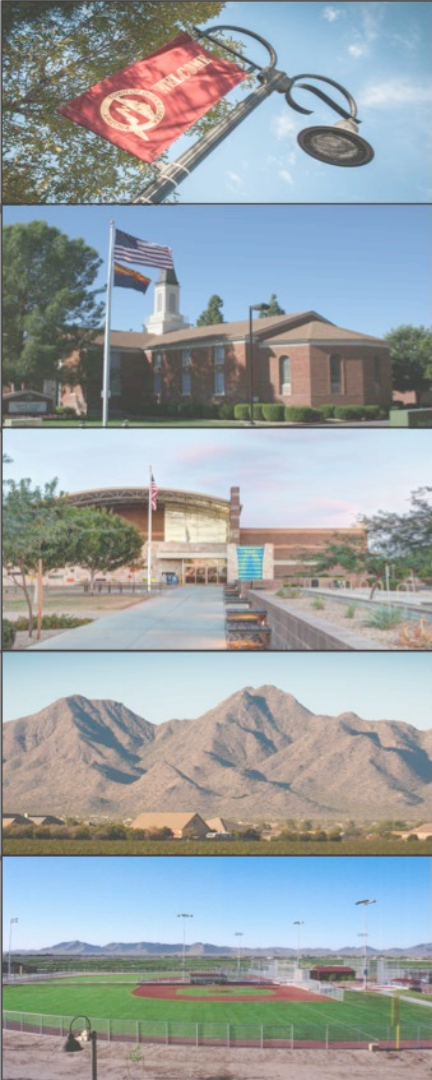




FY 2020-21 TENTATIVE BUDGET ADOPTION

Town Council Meeting

June 3, 2020



Purpose of Presentation

FY 2020-21 Budget Overview

- Economic Overview
- Growth Projections
- Total Budget
- Operating Budget
- Other Major Budgets
- Infrastructure Budgets
- Debt Budgets
- Contingencies
- Policy Issues
- Budget Adoption Calendar



ECONOMIC OVERVIEW

Today's Thoughts

- Financial Impacts are Tied to Severity and Duration of the COVID-19
 - Unemployment
 - Consumer Confidence
- Type of Recovery Unknown
 - Short (“V”)
 - Medium (“U”)
 - Long (“Nike Swoosh”)



Today's Thoughts (concluded)

- Impacts Will Vary by Sector
 - Retail, Food Services, Entertainment, Tourism
- Federal Stimulus Matters
- “Look Past It” for Long-Term Decisions



State Financial Perspective

- Environment is highly unpredictable
- Pandemic will have implications until at least through end of FY 20-21
- JLBC reports FY21 shortfall to be \$1.1B but could vary by \$500mM – in either direction
- Will revisit in June



QC's Guiding Principles

1. \$16.7M 6/30/19 Reserves Will Not Be Used to Mitigate Revenue Reductions
 - Preserve for Use Later if Situation Warrants
2. Public Safety and Transportation Remains a Town Council Priority
 - Create a Police Department
 - Build Infrastructure per Fire Master Plan
 - Continue with 10-Year Transportation Plan





QC's Guiding Principles (continued)

3. Maintain Existing Essential Service Levels
4. Identify Expense Reductions that Directly Correlate to Revenue Reductions
5. Re-Balance the 5-Year Operating Budget Plan



