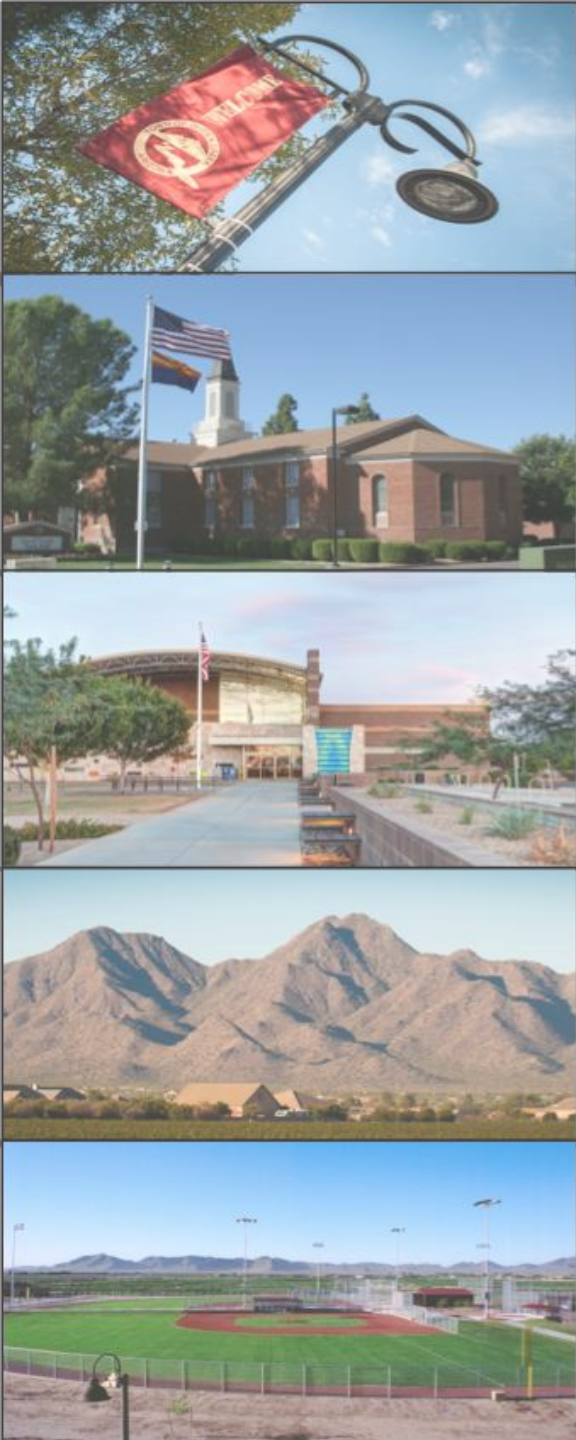
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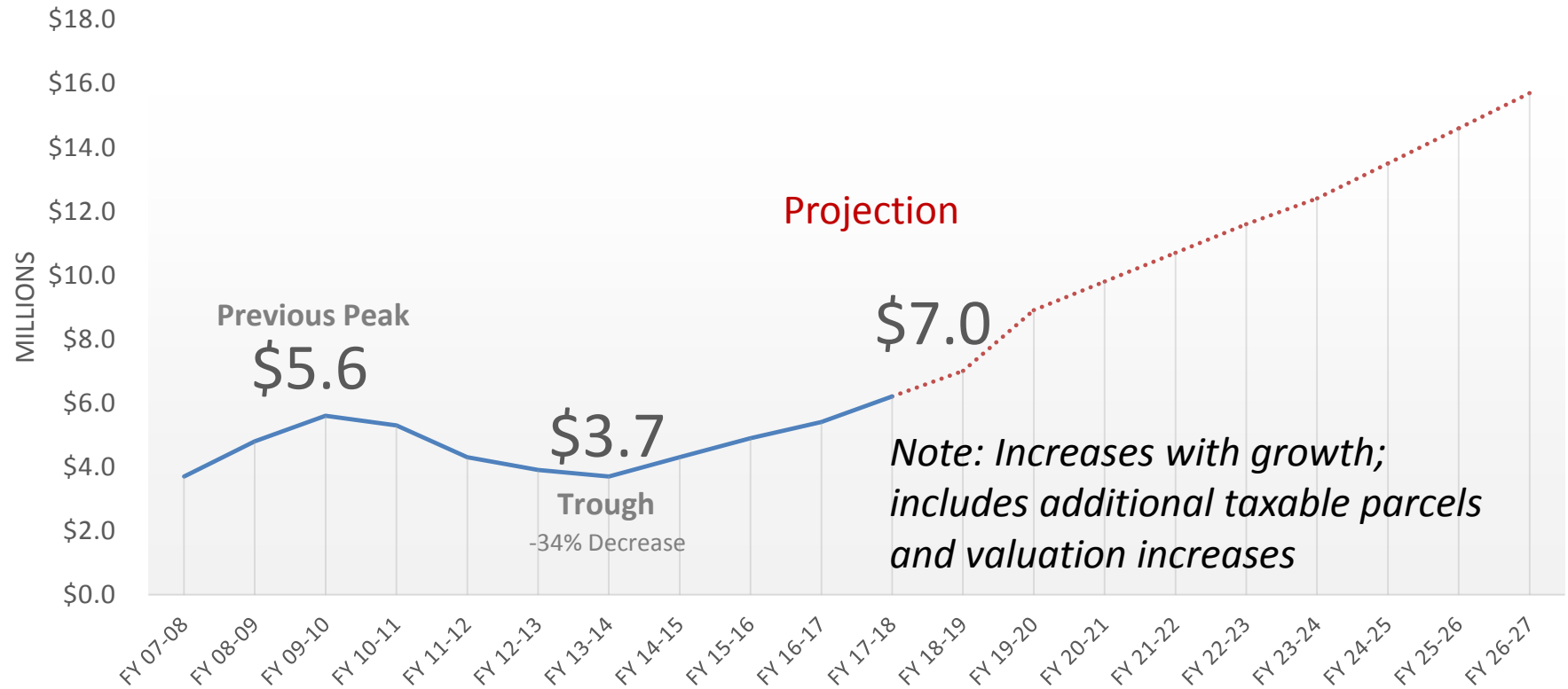
Category	FY 17-18 Revised	FY 18-19	\$ Change	% Change
Retail	\$10.6	\$12.2	\$1.6	15%
Restaurants/Bars	\$2.4	\$2.5	\$0.1	7%
Communications/Utilities	\$1.8	\$2.0	\$0.2	10%
All Others	<u>\$3.0</u>	<u>\$3.1</u>	<u>\$0.1</u>	<u>3%</u>
Total	<u>\$17.8</u>	<u>\$19.8</u>	<u>\$2.0</u>	<u>11%</u>

