

# **FY 2019-20**

# **Tentative Budget**

# **Adoption**

Town Council Meeting

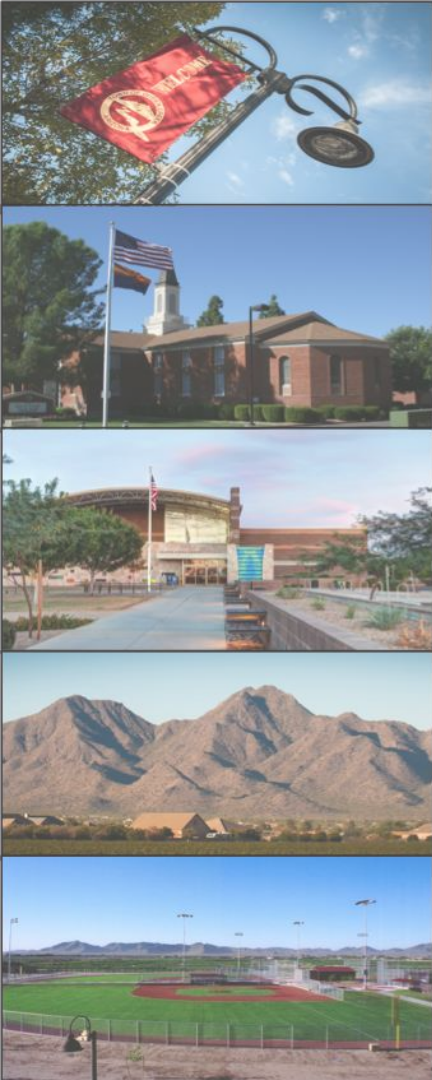
May 1, 2019



# A Budget . . .

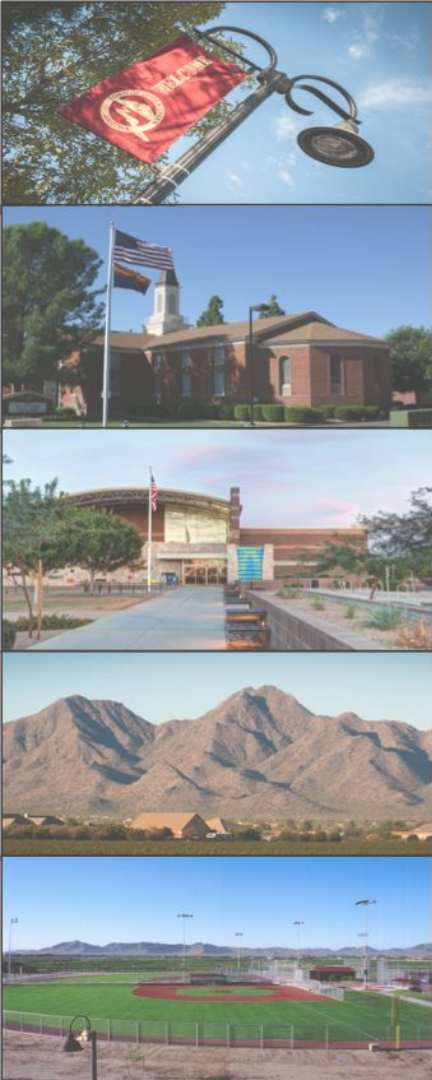
- Identifies Financial Goals
- Is A Spending Plan
- Is A Communication Tool
- Is A Policy Document





# The Town's Vision





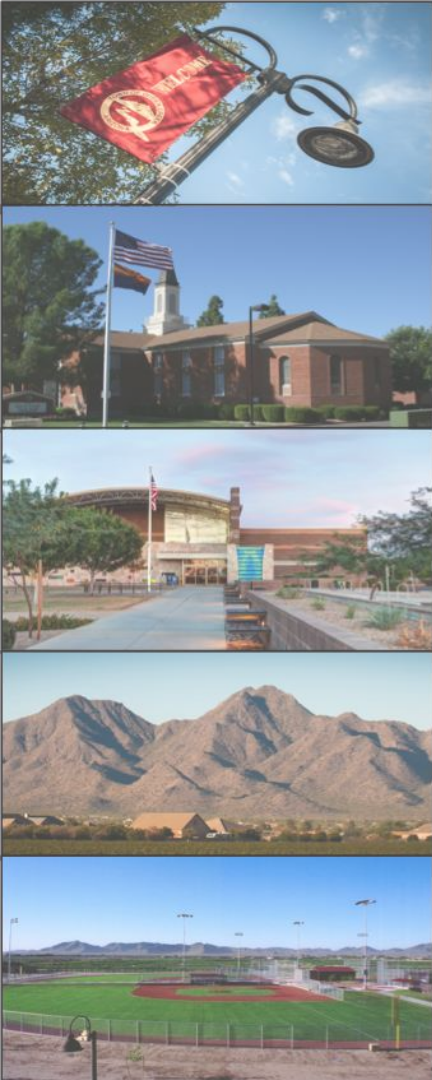
# Roles and Responsibilities

## Staff

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

## Town Council

- Make Policy Decisions
- Adopts Tentative and Final Budget



# Guiding Principles

- Maintain a Structurally Sound Budget by Using Long-Term Projections
- Address the Needs of a Growing Community
  - Maintain Operating Service Levels
  - Build New Infrastructure

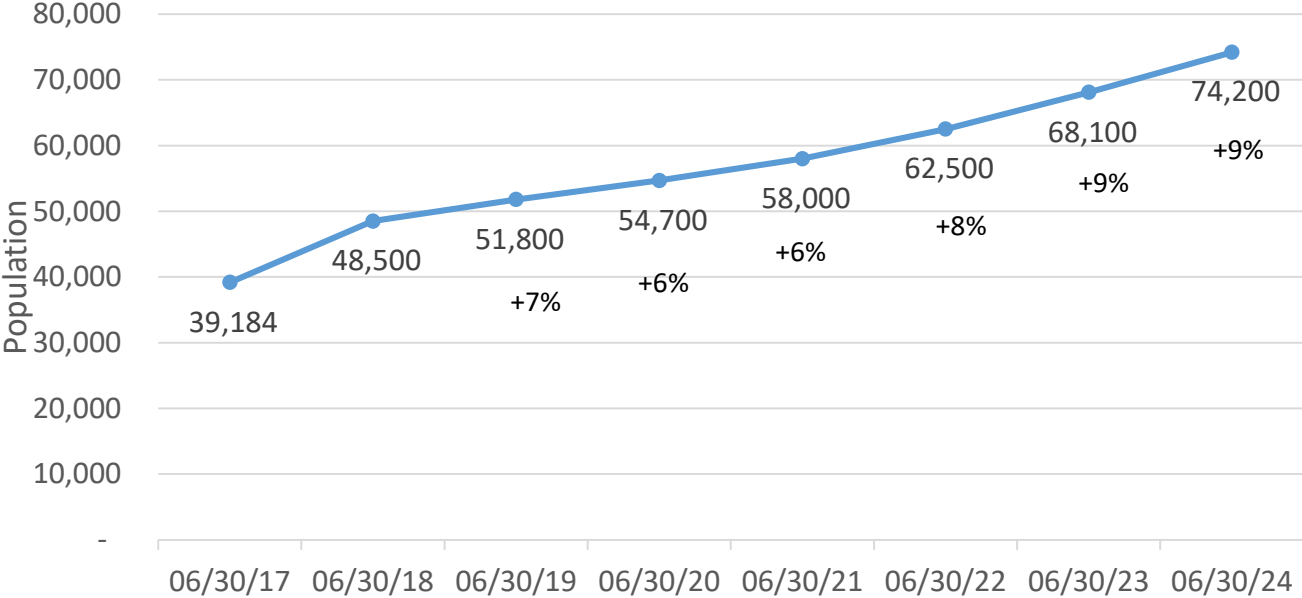


# *Growth Projections*

# 5-Year Population Projection

43% Population Increase in 5 Years (+22K)

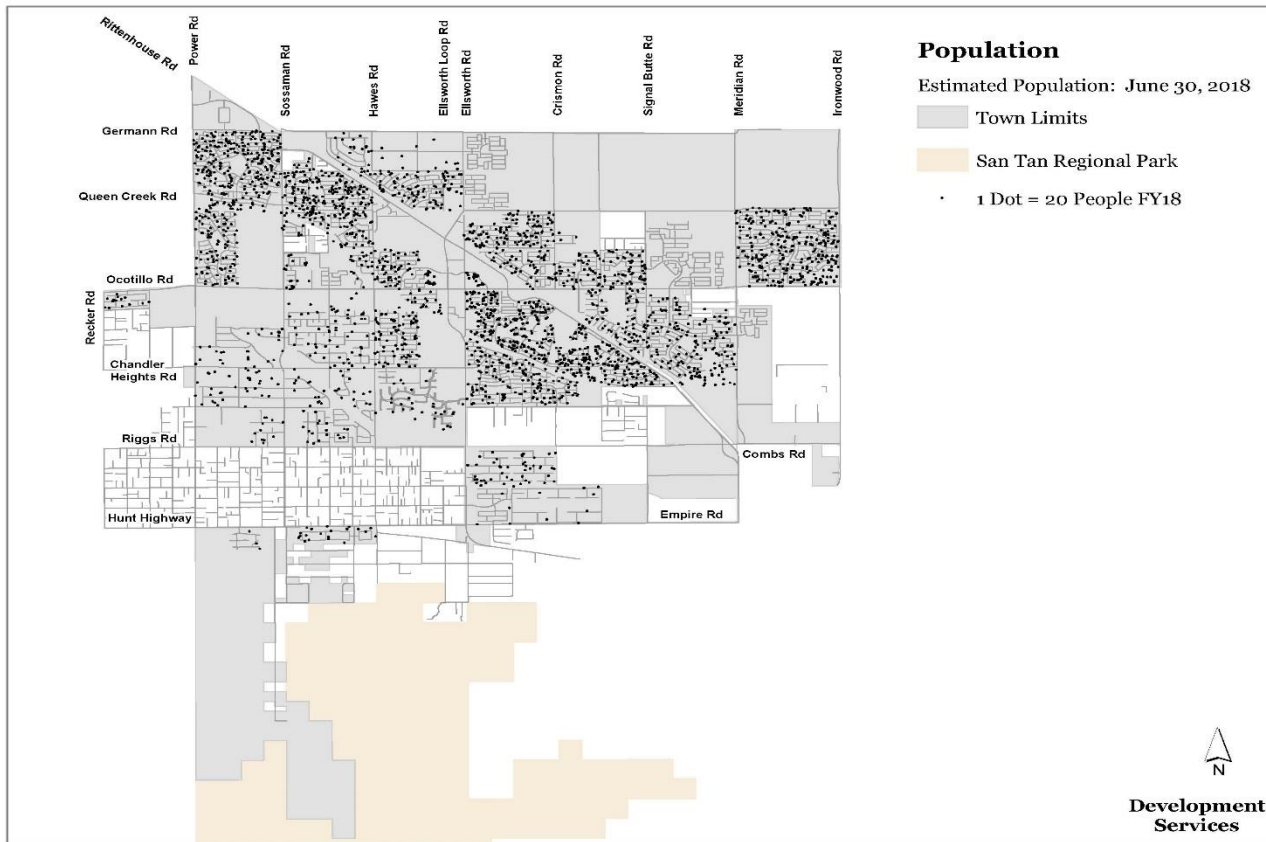
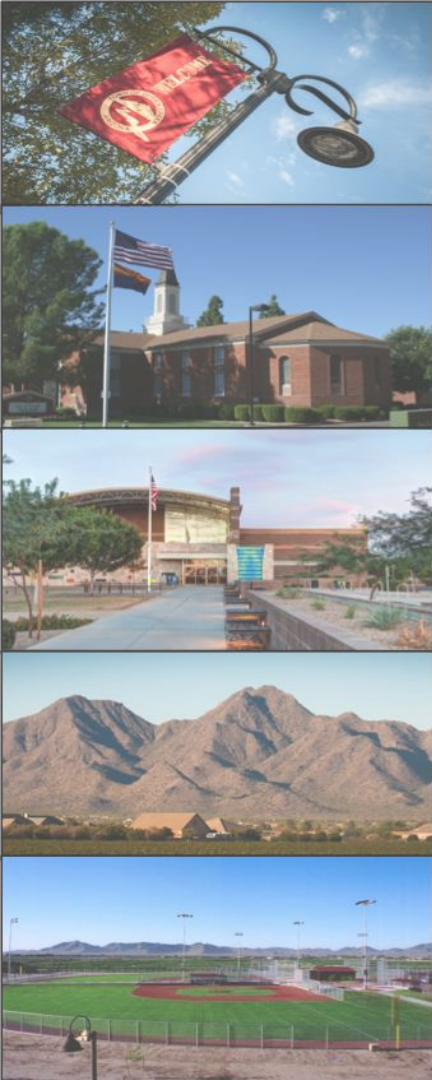
Build Out Population: 110K