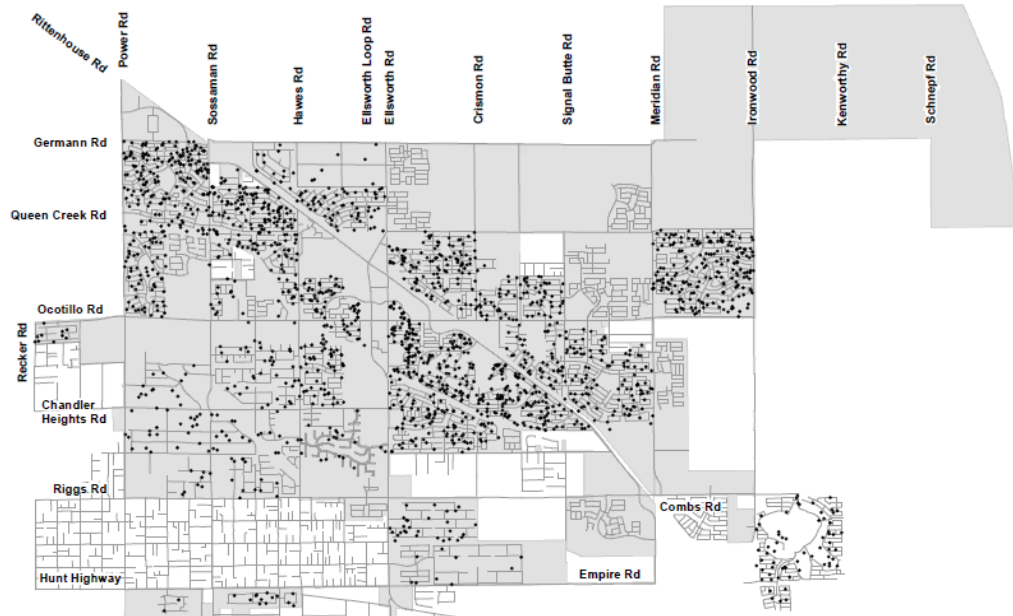
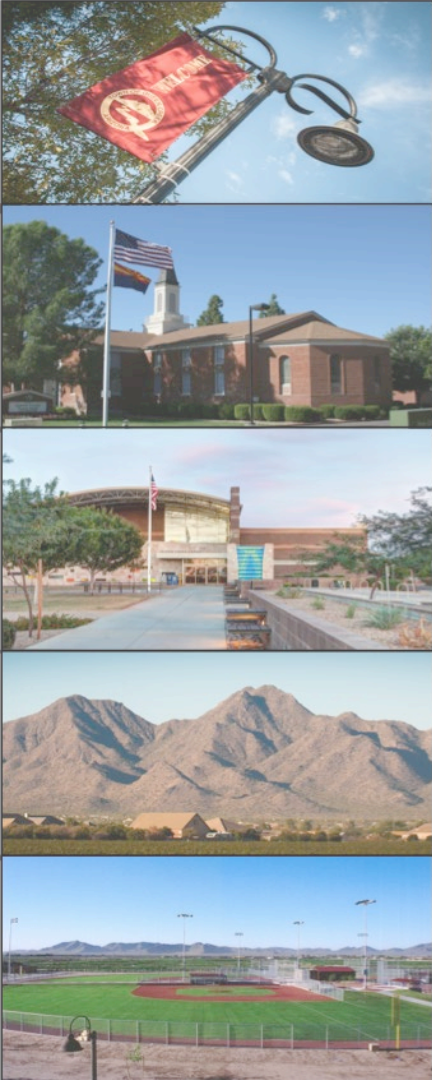
QC's Guiding Principles (concluded)

6. Develop Multiple Scenarios to Provide Town Council Options to Make Adjustments As Needed
7. Process Matters !!!
 - Monitor
 - Report Timely
 - Discuss
 - Reconcile Actual Results to Expected Results