FY 18-19 STATE SHARED REVENUE: \$12.7M





Property Tax Revenues @ \$1.95 per \$100 AV





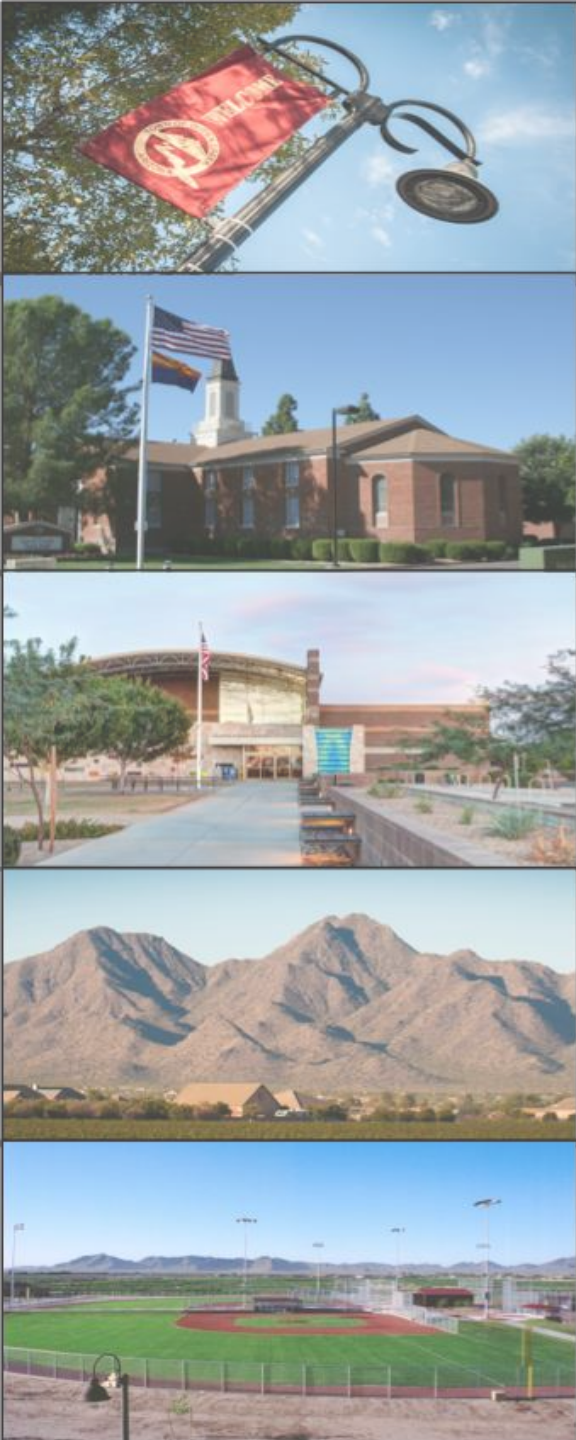
Operating Budget – Expenses

Expenses

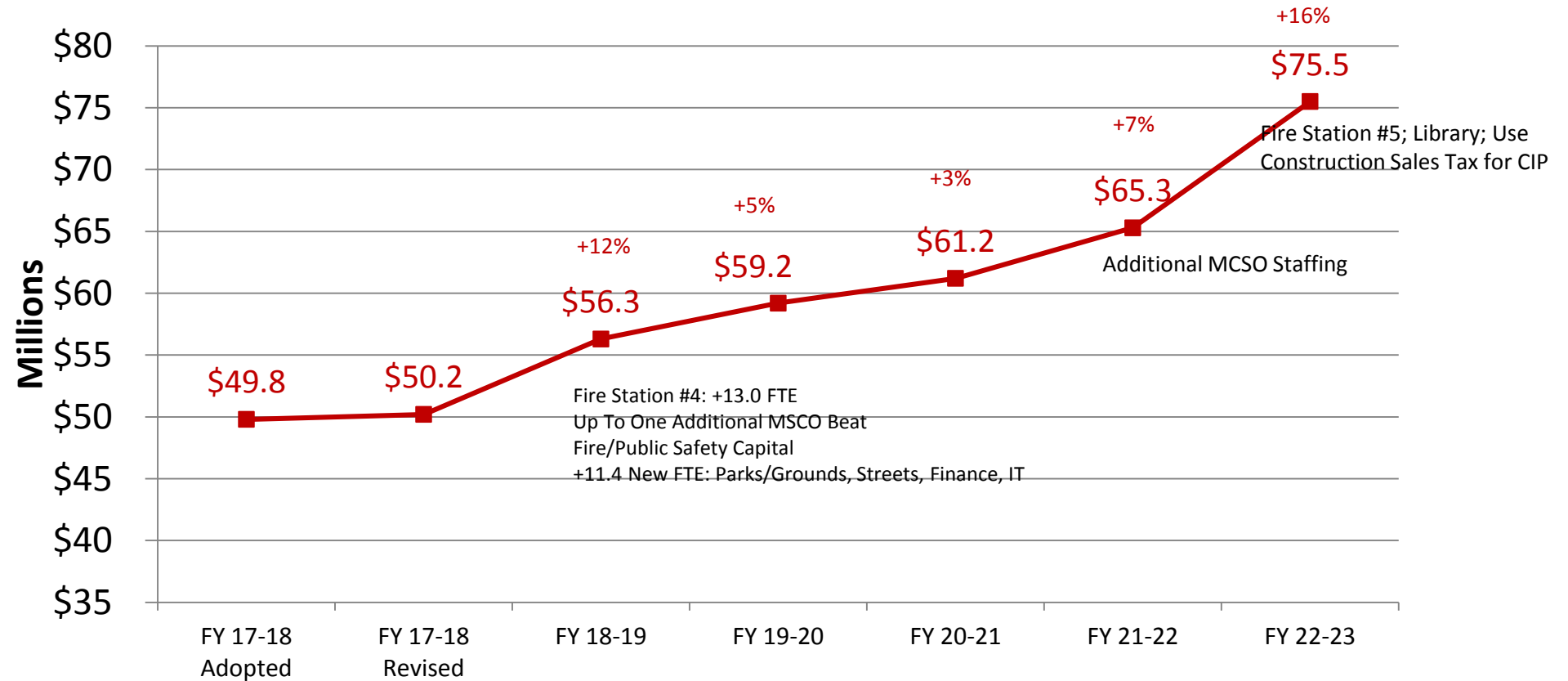
Objectives

- Prioritize the Needs of a Growing Community
 - 50K Population Today
 - 74K Population in 5 Years (+77%)
- Ensure Long-Term Sustainability of Additions to Budget (i.e. Staffing Increases)