6/30/17 Adjusted to match Census estimates for State Shared Revenues

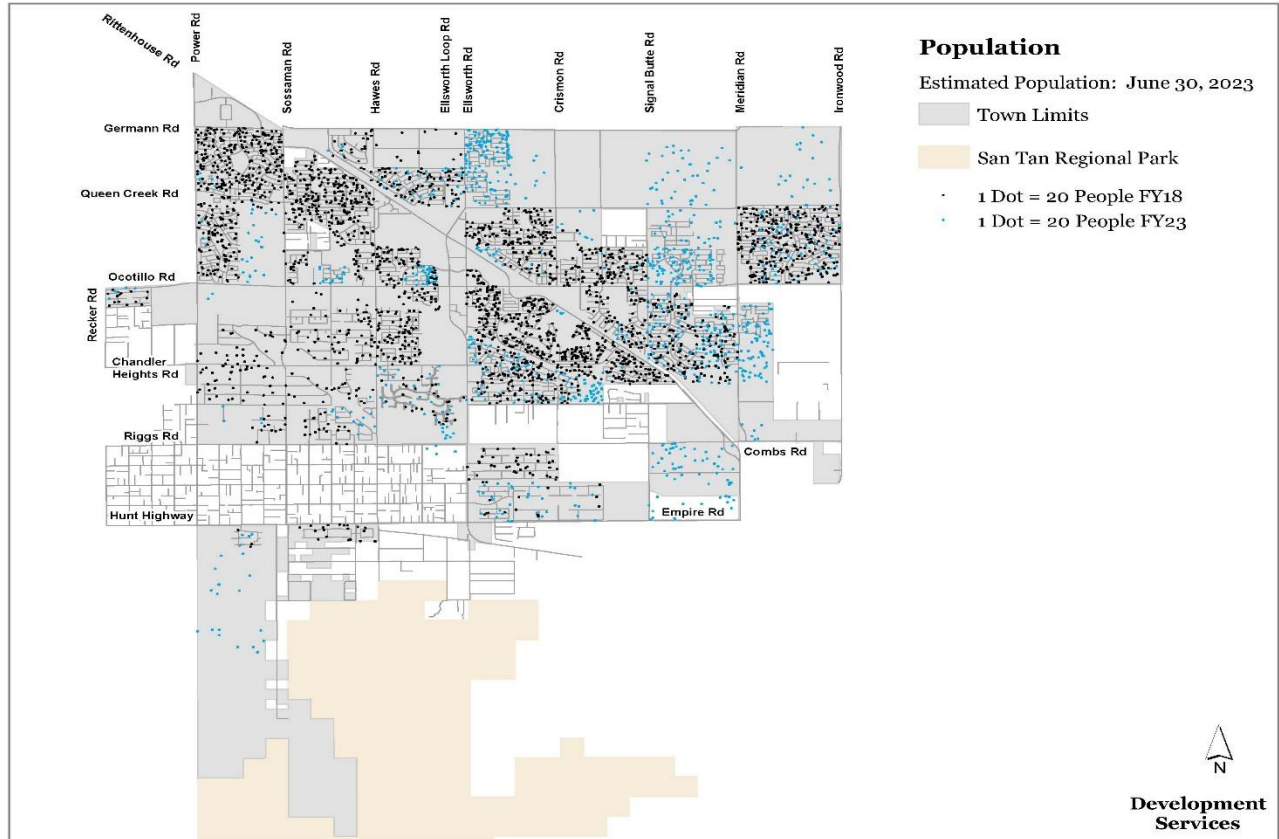
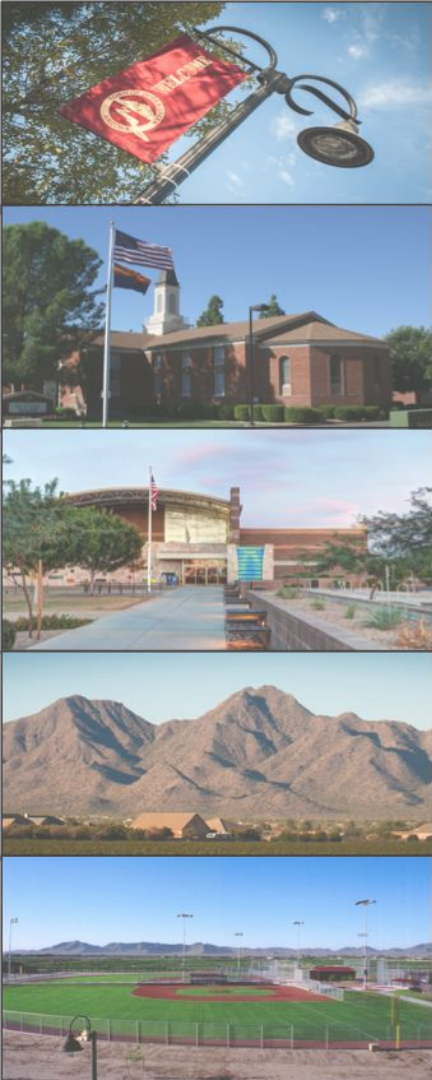
6/30/18 Includes Recent Ironwood Annexation, +5K

# Population Density 6/30/18: 48.5K



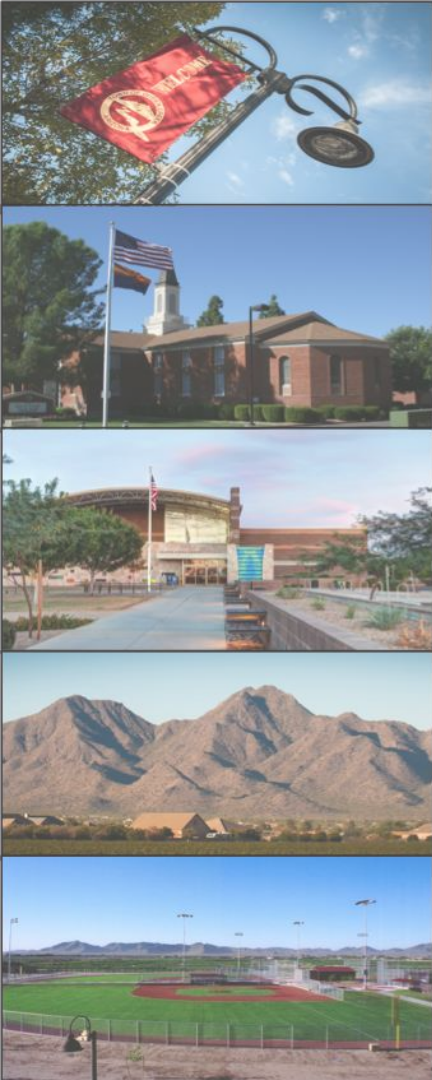


# Population Density 6/30/2024: 74.2K





# *Financial Policies*



# Key Policies in Place

- Address Unfunded Pension Liabilities
  - Fire (Fully Funded)
    - Paid off in FY 2014/15 (\$1.5M)
    - Annual Savings: \$140K
  - MCSO (Fully Funded)
    - Reserve Amount Created at 6/30/18: \$19.3M
    - Annual Cost Reduction: \$1.7M
  - ASRS (Partially Funded)
    - Reserve at 6/30/18: \$7M
      - \$5M Utilities, \$2M Operating Budget
    - Full Funding: \$21M
      - \$5M Utilities, \$16M Operating Budget



# Key Policies in Place (continued)

- Annual Transportation Funding from Operating Budget: \$6.5M
- Annual Utility Funding for Public Safety/EMS: \$2.8M
- Annual Infrastructure Repair/Replacement Funding
  - IT Systems: \$325K
  - HPEC: \$100K
- Employee Compensation Indexed Annually to CPI/ECI



# FY 2019-20 New Policies

Include Debt Issuances for:

- Refinancing of Groundwater Extinguishment Credits: \$50M
- New Debt Issues
  - Water Rights' Purchase Placeholder: \$50M
  - Signal Butte & Meridian Roads: \$25M

# FY 2019-20 Policies (continued)



- Establish Building Systems Repair and Replacement Annual Funding: \$250K in Operating Budget
- Water Fund's Purchase of Effluent Water from Wastewater Fund
  - Enhances Water Resources Portfolio
  - \$280/AF
  - \$0.7M Expense to Water/Revenue to Wastewater