GROWTH PROJECTIONS / FTE SUMMARY

POPULATION DENSITY @ 6/30/2020: 59.7K

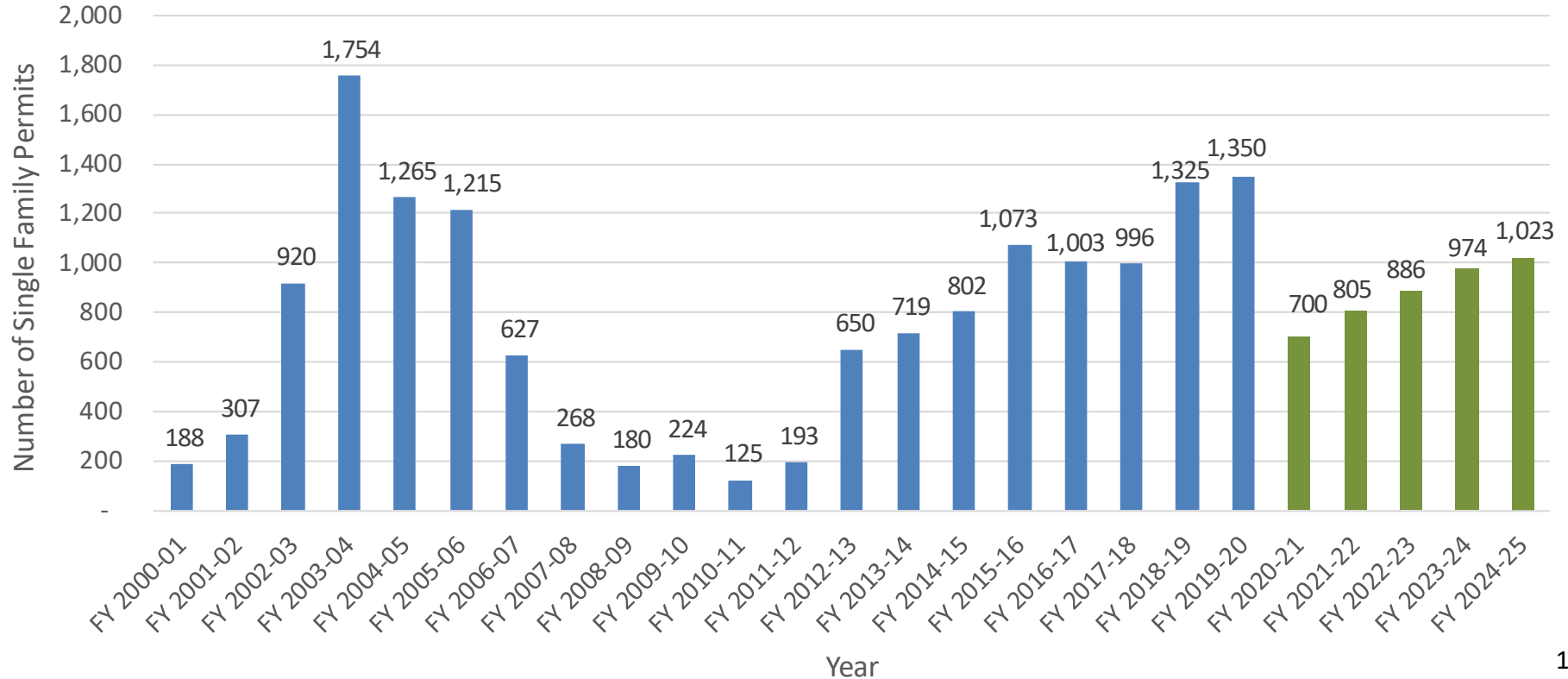



N
Development
Services

SINGLE FAMILY RESIDENTIAL: FY 20-21

- New Single Family building permits: 700
 - Basis for building revenue estimates
- Home closings: 665
 - Basis for construction sales tax revenue estimate
 - Includes assumption for canceled closings

NEW HOUSING STARTS





TOTAL BUDGET

FY20-21 TENTATIVE BUDGET

(IN MILLIONS)