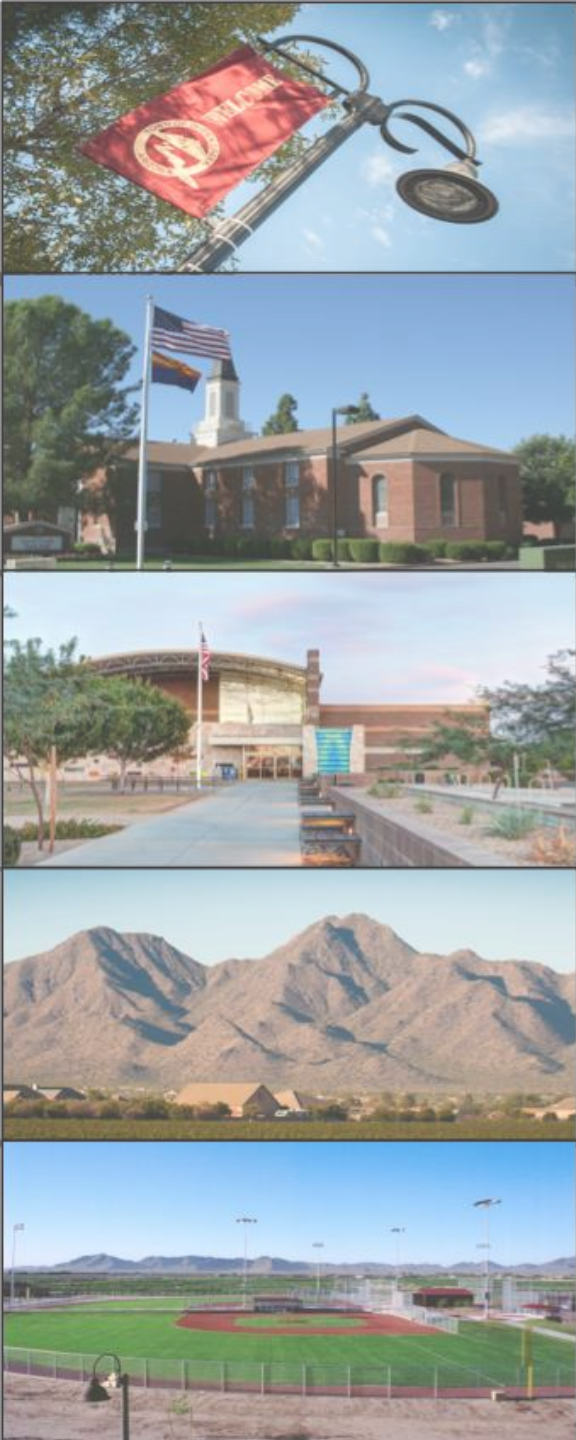
Operating Budget Projection - Expenses





Expense Highlights

1. 10-Year \$195M Transportation Plan Fully Funded By Using \$6.5M Placeholder
 - \$2.6M Debt Service Payment (\$55M Bond Issue)
 - \$3.9M Pay-As-You-Go Annual Funding



Expense Highlights (CONTINUED)

2. Public Safety Expense Increasing \$4.1M

- \$1.3M Placeholder for Increase for Patrol/Community Services/Traffic Unit
 - \$1.2M for Staffing (5 Deputies, 1 Sergeant)
 - \$0.1M for Vehicles and Equipment (51% Non Growth Share)
 - Recommending proceeding with 2 patrol deputies – starting June 2018. Evaluate performance over next 6 months.
- \$2.8M Expense Increase for New, Northeast Fire Station and Staffing
 - \$1.5M for Staffing (12 Firefighters, 1 Assistant Chief)
 - \$1.3M for Building / Truck (18% Non Growth Share)



Expense Highlights (CONTINUED)

3. \$1.2M Expense Reduction from MCSO Contract for Unfunded Pension Liability
 - \$16.5M Reserve Created
4. \$338K Expense Reduction for Ellsworth Loop Road Improvement District Debt Service Payment (Moved to Town Center Fund)

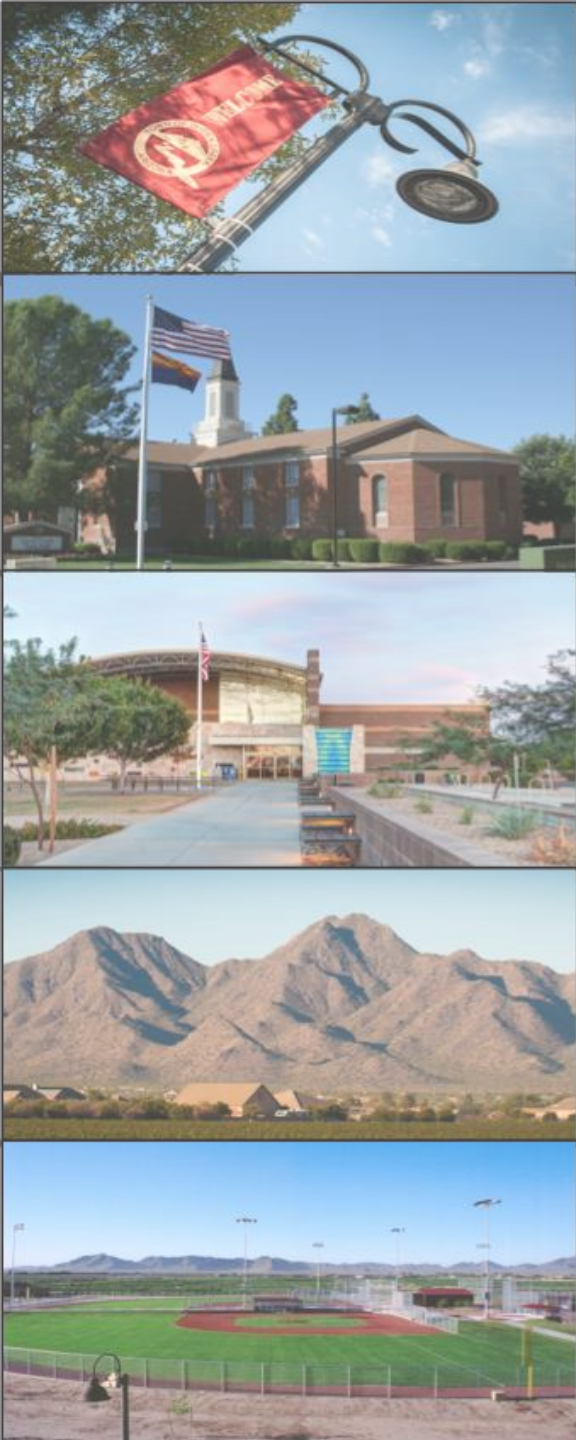


Expense Highlights (CONCLUDED)

5. Staffing Increases to Maintain Service Levels (Excluding Fire)

- 11.4 FTEs: \$0.9M
 - Public Works: 9.4 FTEs (5.4 FTE for Mansel Carter Park; 2.0 FTE for 145 New Lane Miles)
 - Finance: 1.0 FTE
 - Information Technology: 1.0 FTE