# FY 2019-20 Policies (continued)

- CAGR Assessment
  - Allocated Credits More Aggressively
  - Savings to Property Owners of \$1M in FY 19-20 as Compared to 2017
- Increase Water and Wastewater Reserves
  - Operating (100% of Annual Expenses)
  - Repair and Replacement (1.5x Depreciation)
- 10% Wastewater Operating Revenue / Rate Reduction



# FY 2019-20 Policies (concluded)

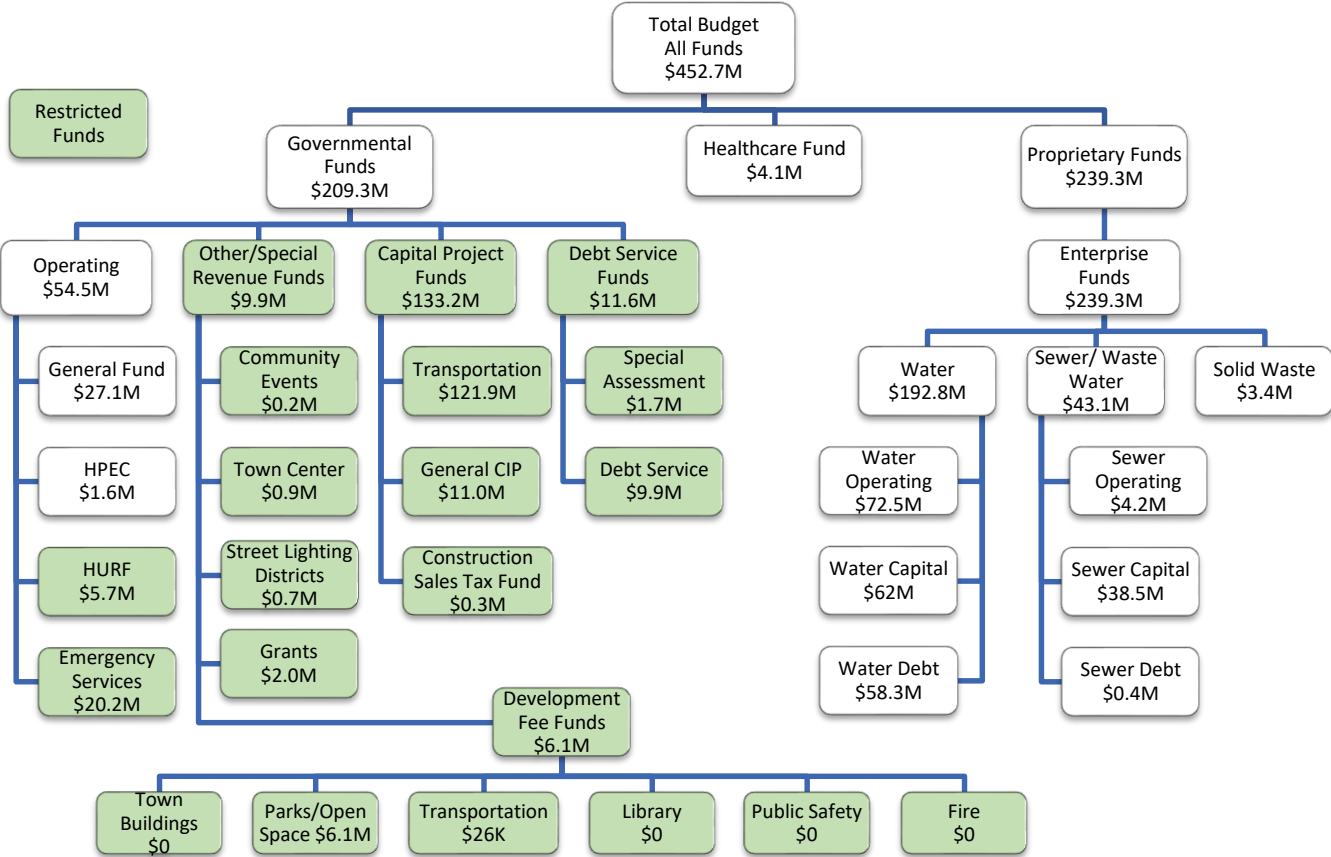
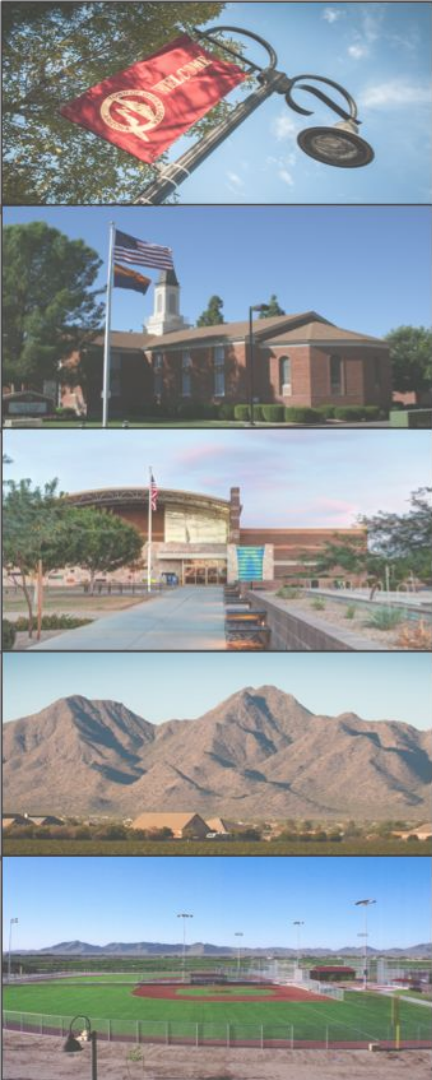
- Primary Property Taxes at Maximum Amount: (\$8.3M Option C)
  - **Option A**: Same Revenue as Current Year (\$7.0M)
    - \$1.3M Less than the Maximum (Includes Ironwood Crossing)
  - **Option B**: Same Revenue as Current Year Plus New Construction (\$7.8M)
    - \$531K Less than the Maximum
  - **Option C**: Maximum Revenue (\$8.3M)
    - \$1.3M Increase Over Current Year
      - \$906K Increase From New Construction (includes Ironwood Crossing)
      - \$474K Increase From Existing Properties





# *Total Tentative Budget*

# Budget/Fund Structure : \$452.7M



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

# FY 19-20 Tentative Budget

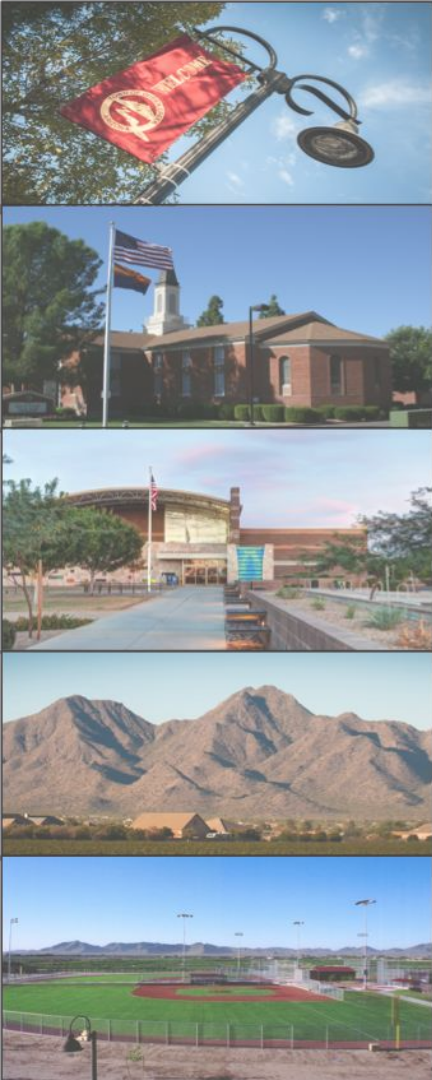
(in millions)

	FY 18/19 Revised	FY 19/20 Tentative	\$ Change	% Change
<b>Total Expenses</b>	<b>\$350.9</b>	<b>\$452.7</b>	<b>\$101.8</b>	<b>29%</b>

	FY 18/19 Revised	FY 19/20 Tentative	\$ Change	% Change
<b>Revenues</b>	<b>\$221.3</b>	<b>\$331.5*</b>	<b>\$110.2</b>	<b>50%</b>
<b>Use of Fund Balance</b>	<b><u>\$129.6</u></b>	<b><u>\$121.2</u></b>		
<b>Total Sources</b>	<b>\$350.9</b>	<b>\$452.7</b>		

\*Bond Proceeds of \$125M are included in FY 19/20 Revenues (\$50M in Refunding, \$50M for new water rights, and \$25M for Debt related to Signal Butte and Meridian).