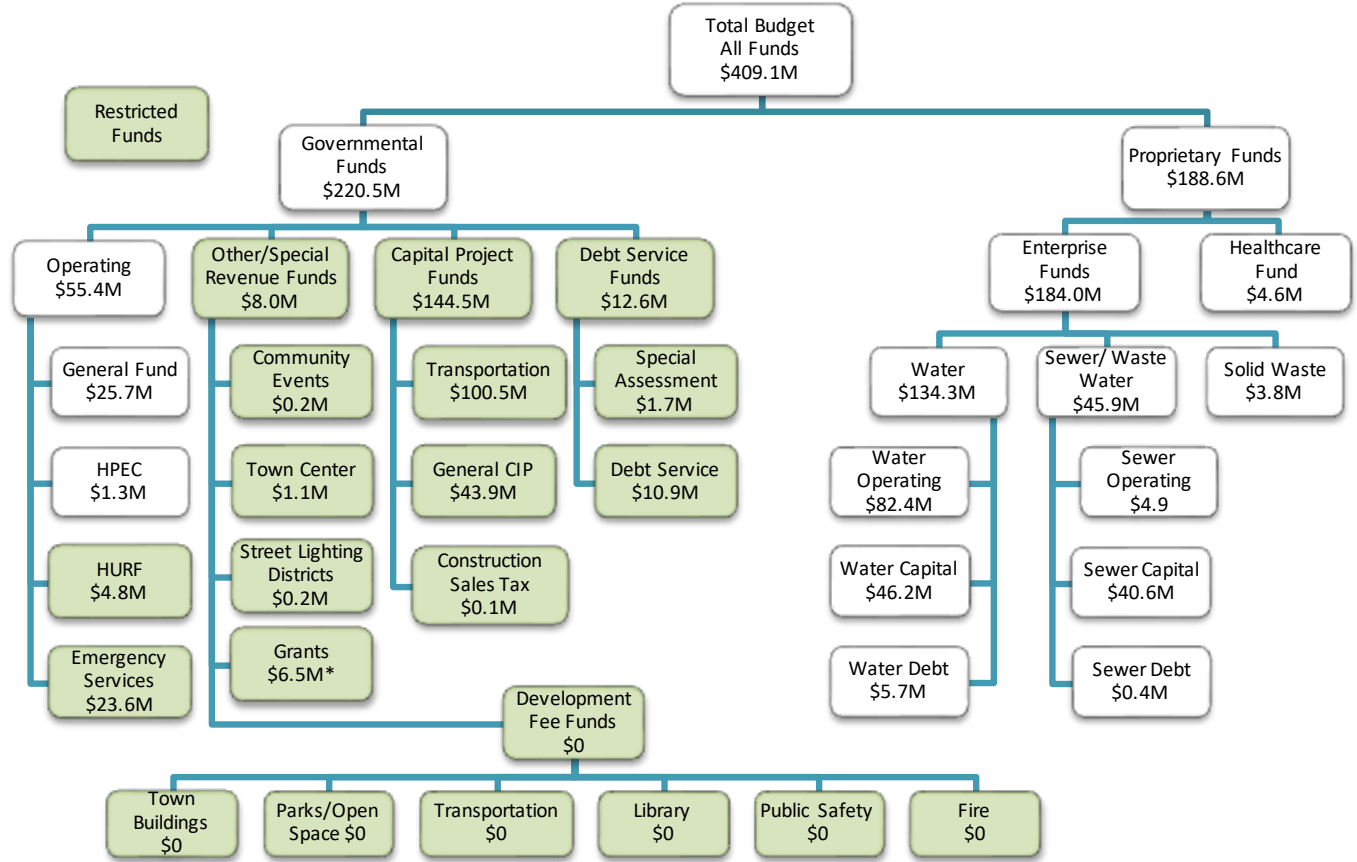


	FY 19/20 Revised	FY 20/21 Tentative	\$ Change	% Change
Total Expenses	\$452.7	\$409.1	-\$43.6	-10%

	FY 19/20 Revised	FY 20/21 Tentative	\$ Change	% Change
Revenues	\$331.5	\$288.1*	-\$43.4	-13%
Use of Fund Balance	<u>\$121.2</u>	<u>\$121.0</u>		
Total Sources	\$452.7	\$409.1		

*Bond Proceeds of \$150M are included in FY 20/21 Revenues (\$60M for new water rights, \$90M for water and wastewater CIP projects).