FY 18-19 NEW POSITION FTEs



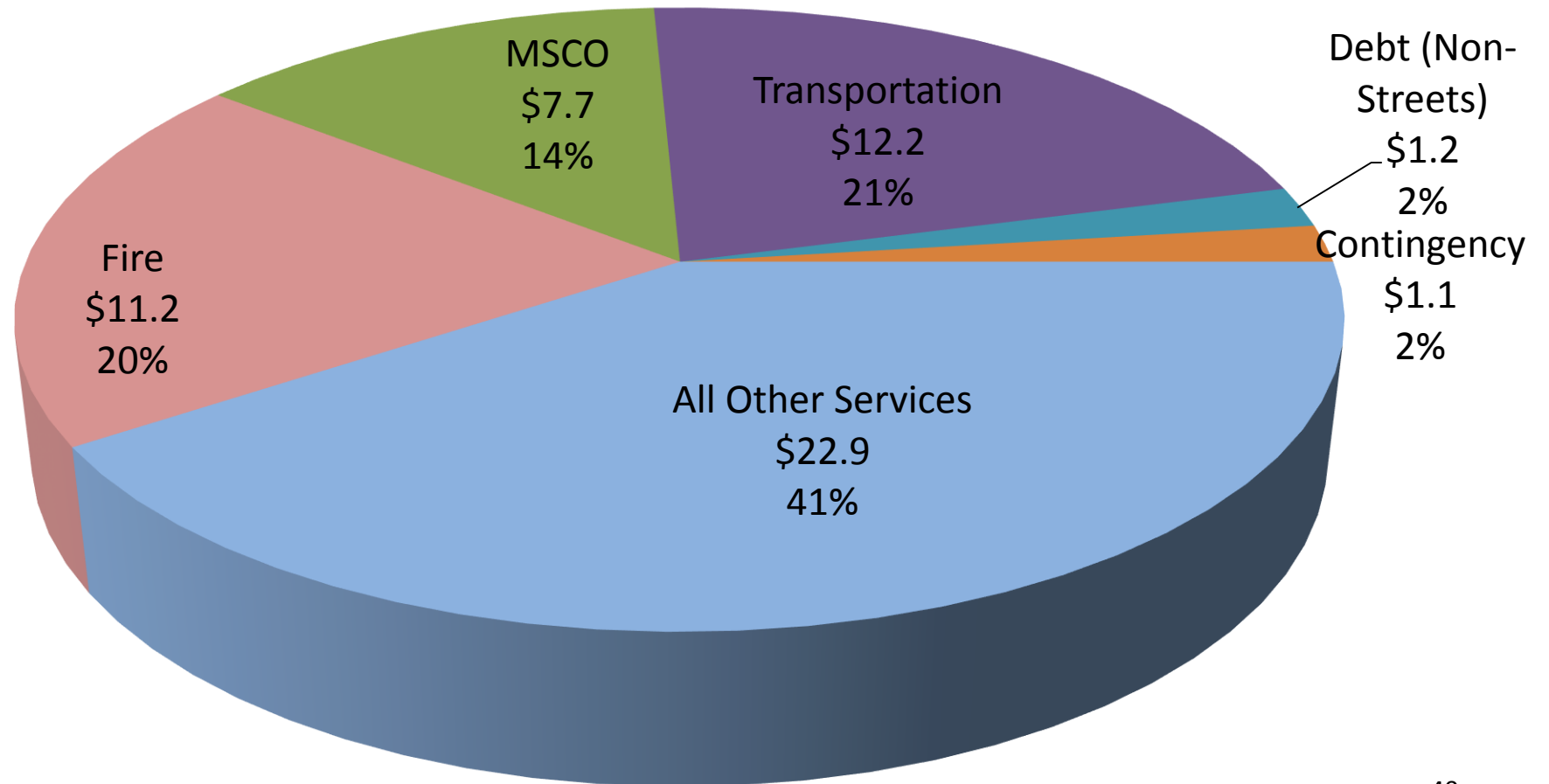
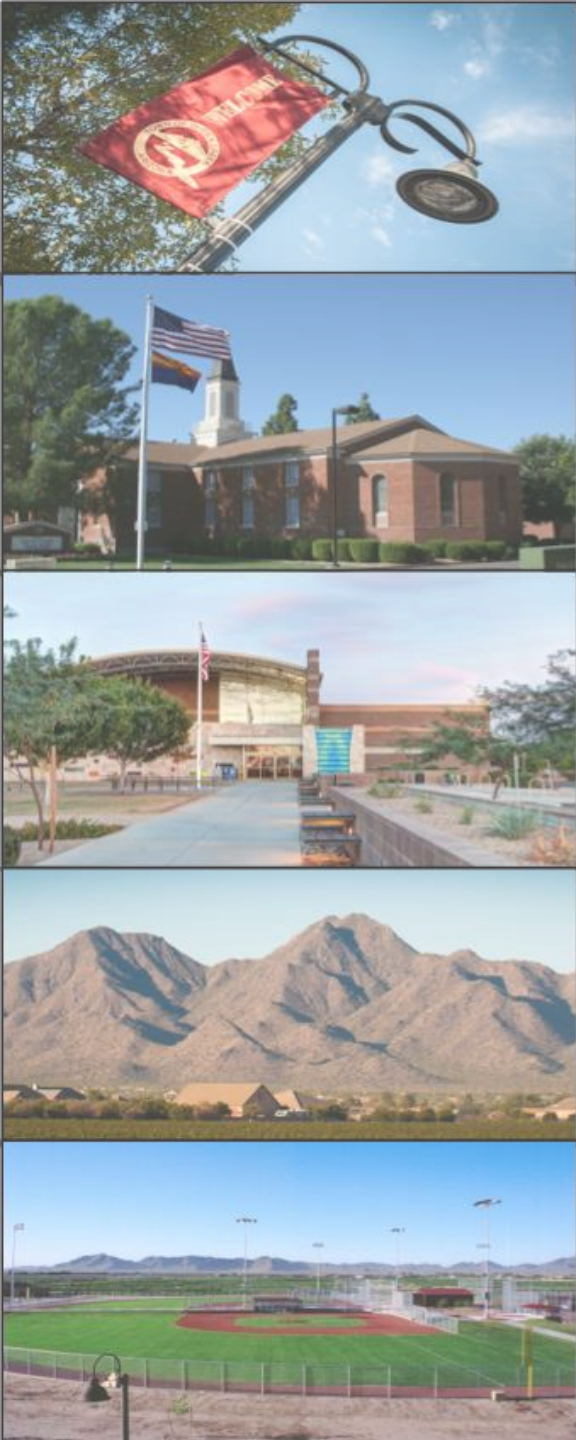
Operating Budget	FTE	Positions
IT	1.0 FTE	IT Analyst
Finance	1.0 FTE	Sr. Financial Services Analyst
Public Works	9.4 FTE	Grounds Crew Leader (1.0 FTE) Grounds M&O Technician (4.0 FTE) Grounds M&O Assistant (0.4 FTE) Park Ranger (1.0 FTE) Streets M&O Technician (1.0 FTE) Streets M&O Specialist (1.0 FTE) Facility M&O Technician (1.0 FTE)
Fire	13.0 FTE	Deputy Fire Chief (1.0 FTE) Firefighter (6.0 FTE) Fire Engineer (3.0 FTE) Fire Captain (3.0 FTE)
Total Operating Budget New FTE	24.4 FTE	
CIP Budget	FTE	Positions
Finance	1.0 FTE	CIP Financial Analyst