# Budget Summary and Comparison

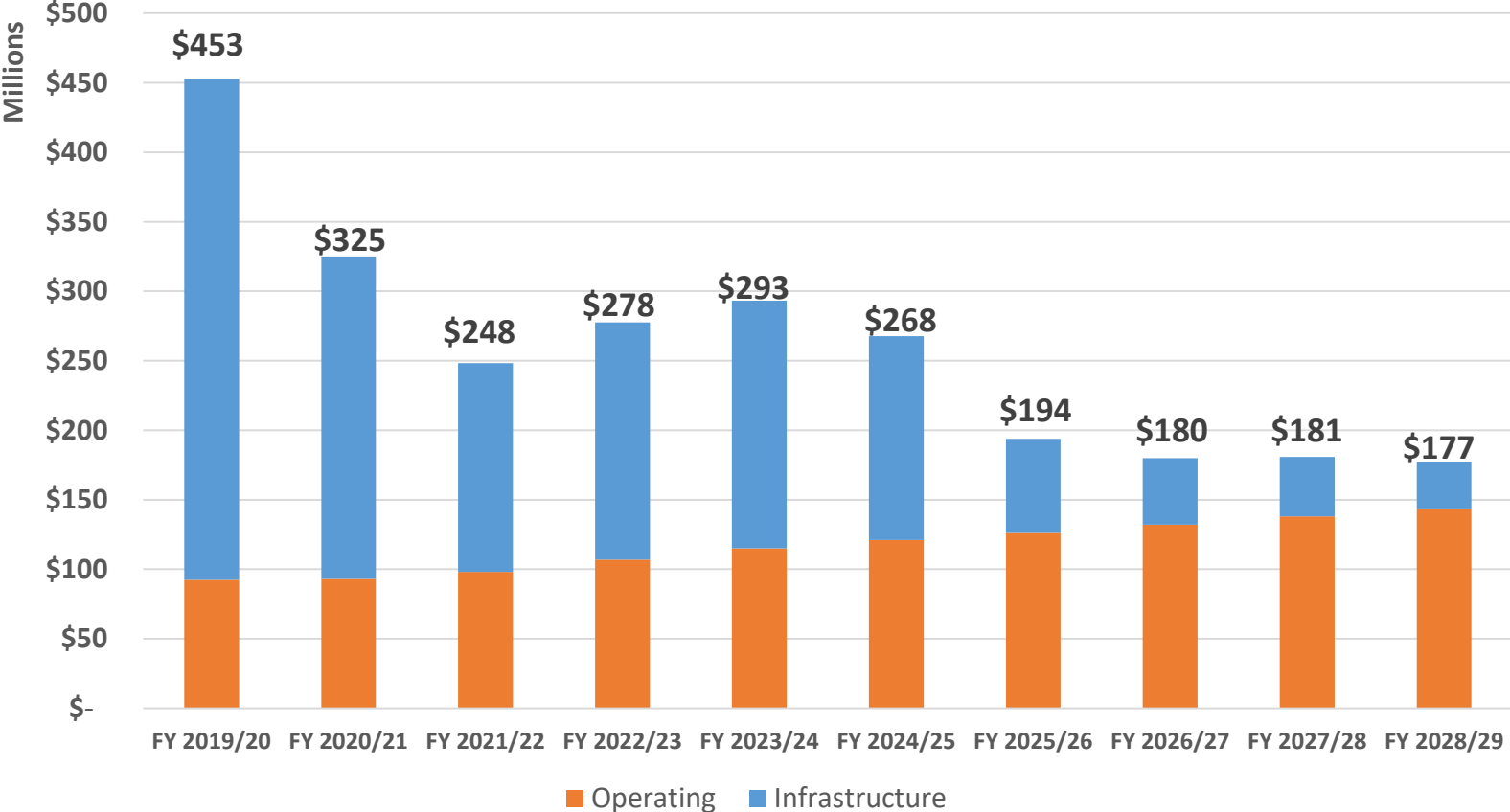


	FY 2018/19 Revised	FY 2019/20 Tentative	\$ Change from Revised
Operating Budget	\$51.1	\$54.5	\$3.4
Enterprise/Utilities	\$25.1	\$30.1	\$5.0
Water Rights	\$70.0	\$50.0	(\$20.0)
Transportation Infrastructure	\$77.8	\$122.2	\$44.4
Water Infrastructure	\$53.4	\$62.0	\$8.6
Wastewater Infrastructure	\$29.5	\$38.6	\$9.1
All Other Infrastructure	<u>\$18.0</u>	<u>\$17.1</u>	<u>(\$0.9)</u>
Subtotal - Infrastructure	\$178.7	\$239.9	\$61.2
Debt	\$18.6	\$70.4	\$51.8
All Other Funds	<u>\$7.4</u>	<u>\$7.8</u>	<u>\$0.4</u>
<b>Total Budget</b>	<b>\$350.9</b>	<b>\$452.7</b>	<b>\$101.8</b>

# FTE Historical Summary

Department	FY 2014/15 Actual	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Revised	FY 2019/20 Projected
Mayor & Town Council	7.00	7.00	7.00	7.00	7.00	7.00
Town Manager, Clerk, Legislative & Legal Services	7.00	7.00	8.00	8.00	8.00	8.00
Finance	7.98	11.98	17.98	22.18	30.48	30.48
Workforce & Technology	10.00	11.00	12.00	12.00	14.00	14.00
Communications, Marketing & Recreation Services	13.42	13.71	16.71	16.71	22.06	22.06
Economic Development	13.00	12.00	12.00	12.00	12.00	12.00
Development Services	25.95	26.48	25.48	25.50	25.50	26.50
Public Works	47.40	50.36	50.86	56.93	68.43	72.43
Solid Waste	3.80	4.00	4.00	4.00	4.00	4.00
Utilities	44.00	44.00	39.00	41.00	48.00	50.00
Fire & Medical	<u>36.00</u>	<u>36.00</u>	<u>51.00</u>	<u>51.00</u>	<u>63.00</u>	<u>65.00</u>
<b>Total Full Time Equivalent</b>	<b>215.55</b>	<b>223.53</b>	<b>243.03</b>	<b>256.32</b>	<b>303.47</b>	<b>311.47</b>
<b># Change from Prior Year</b>	<b>12.5</b>	<b>7.98</b>	<b>19.5</b>	<b>13.29</b>	<b>47.15</b>	<b>8</b>
<b>% Change from Prior Year</b>	<b>6%</b>	<b>4%</b>	<b>9%</b>	<b>5%</b>	<b>18%</b>	<b>3%</b>
<b>Population Growth</b>	<b>7%</b>	<b>6%</b>	<b>11%</b>	<b>21%</b>	<b>7%</b>	<b>6%</b>

# 10-Year Budget Projection





# *Operating Budget*

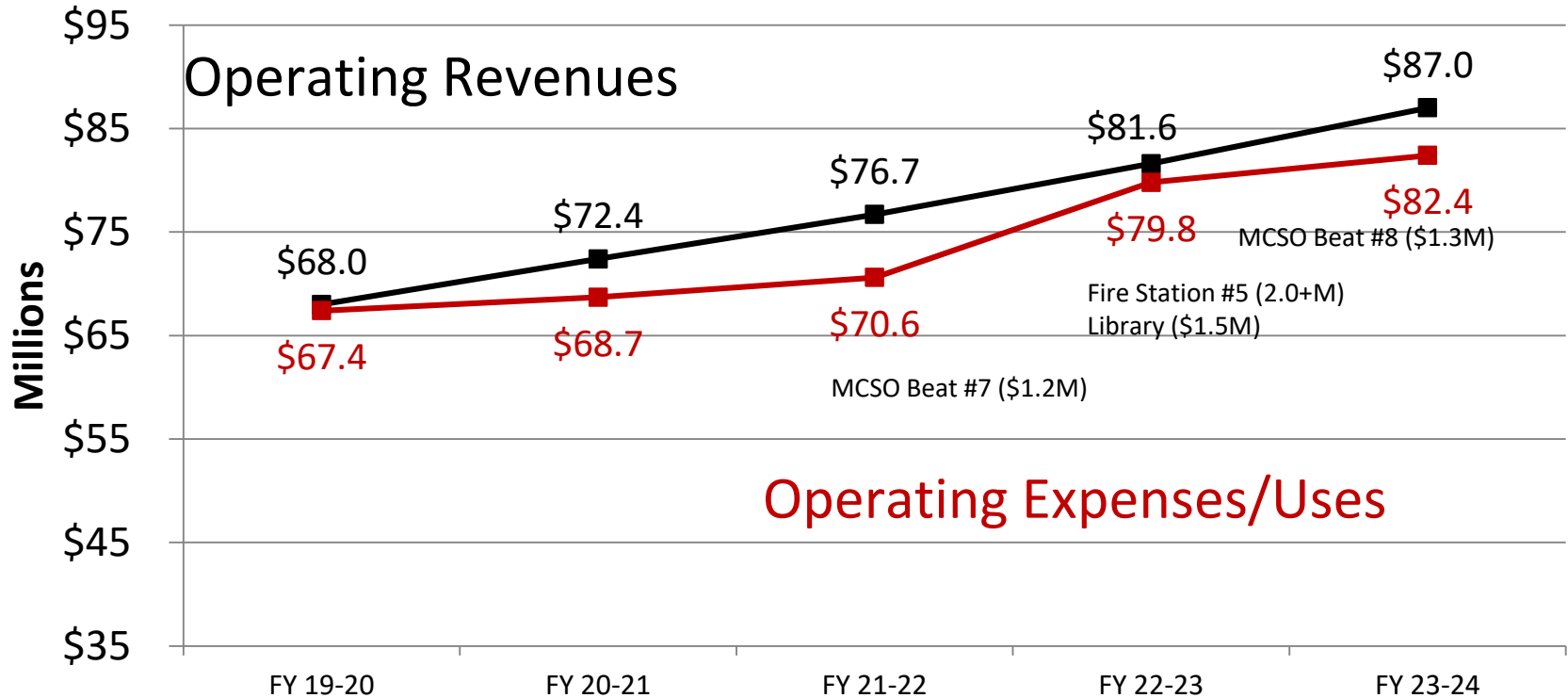


# 5-Year Financial Objectives

1. Add Two MCSO Beats (\$2.5M Annually After Full Implementation)
2. Open 5<sup>th</sup> Fire Station (\$2.0M Annually)
3. Add Library Operating Costs (\$1.5M Annually)
4. Fully Fund ASRS Reserves at \$16M
5. Dedicate Construction Sales Tax for CIP PAYGO (\$6.0M Annually)