BUDGET/FUND STRUCTURE : \$409.1M



* Includes Police Services Reserve of \$4.5M

BUDGET SUMMARY AND COMPARISON*

	FY 2019/20 Revised	FY 2020/21 Tentative	\$ Change from FY19/20
Operating Budget	\$56.3	\$55.4	(\$0.9)
Enterprise/Utilities	<u>\$30.1</u>	<u>\$31.1</u>	<u>\$1.0</u>
Subtotal Operating	\$86.4	\$86.5	\$0.1
Transportation Infrastructure	\$120.3	\$100.5	(\$19.8)
Water Infrastructure	\$62.0	\$46.2	(\$15.8)
Wastewater Infrastructure	\$38.6	\$40.6	\$2.0
Water Rights	\$50.0	\$60.0	\$10.0
All Other Infrastructure	<u>\$17.2</u>	<u>\$43.9</u>	<u>\$26.7</u>
Subtotal - Infrastructure	\$288.1	\$291.2	\$3.1
Debt	\$70.4	\$18.8	(\$51.6)
All Other Funds	<u>\$7.8</u>	<u>\$12.6</u>	<u>\$4.8</u>
Total Budget	\$452.7	\$409.1	(\$43.6)

*Excludes Transfers

FY 20-21 NEW POSITIONS: 23

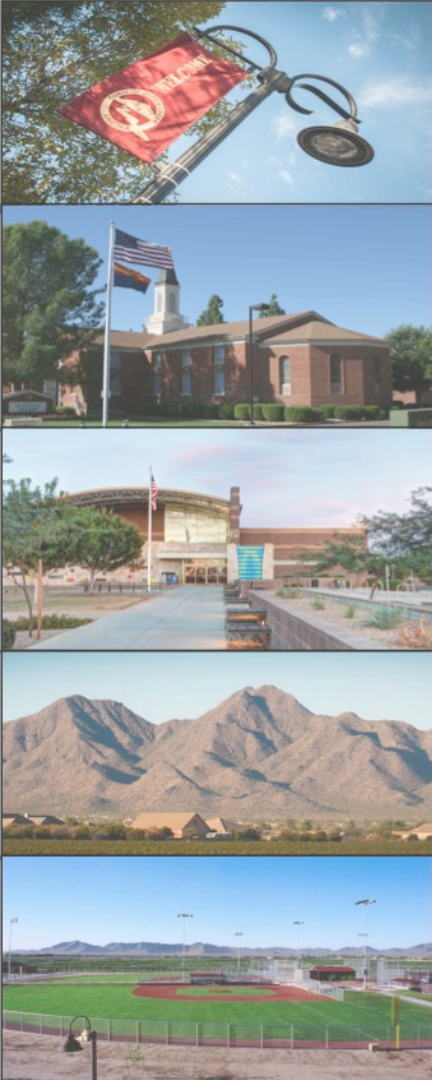
- Fire Station #5 Staffing: 15 Positions
- Police Department: 8 Positions
 - 4 Police Positions (1 Chief, 2 Lieutenants, 1 Admin. Assistant)
 - 4 Support Positions (3 IT, 1 Fleet)
- Vacant Positions Not Being Filled: 9
 - Fire: 2
 - Finance: 3
 - Recreation: 1
 - Water: 3

FTE HISTORICAL SUMMARY

Department	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Revised	FY 2020/21 Tentative
Mayor & Town Council	7.00	7.00	7.00	7.00	7.00	7.00
Town Manager, Clerk, Legislative & Legal Services	7.00	8.00	8.00	8.00	8.00	8.00
Finance	11.98	17.98	22.18	30.48	32.48	32.48
Workforce & Technology	11.00	12.00	12.00	14.00	15.00	18.00
Communications, Marketing & Recreation Services	13.71	16.71	16.71	22.06	23.06	23.06
Economic Development	12.00	12.00	12.00	12.00	12.00	12.00
Development Services	26.48	25.48	25.50	25.50	26.50	26.50
Public Works	50.36	50.86	56.93	69.43	72.43	73.43
Solid Waste	4.00	4.00	4.00	4.00	4.00	4.00
Utilities	44.00	39.00	41.00	50.00	56.00	56.00
Fire & Medical	36.00	51.00	51.00	63.00	65.00	80.00
Police	-	-	-	-	-	<u>4.00</u>
Total Full Time Equivalent	223.53	243.03	256.32	305.47	321.47	344.47
# Change from Prior Year	7.98	19.5	13.29	49.15	16.0	23.00
% Change from Prior Year	4%	9%	5%	19%	5%	7%
Population Growth	6%	11%	21%	8%	13%	8%