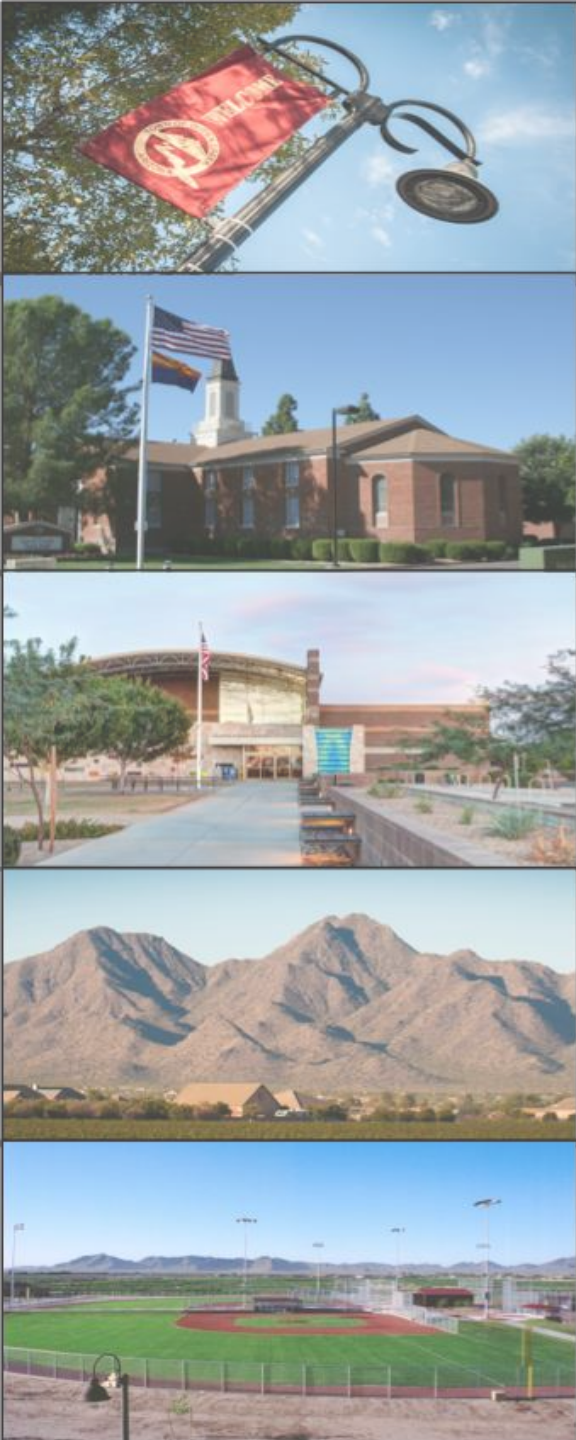


Expense Highlights (CONCLUDED)

6. Employee Compensation Increased
 - Market: 2.5% Across-the-Board (On July 1)
 - Merit: Up to 3% Merit or 5% Step (Fire Positions) on Anniversary Date
 - Translates to Annual Wage Base Increase of 1.5%

FY 18-19 OPERATING EXPENSES/USES: \$56.3M



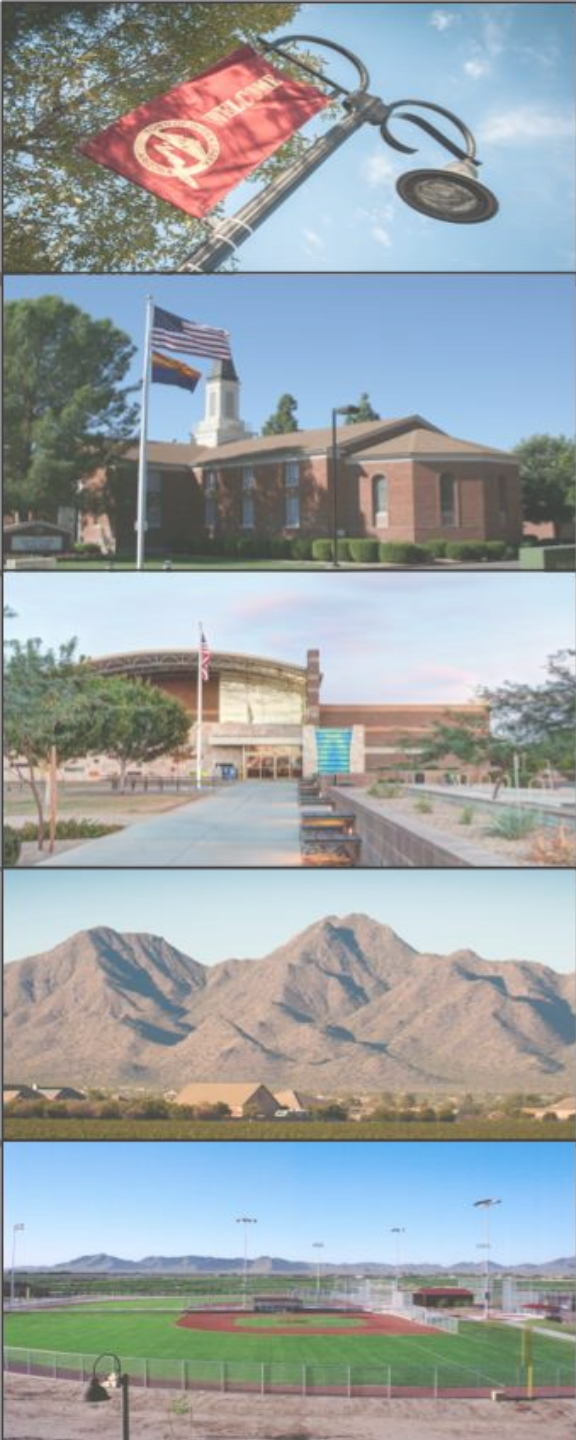


FY 18-19 Operating Expenses/Uses

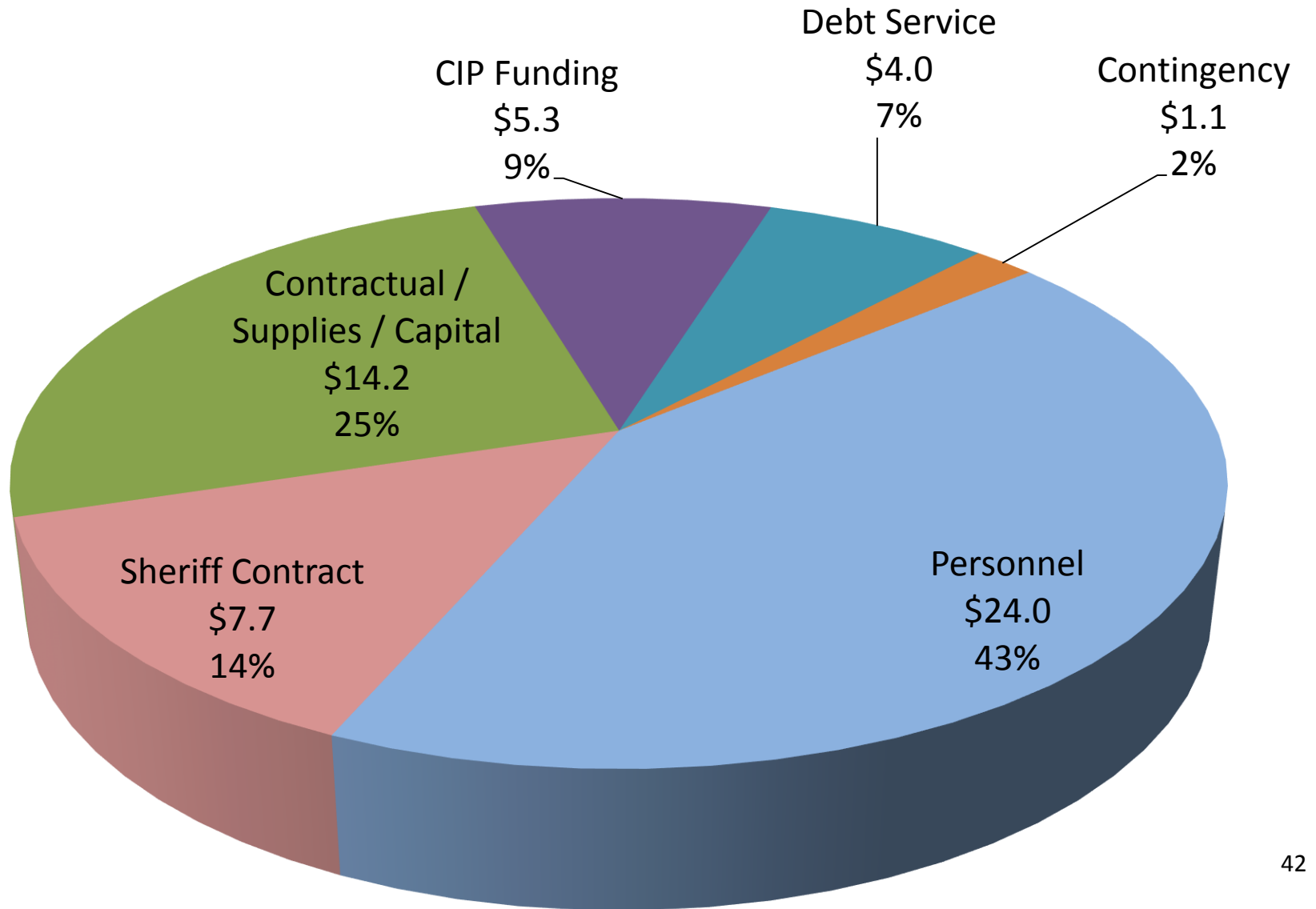
(IN MILLIONS)