# Operating Budget Projection



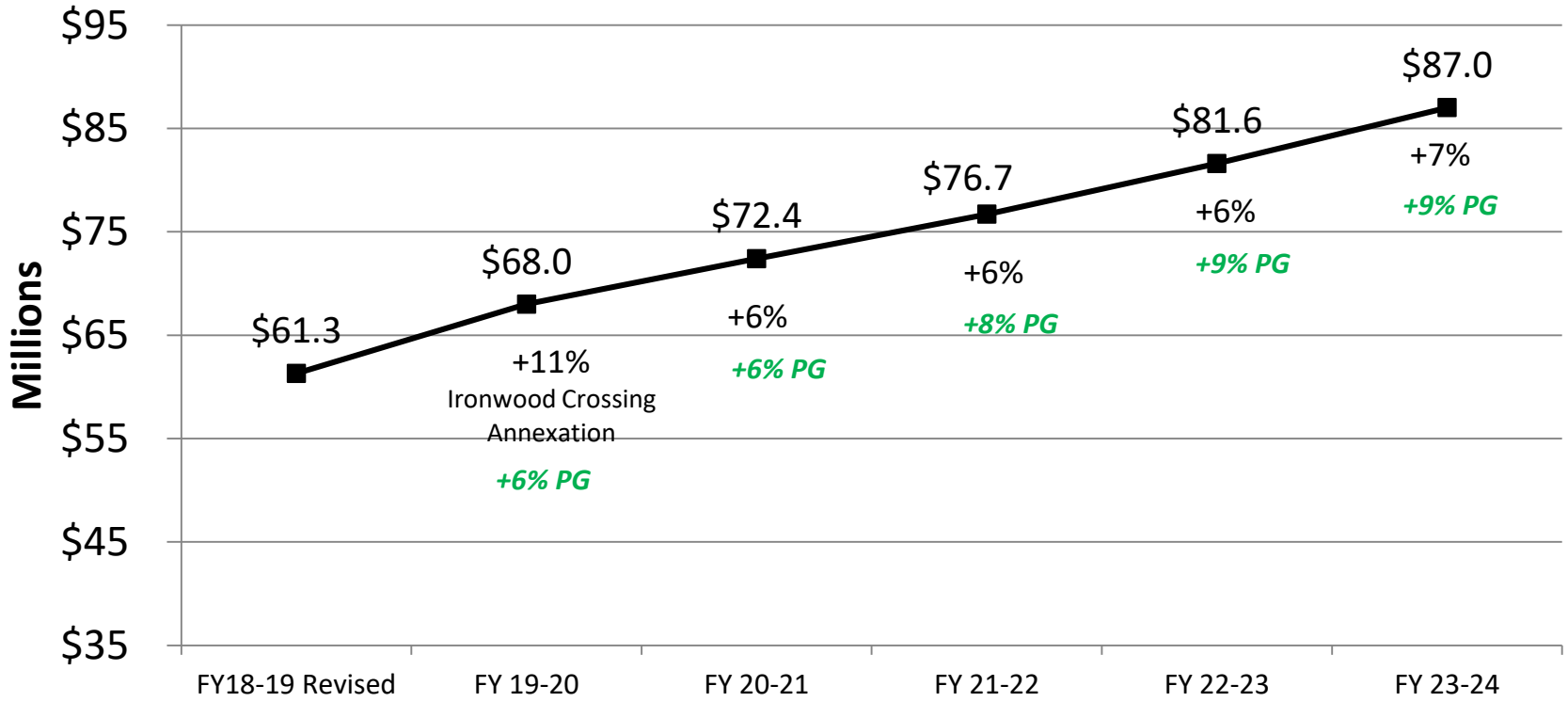
# FY 2019-20 Operating Budget Ending Reserves

	FY 19-20 Tentative Budget	
Sources	<b>\$68.0</b>	
Uses	<b><u>\$66.3</u></b>	
Net FY 19-20	<b><u>\$1.7</u></b>	
Ending Fund Balance		<b>\$40.0</b>
Restrictions:		
25% Revenue Reserve Requirement	<b>\$17.6</b>	
MSCO Unfunded Pension Liability Reserve	<b>\$18.6</b>	
ASRS Unfunded Pension Liability Reserve	<b><u>\$ 3.8</u></b>	
Total Restrictions		<b><u>\$40.0</u></b>



# *Operating Budget Revenue Projections*

# 5-Year Operating Budget Projection: Revenues



PG= Population Growth %

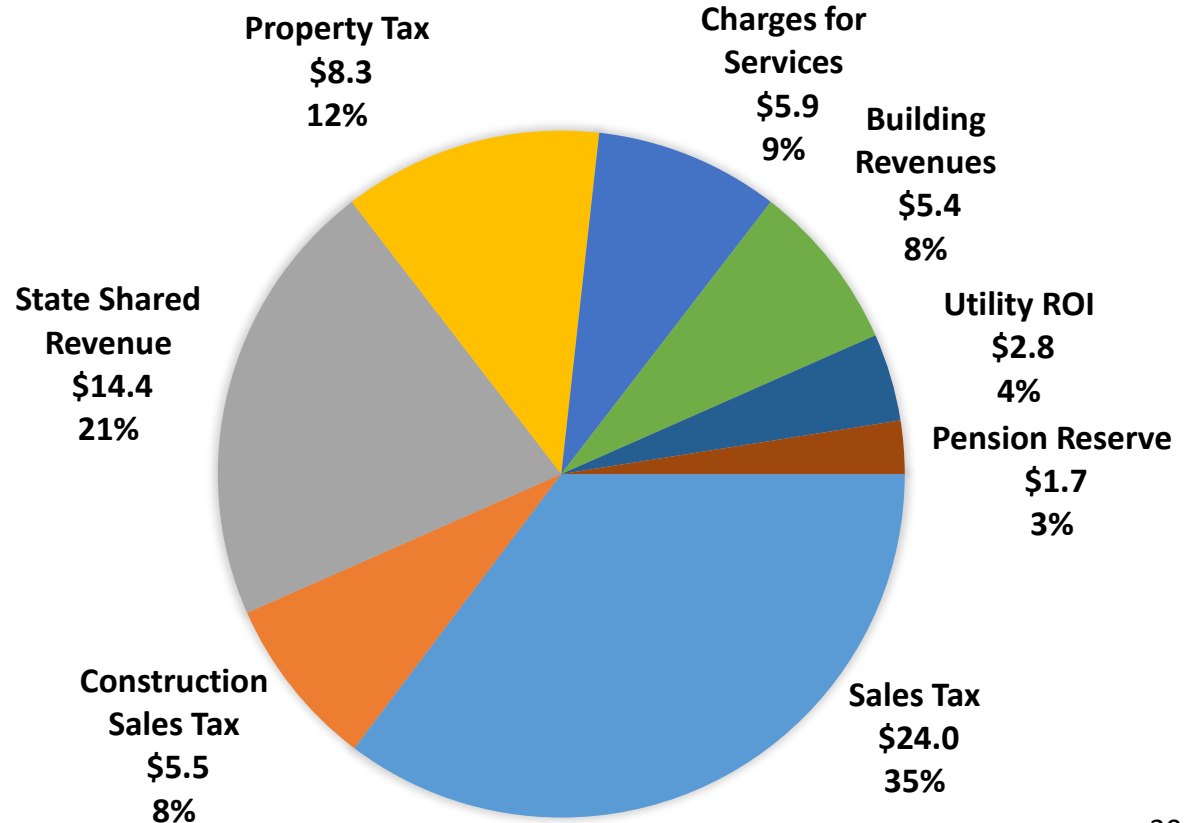
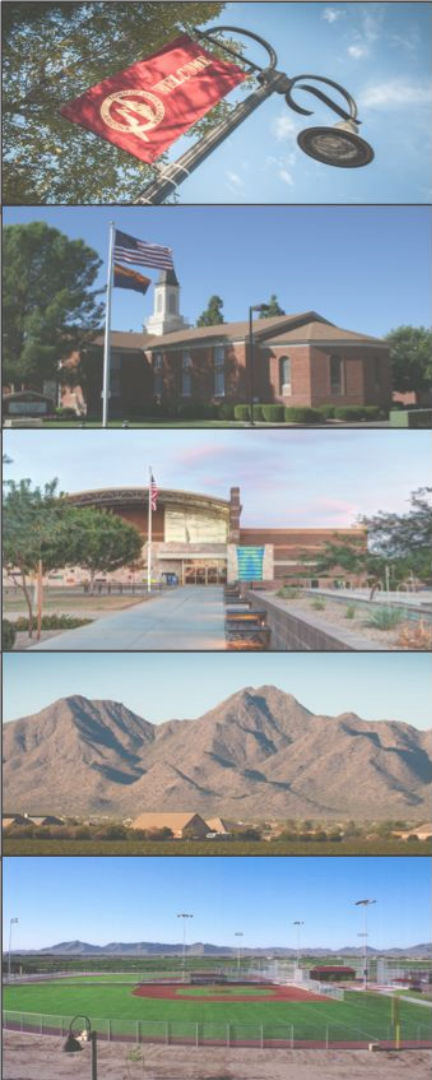
# FY 2019-20 Budget Revenue Summary

- Increasing Significantly by \$6.7M (+11%)
- Ironwood Crossing Impact: +\$1.1M
- “Across the Board” Increases
- Assessed Value Increased \$70.8M (+20%)



# FY 19-20 Operating Budget Revenues

## \$68.0M



# Revenue Summary

	FY 18-19 Revised Budget	FY 19-20 Tentative	\$ Change	% Change	
Sales Tax	\$21.1	\$24.0	\$2.9	+14%	←
Construction Sales Tax	\$5.5	\$5.5	\$ -	-%	
State Shared Revenue	\$12.7	\$14.4	\$1.7	+13%	←
Property Tax*	\$7.0	\$8.3	\$1.3	+19%	←
Charges for Services	\$5.8	\$5.9	\$0.1	2%	
Building Revenues	\$5.4	\$5.4	\$ -	-%	
Utility ROI for Public Safety	\$2.5	\$2.8	\$0.3	12%	
Use of Pension Reserves (MCSO)	<u>\$1.3</u>	<u>\$1.7</u>	<u>\$0.4</u>	<u>31%</u>	
<b>Total Revenue</b>	<b>\$61.3</b>	<b>\$68.0</b>	<b>\$6.7</b>	<b>11%</b>	

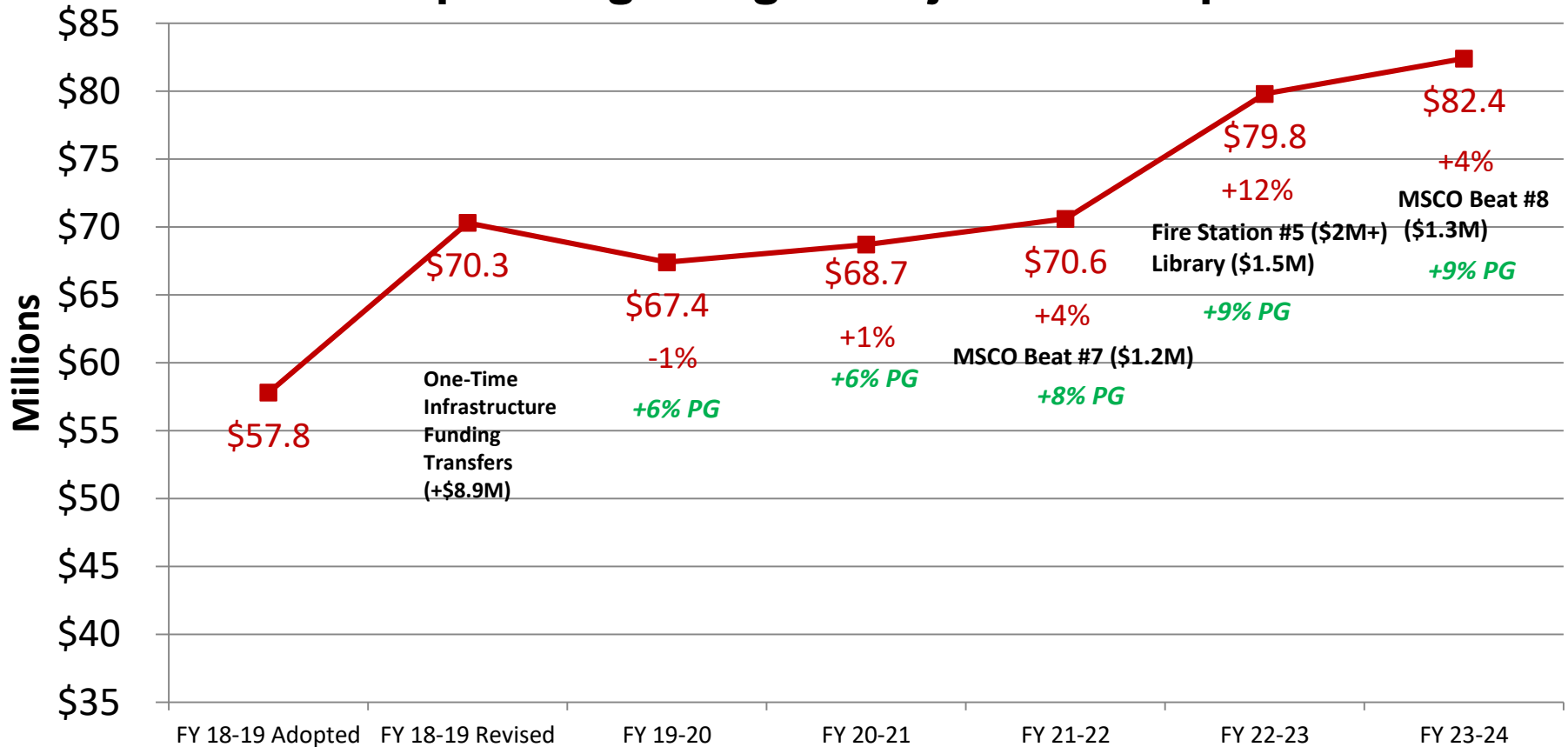
\*13% for New Construction Increases; 6% for Appreciation on Existing Properties