OPERATING BUDGET



5-YEAR PLANNING GOALS

1. Create QC Police Department
2. Staff a 5th Fire Station
3. New Library Operating Costs
4. Fully Fund ASRS Pension Reserves
5. No Tax Rate Increases
6. Address Financial Impacts of COVID-19



BUDGET PARAMETERS

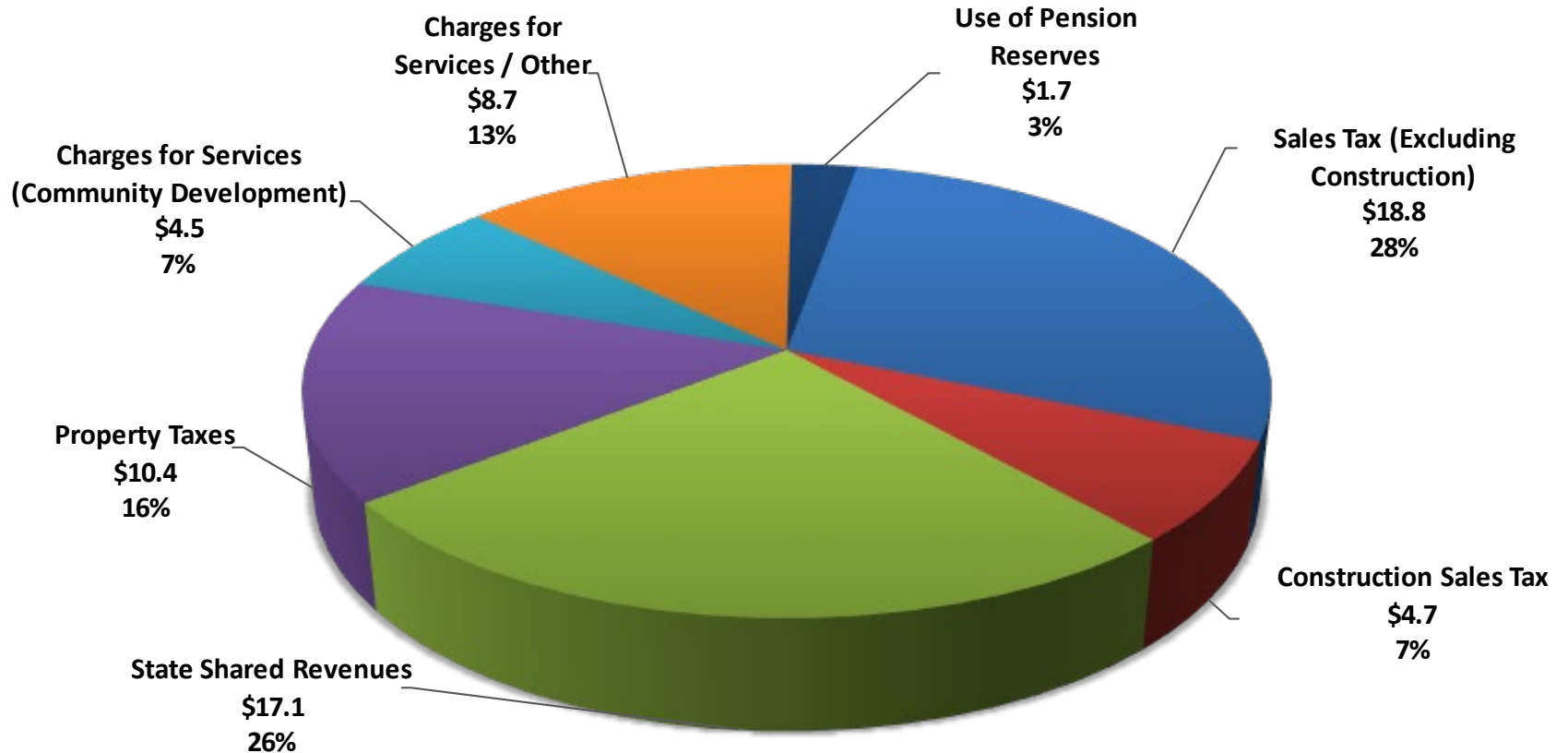
- Maintain Existing Service Levels
- No Increased Service Levels
- No New Services or Programs