Function	FY 17-18 Revised	FY 18-19	\$ Change	% Change
Transportation	\$11.8	\$12.2	\$0.40	3%
Fire	\$8.3	\$11.2	\$2.9	35%
MCSO	\$6.4	\$7.7	\$1.3	20%
Debt Service	\$1.5	\$1.2	-\$0.3	-20%
All Other Services	\$22.2	22.9	\$0.7	3%
Contingency (3% of Operating Expenses)	\$ <u>-*</u>	<u>\$1.1</u>	<u>\$1.1</u>	=
Total	<u>\$50.2</u>	<u>\$56.3</u>	<u>\$6.1</u>	<u>12%</u>

*The revised budget reflects the reallocation of contingency. As needed for the remaining weeks of the fiscal year, realized reduction in department expenses or use of fund balance may be used. The FY18 Adopted Budget for Contingency was \$1.0M; It increased \$0.1M for the FY19 Recommended Budget.



FY 18-19 OPERATING EXPENSES/USES: \$56.3M

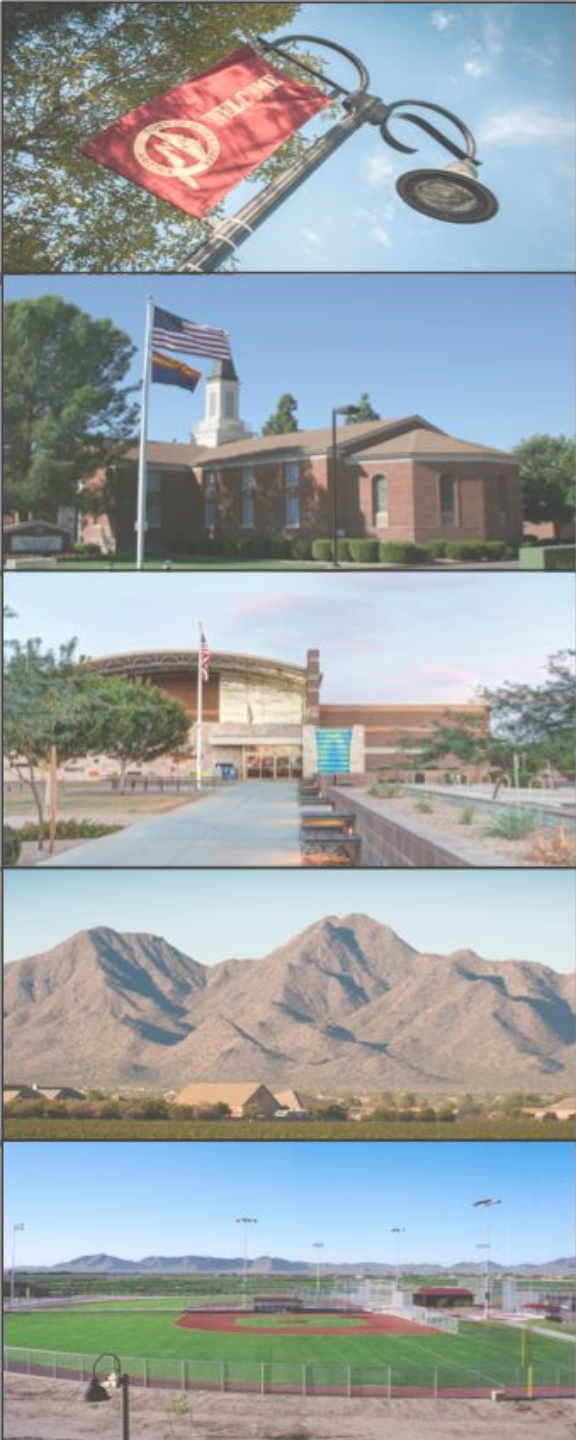


FY 18-19 Operating Expenses/Uses

(IN MILLIONS)

Category	FY 17-18 Revised	FY 18-19	\$ Change	% Change
Personnel	\$21.0	\$24.0	\$3.0	14%
MCSO Contract	\$6.4	\$7.7	\$1.3	20%
Contractual/Supplies/Capital	\$14.5	\$14.3	-\$0.2	-1%
Transportation CIP Funding (PAYGO)	\$6.5	\$3.9	-\$2.6	-40%
Public Safety CIP Funding	-	\$1.3	\$1.3	-%
Debt Service	\$1.8	\$4.0	\$2.2	122%
Contingency (3% of Operating Expenses)	\$ -*	\$1.1	\$ 1.1	-%
Total	<u>\$50.2</u>	<u>\$56.3</u>	<u>\$6.1</u>	<u>12%</u>

*The revised budget reflects the reallocation of contingency. As needed for the remaining weeks of the fiscal year, realized reduction in department expenses or use of fund balance may be used. The FY18 Adopted Budget for Contingency was \$1.0M; It increased \$0.1M for the FY19 Recommended Budget.