# *Operating Budget Expense Projections*



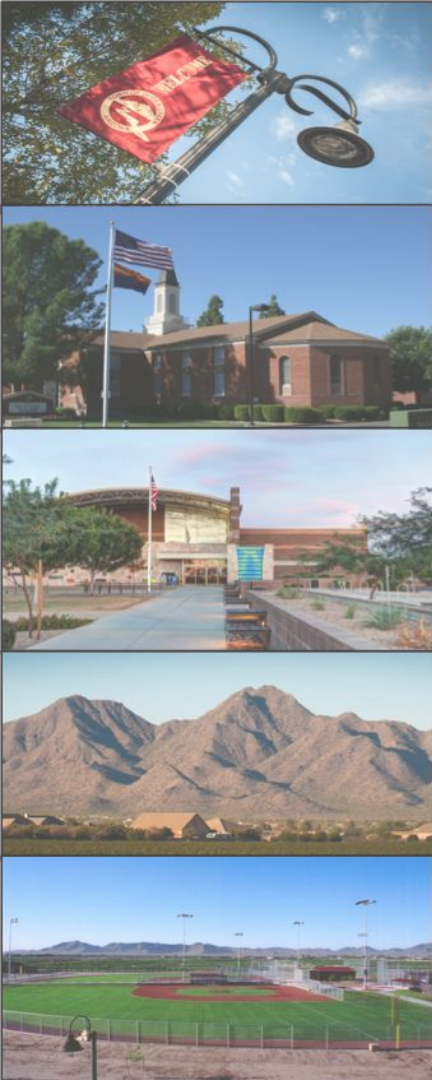
# 5 – Year Operating Budget Projection: Expenses

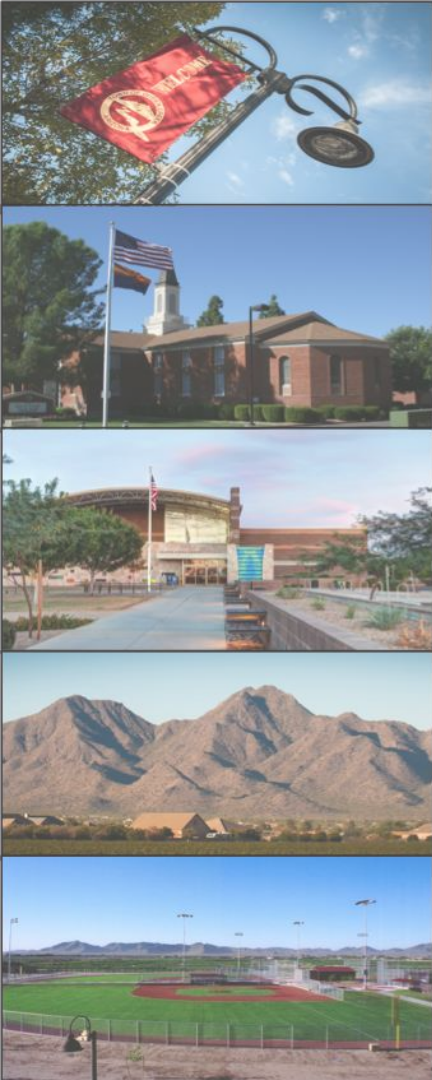


PG= Population Growth %

# FY 2019-20 Budget Expense Summary

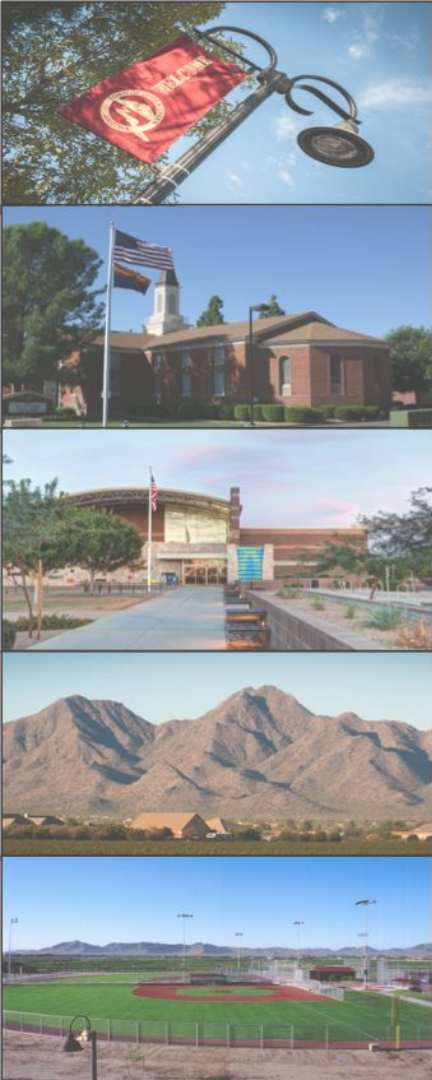
- Created \$1.25M New Debt Placeholder for Signal Butte and Meridian Road Construction (\$25M)
- Created \$250K Annual Building Repair and Replacement Funding
- Notable New Expenses
  - \$900K Fire Pumper Truck, \$500K SRP Streetlight Purchase, \$475K Replacement AV Equipment, \$300K Fire Equipment, \$240K MCSO Admin Fee





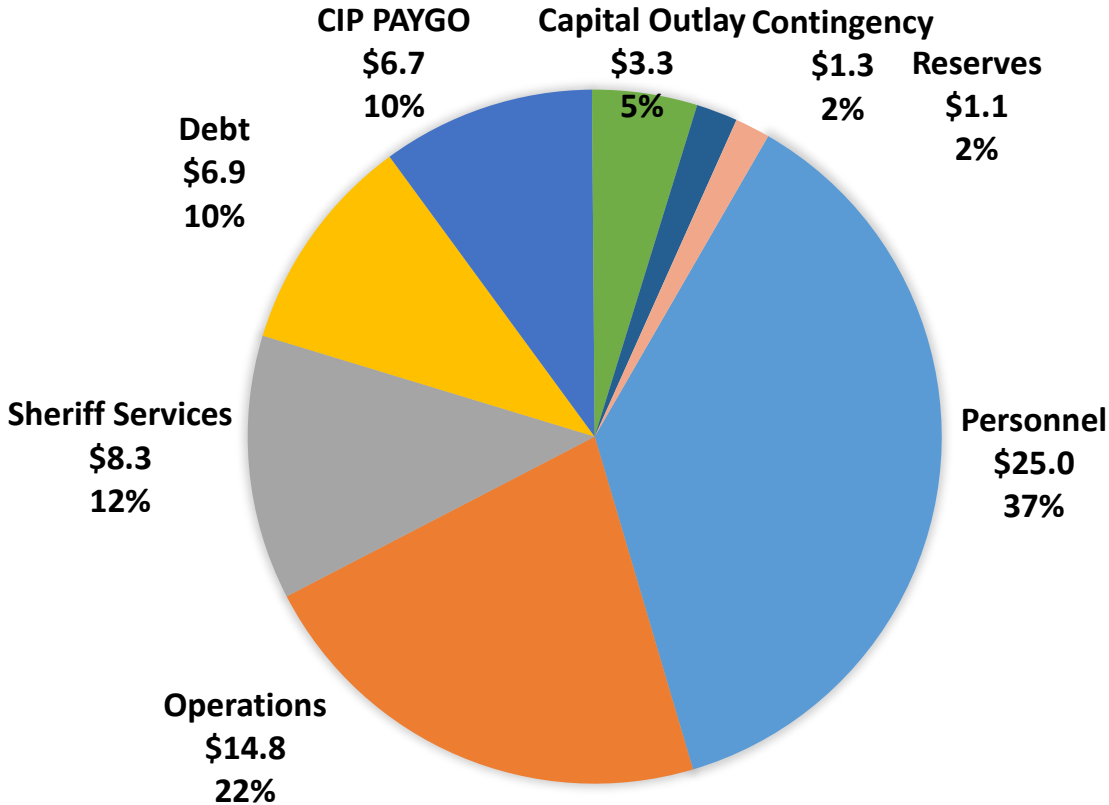
# FY 2019-20 Budget Expense Summary (concluded)

- Personnel (Staffing & Compensation):  
+\$1.3M
  - Staffing: 6 New Positions Recommended
    - Engineering (1), Fleet (2), Streets(1), Fire (2, non-sworn)
  - Compensation
    1. Market Increase: 2.1%
      - Per Council-Approved 2014 Class and Comp Study
      - Combination of year-end CPI and Regional Employment Cost Index (ECI)
    2. Performance Increase (up to 3%)
      - Awarded on Employee Anniversary Date