OPERATING BUDGET REVENUE / SOURCES PROJECTIONS

FY 20-21 OPERATING REVENUES / SOURCES

\$65.9M



REVENUE / SOURCES SUMMARY

	FY 19-20 Revised Budget	FY 20-21 Tentative	\$ Change	% Change
Sales Tax	\$24.8	\$18.8	(\$6.0)	(24%)
Construction Sales Tax	\$8.9	\$4.7	(\$4.2)	(47%)
State Shared Revenue	\$14.8	\$17.1	\$2.3	16%
Property Tax	\$8.3	\$10.4	\$2.1	25%
Charges for Services	\$6.2	\$5.7	(\$0.5)	(8%)
Building Revenues	\$6.1	\$4.5	(\$1.6)	(26%)
Utility ROI for Public Safety	\$2.8	\$3.0	\$0.2	7%
Subtotal	<u>\$71.9</u>	<u>\$64.2</u>	<u>(\$7.7)</u>	<u>(11%)</u>
Use of Pension Reserves (MCSO)	\$1.7	\$1.7	\$ -	- %
Total Revenue	\$73.6	\$65.9	(\$7.7)	(10%)

SALES TAX BREAKOUT

	FY 19-20 Revised Budget	FY 20-21 Tentative	\$ Change	% Change
Construction Sales Tax	\$8.9	\$4.7	(\$4.2)	(47%)
Retail	\$16.0	\$12.0	(\$4.0)	(25%)
Restaurants / Bars	\$3.6	\$1.8	(\$1.8)	(50%)
Communications / Utilities	\$1.8	\$1.8	(\$0)	- %
Real Estate, Rental, & Leasing	\$1.9	\$1.9	(\$0)	- %
All Other	<u>\$1.5</u>	<u>\$1.3</u>	<u>(\$0.2)</u>	<u>(13%)</u>
Total Sales Tax	\$33.7	\$23.5	(\$10.2)	(30%)

STATE SHARED REVENUES

	FY 19-20 Revised Budget	FY 20-21 Tentative	\$ Change	% Change
State Sales Tax	\$4.4	\$5.0	\$0.6	14%
Income Tax	\$5.5	\$7.2	\$1.7	31%
Vehicle License Tax	\$1.9	\$2.2	\$0.3	16%
HURF	<u>\$3.0</u>	<u>\$2.7</u>	<u>(\$0.3)</u>	<u>(10%)</u>
Total State Shared Revenue	\$14.8	\$17.1	\$2.3	16%



OPERATING BUDGET EXPENSE PROJECTIONS

EXPENSE SUMMARY

- Create QC Police Department (\$2.8M)
 - \$0.8M For Administration Staff
 - \$1.9M for Start-Up Capital (additional \$4.5M held in Contingency)
 - \$0.1M for IT and Fleet Support Staff
- Increase Fire Staffing (\$1.6M)
 - 15 New Firefighters for Station #5
- \$1.7M Debt Service for Non-Growth Share of Infrastructure
 - \$1.3M for Transportation
 - \$0.4M for Fire