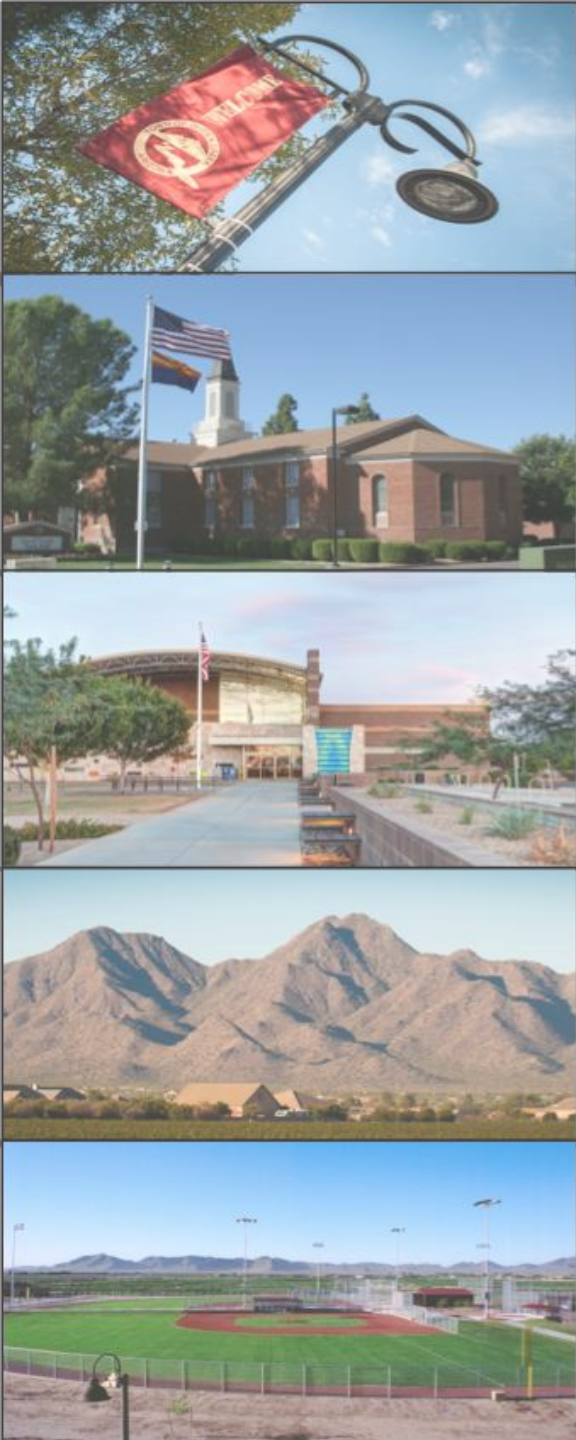


Important Expense Increases: \$5.7M (93% of \$6.1M Increase)

Item	
13 New Fire Positions and Benefits	\$1.5M
New Fire Station #4 Non-Growth Portion of Building Funding	\$1.3M
MCSO Increase (Up to one additional beat)	\$1.2M
New Staffing –All Other Services (11.4 FTE)	\$0.9M
Employee Market Increase	\$0.3M
Employee Merit	\$0.2M
Pavement Repair/Maintenance Increases for New Lane Miles	\$0.2M
Contingency Increase	<u>\$0.1M</u>
Total	<u>\$5.7M</u>



All Other Activities



Street Infrastructure

- \$195M 10-Year Plan Fully Funded

Responsible Party	Project Cost	%
Town (\$55M Bond and PAY-AS-YOU-GO)	\$102M	52%
Developer/Other Governments	<u>\$93M</u>	<u>48%</u>
Total	\$195M	100%

- Key North / South Roads Outside of Town Boundaries Not Funded: \$34M -\$43M
 - Possible Policy Decision for Budget Committee and Town Council

ROADS OUTSIDE OF TOWN

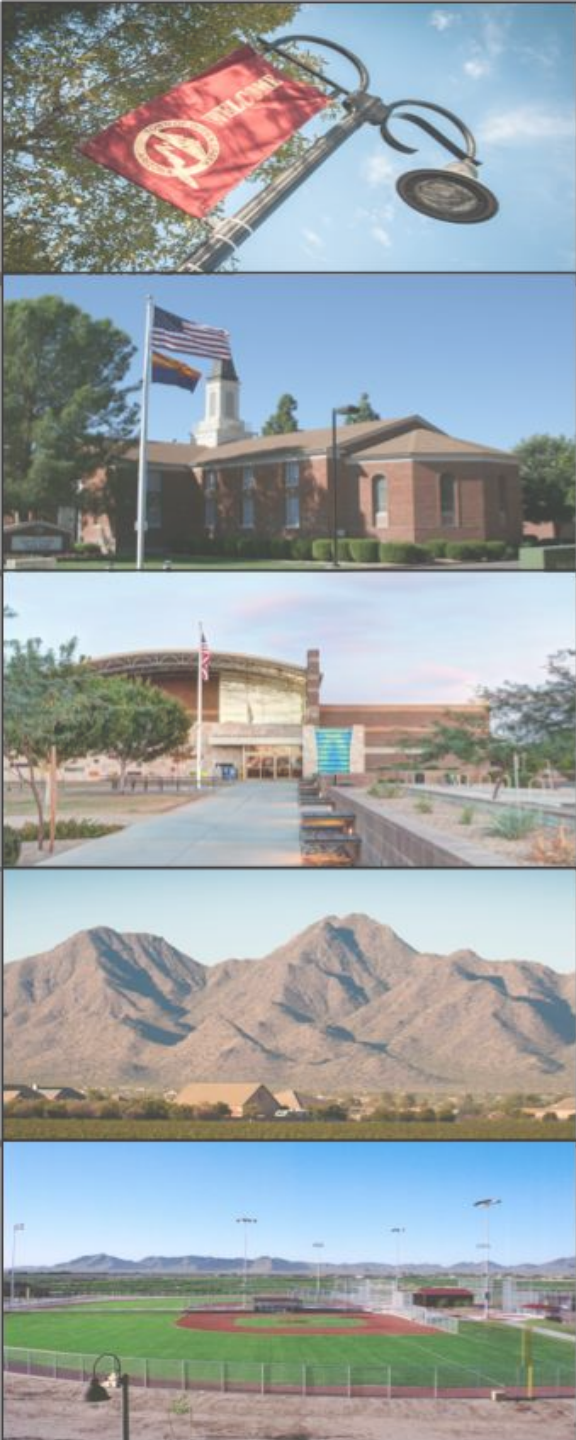
Roadway	Improvement	Estimated Cost	Degree of Difficulty	Benefit
Ellsworth Road- Germann to SR24 (Mesa)	Add One Lane in Each Direction	\$7-\$10 Million	Moderate	Significantly Alleviates Ellsworth Corridor
Signal Butte Road- Germann to Pecos (Mesa)	Full Street (no sidewalk or landscaping)	\$8-\$10 Million	Moderate	Moderately Alleviates Ellsworth Rd Congestion
Meridian Road – Germann to SR24 (Pinal County)	Full Street (no sidewalk or landscaping) (Initial IGA already approved)	\$13-\$15 Million	Very Difficult	Significantly Reduces Traffic to Ellsworth Rd and Ironwood Rd
Ironwood Road – Germann to SR24 (Pinal County)	Add one lane in each direction	\$6-\$8 Million	Difficult	Significantly Alleviates Ironwood Rd Congestion
Total		\$34 – \$43 Million		

PARKS AND TRAILS INFRASTRUCTURE

- Trails (Sonoqui and QC Wash)
- Design of East Park
- Town Council Policy Decisions Expected After Budget Adoption
 - Adopt Updated Parks Master Plan
 - Set Impact Fee Amount