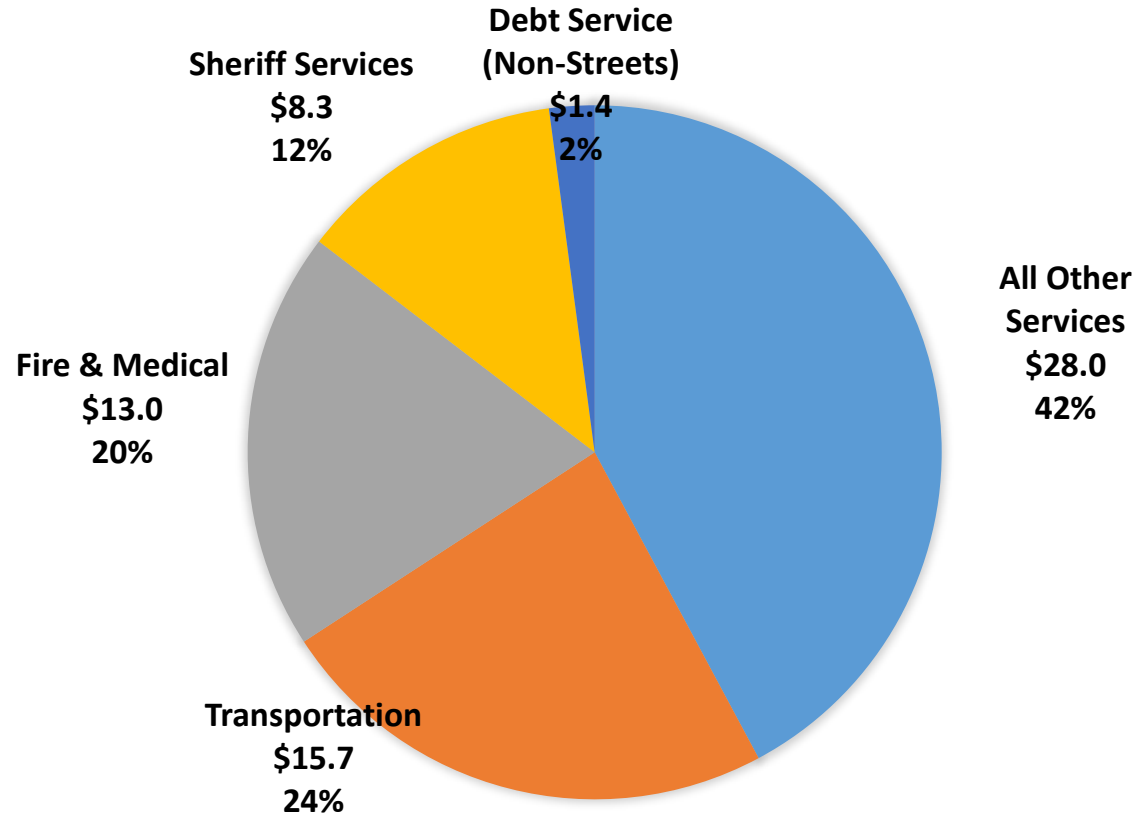
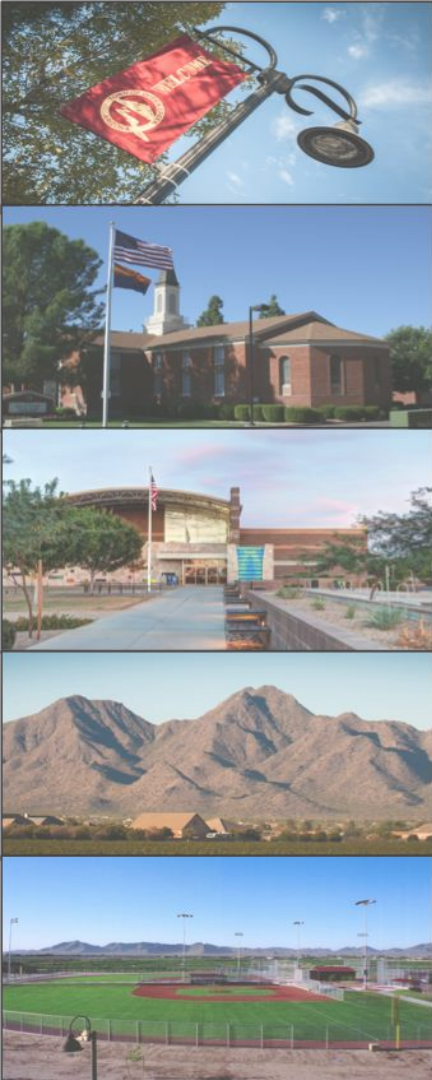


# FY 19-20 Operating Expenses \$67.4M

## By Category



# FY 19-20 Operating Expenses \$67.4M By Program



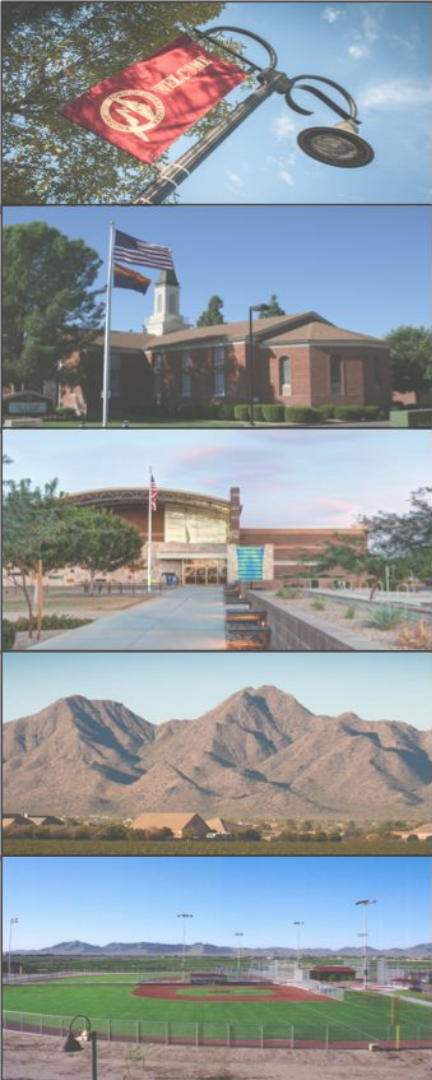
# Important Operating Expense Increases: \$6.7M



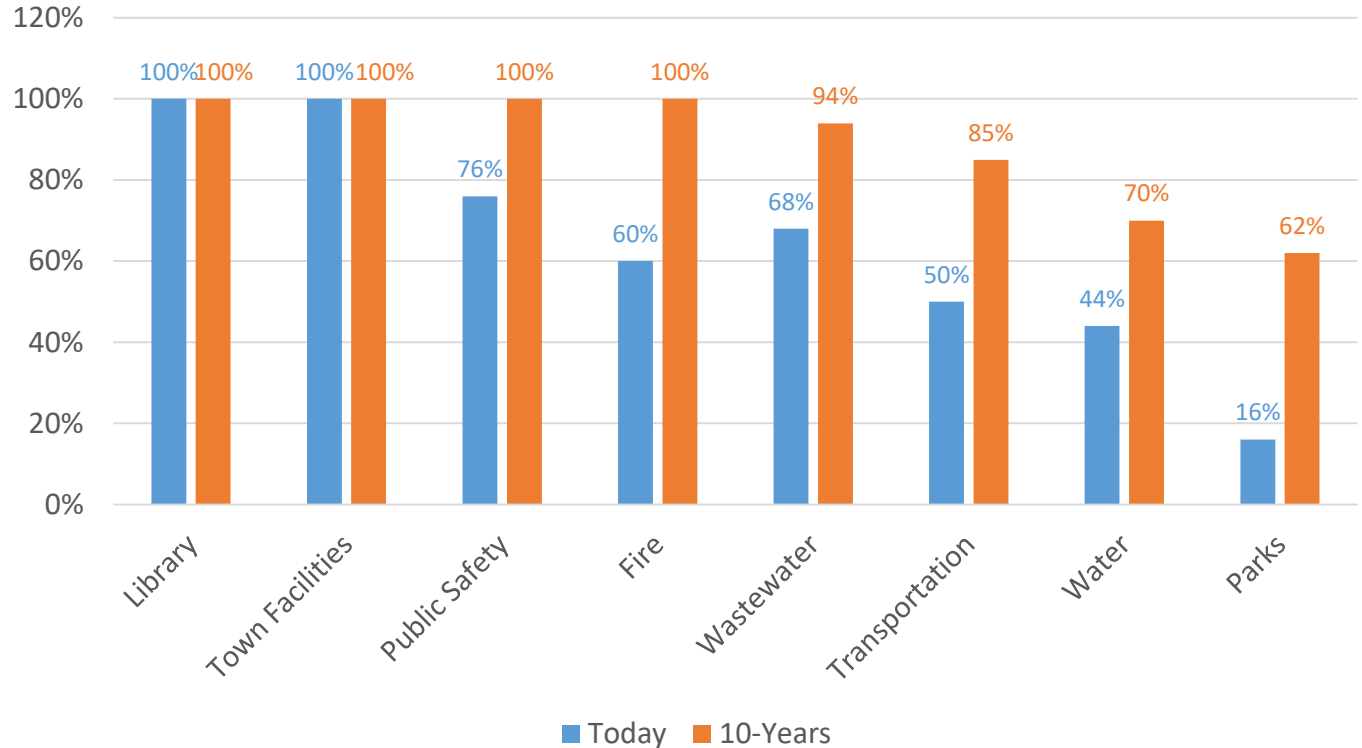
Item	
Debt Service – Signal Butte and Meridian	\$1.3M
Personnel Changes (New Staffing, Market, Merit)	\$1.3M
Replacement Fire Truck	\$0.9M
Debt Service – Fulton Development Agreement	\$0.6M
Debt Service – 2018 Transportation Issue	\$0.6M
SRP Streetlight Purchase	\$0.5M
AV Equipment Replacement	\$0.5M
Fire Personal Protective Equipment Sets	\$0.3M
Building Systems Repair/Replacement Funding	\$0.3M
MCSO Admin Charge	<u>\$0.2M</u>
<b>Total</b>	<b><u>\$6.7M</u></b>