Infrastructure Carry Forward/Contingencies



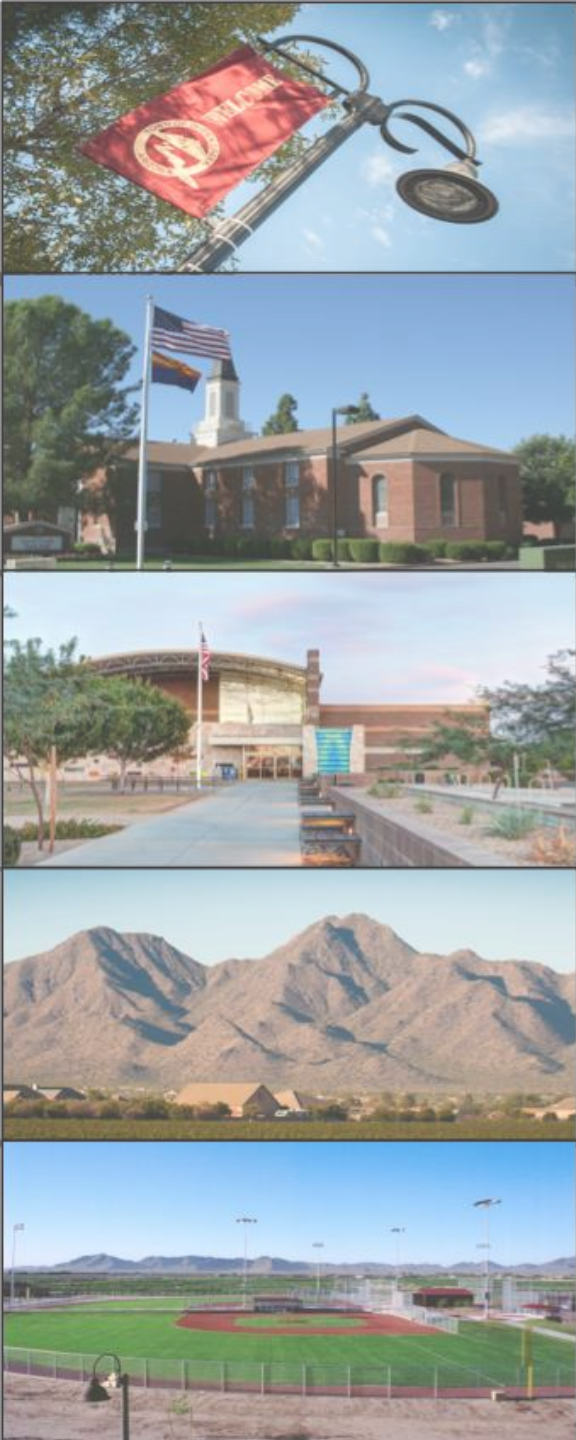
Purpose	Description	Amount
1. Projects Under Contract	Carryforward of approved contracts into FY 18-19	\$40.1M
2. Project Budgets Approved – Not yet under Contract	Expenditure authority for projects approved in FY 17-18 but not under contract by end of fiscal year	\$22.7M
3. Unanticipated Expenses*	Expenditure authority for private development partnerships, emergency needs	\$5.0M
	Total FY 18-19 Contingency	<u>\$67.8M</u>

*Note: This line item would increase to accommodate N-S Roads \$34-\$43M.



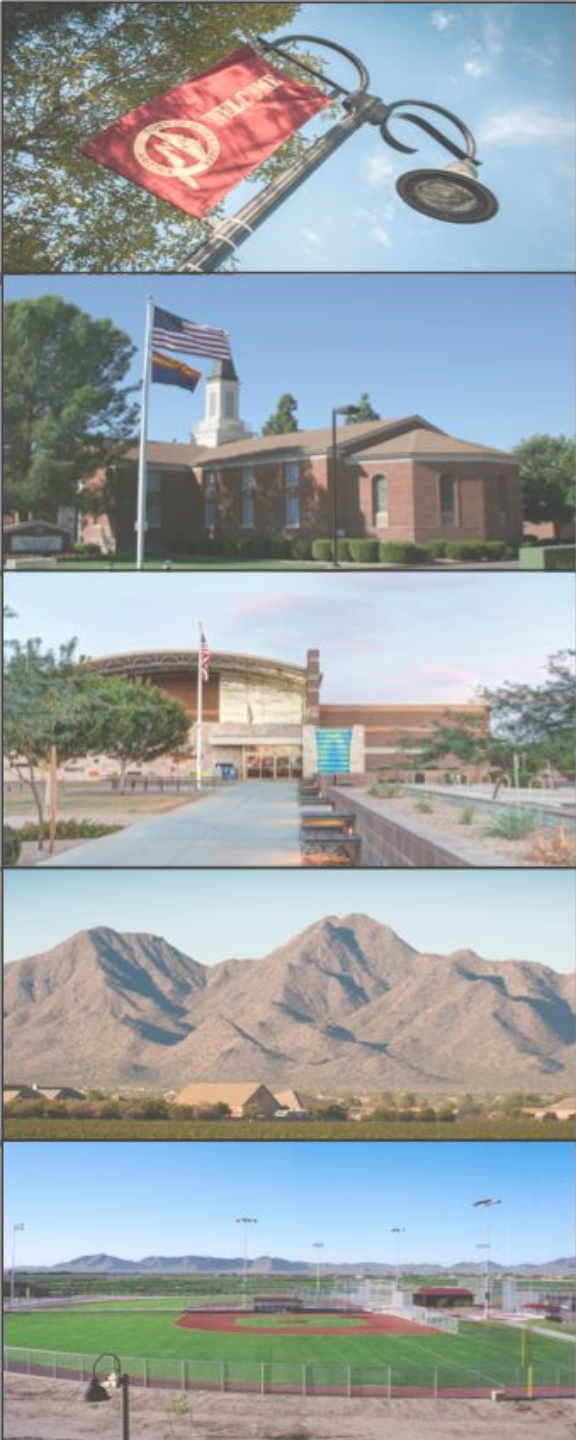
Water Fund (Self-Funded)

- No Rate Increase
- New Return on Investment Expense Paid to Public Safety \$1.9M
- Increased Staffing Levels due to New Accounts (7% Growth) and Operational/System Security
 - 10.0 FTEs (6%): 6 FTEs for Operations, 4 FTEs for Customer Service/Billing
- Infrastructure Improvement Plan (IIP)
 - \$111M Estimate over the next 15 years (FY19 \$15M)
- Analysis to be Completed after Budget Adoption
 - User Rates and Fees
 - Capacity Fees



FY 18-19 New Utility Funded Position FTEs

Utilities Budget	FTE	Positions
IT	1.0 FTE	IT Analyst
Finance/Customer Service	3.0 FTE	Utility Accounting Analyst (1.0 FTE) Utility Customer Service Rep (1.0 FTE) Cashier (1.0 FTE)
Water	6.0 FTE	Utility Deputy Director (1.0 FTE) Utility Engineer (1.0 FTE) Water Flexnet Analyst (1.0 FTE) Utility Analyst (1.0 TE) Irrigation Meter Technician (1.0 FTE) Well Technician (1.0 FTE)
Total Utilities	10.0 FTE	



Wastewater Fund (Self-Funded)

- No Rate Increase
- New Return on Investment Expense to Public Safety \$0.6M
- Infrastructure Improvement Plan (IIP)
 - \$108M Estimate over the next 15 years (FY19 \$16M)
- Analysis to be Completed after Budget Adoption
 - User Rates and Fees
 - Capacity Fees

Solid Waste/Recycling Fund (Self-Funded)

- No Rate Increase
- Service Provider Costs increasing 12%
 - 5% Increase in Contracted Rate (maximum allowed)
 - 7% Increase For New Accounts
- Analysis to be Completed after Budget Adoption
 - User Rates and Fees



Budget Calendar



April 2018 Public Meetings	
4/25 –Budget Committee Meeting #1	Budget Committee Meetings to Review Town Manager’s Budget
4/26 – Budget Committee Meeting #2	
May 2018 Public Meetings	
5/2	Budget Committee Update to Town Council
5/16	Town Council considers and votes on Tentative Budget
June 2018 Public Meetings	
6/6	Town Council Final Budget Hearing and Adoption Truth in Taxation Hearing and Setting Levy Date
6/20	Property Tax Levy Adopted at Council meeting



Comments and Questions