# Infrastructure Overview/ Contingencies



# Town Infrastructure % Complete Today vs Future 10-Yrs

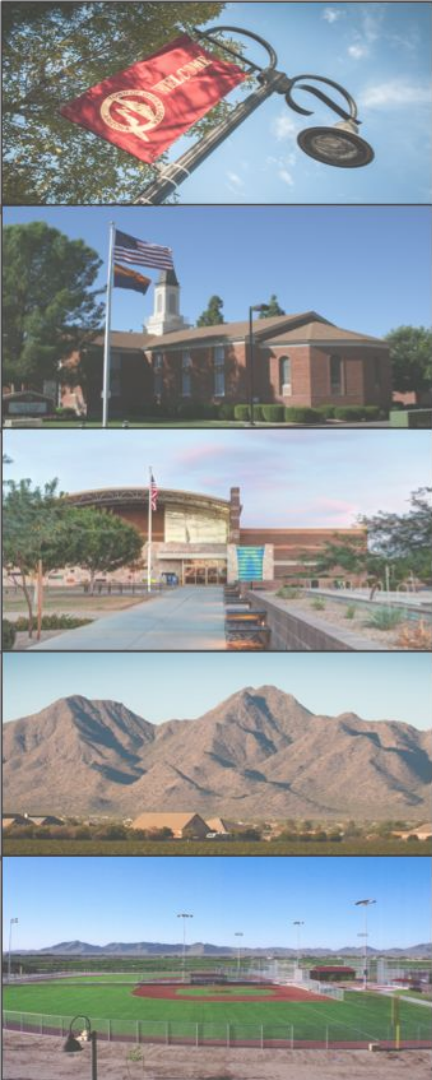




# Infrastructure Summary

	Projects Under Contract	Budget for Previously Approved Projects	New Projects	Total Budget
Transportation	\$18.6	\$44.1	\$59.5	\$122.2
Water	\$10.0	\$33.6	\$18.3	\$62.0
Wastewater	\$10.3	\$10.1	\$18.2	\$38.6
Parks and Trails	\$0.1	\$4.7	\$1.3	\$6.1
Fire/Public Safety	\$0.3	\$5.6	\$4.0	\$9.9
Corp Yard	<u>\$0.5</u>	<u>\$0.6</u>	<u>\$ -</u>	<u>\$1.1</u>
<b>Total Budget</b>	\$39.8	\$98.7	\$101.3	\$239.8

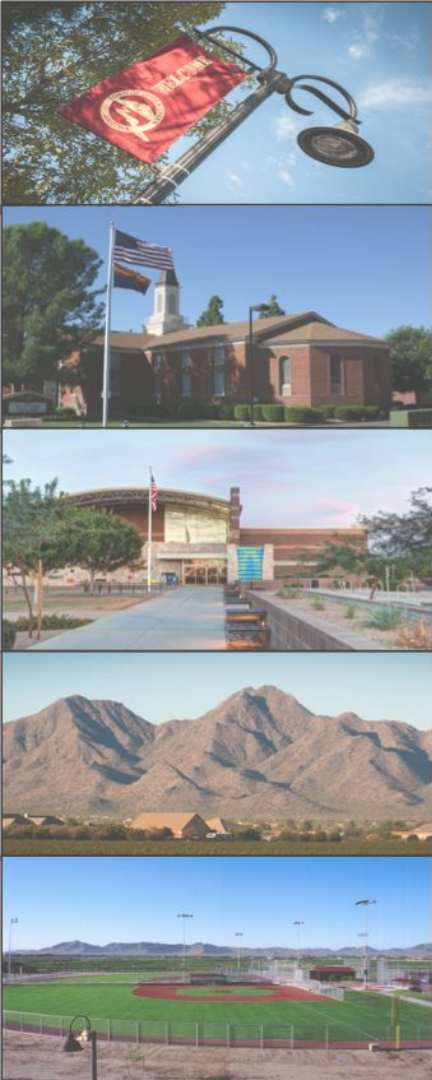
# Infrastructure Carry Forward/Contingencies



Purpose	Description	Amount
1. Projects Under Contract	Carryforward of approved contracts into FY 19-20	\$39.8M
2. Project Budgets Approved – Not yet under Contract	Expenditure authority for projects approved in FY 18-19 but not under contract by end of fiscal year	\$98.7M
3. Unanticipated Expenses	Expenditure authority for private development partnerships, emergency needs	\$5.0M
	<b>Total FY 19-20 Contingency</b>	<b><u>\$143.5M</u></b>



# All Other Major Activities

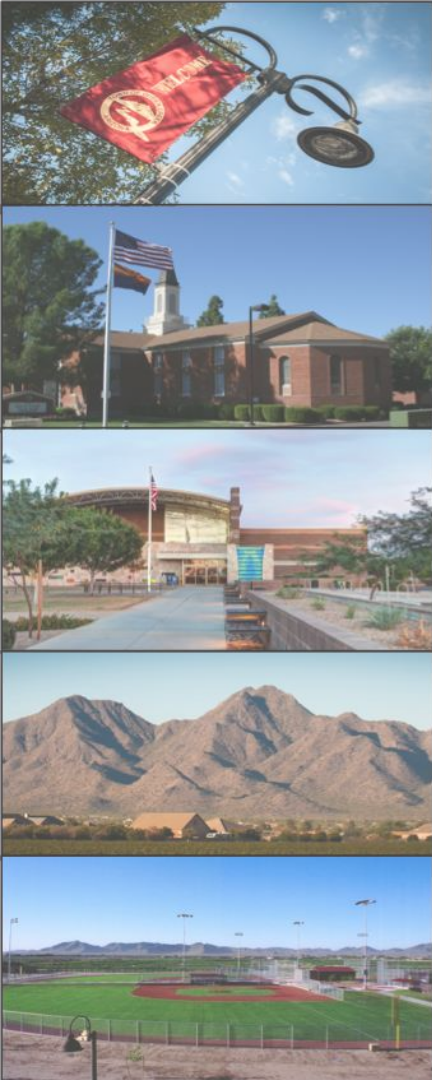


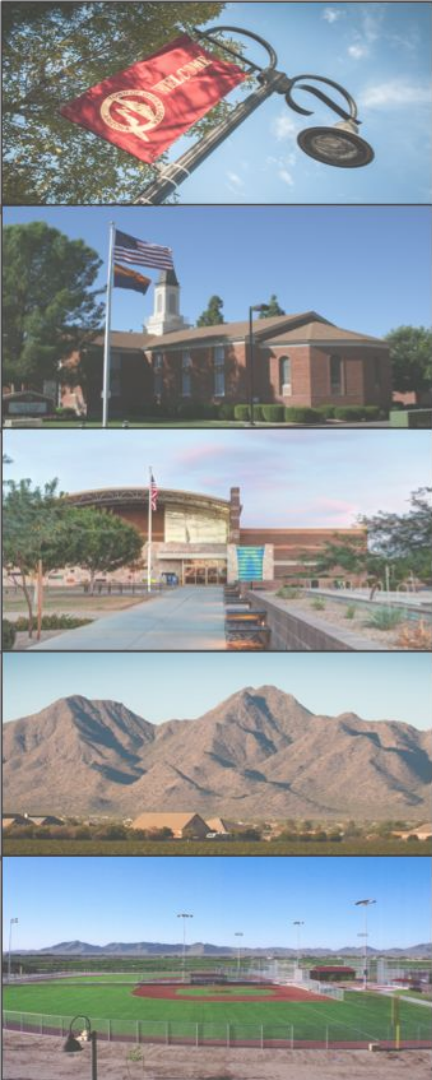
# Water Fund (Self-Funded)

- No Rate Increase
- \$50M for Potential Water Rights Purchase
- \$0.7M Purchase of Effluent Recharged Water from Wastewater Fund
- Increased Staffing Levels due to New Development (7% Growth) and Operational/System Security
  - 2.0 FTEs (4%): M&O Tech, CIP Inspector
- Operational Increases based on Growing System
  - \$1.0M Electricity
  - \$0.5M Well Site Repair/Maintenance/Chemicals

# Wastewater Fund (Self-Funded)

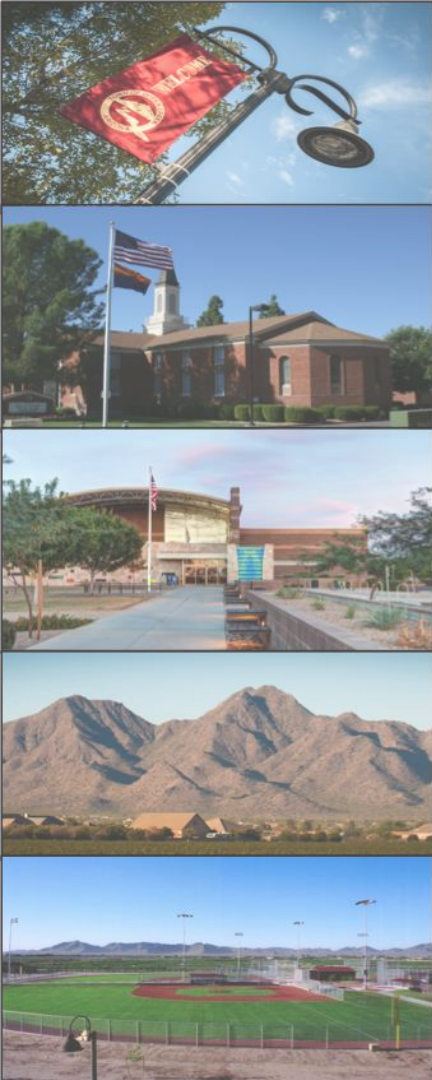
- 10% Revenue / Rate Decrease
- \$0.7M New Recharge Revenue from the Water Fund





# Solid Waste/Recycling Fund (Self-Funded)

- No Rate Increase
- Service Provider Costs Increasing 12%
  - Assumed a 5% Increase in Contracted Rate (maximum allowed)
  - 7% Increase For New Accounts



# Town Center Fund

- Dedicated 0.25% Sales Tax: \$1M
- Implement Town Center Master Plan
  - Drainage Improvements
  - Transportation and Utilities Infrastructure (Budgeted Separately in Those Funds)
- Maintenance of Buildings for Chamber of Commerce and Gangplank
- Façade Improvements

# Budget Calendar

Date	Action Item
April 4	Budget Committee Meeting
May 1	Council Votes on Tentative Budget
May 15	Truth in Taxation Hearing (Property Tax) Final Budget Hearing - Budget Adoption
June 5	Property Tax Levy Adoption <ul style="list-style-type: none"><li data-bbox="523 718 1035 765">• Primary Property Tax</li><li data-bbox="523 781 996 828">• SLID Levy Adoption</li></ul>





# Discussion and Questions



## Proposed Motion

Move to Approve the FY 2019/20  
Tentative Budget of \$452.7M and Set  
May 15, 2019 as the date of the Public  
Hearing for the FY 2019/20 Final  
Budget and the Truth in Taxation  
Hearing as required under Arizona  
Revised Statutes