EXPENSE SUMMARY

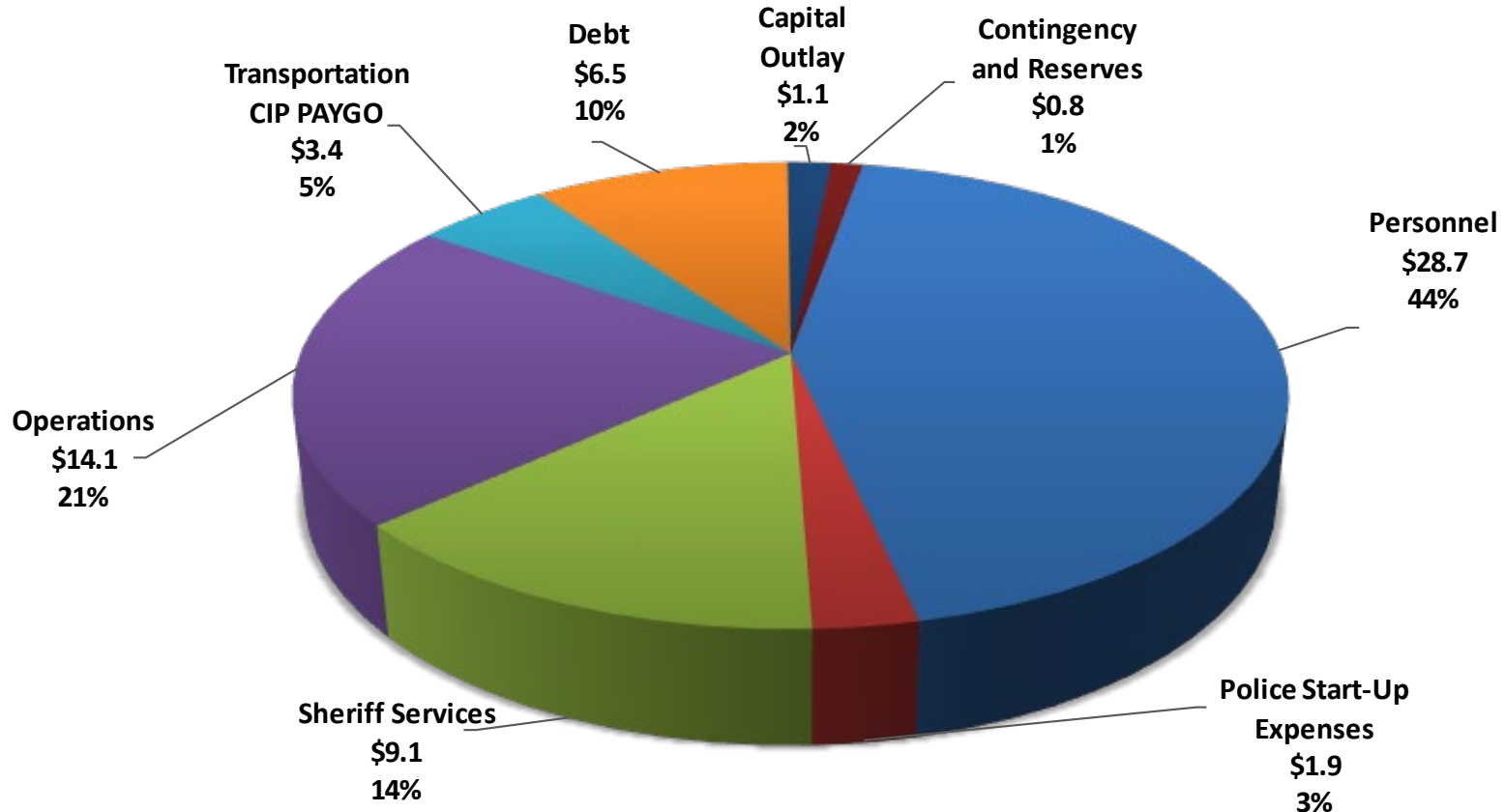
(CONCLUDED)

- Other Highlights

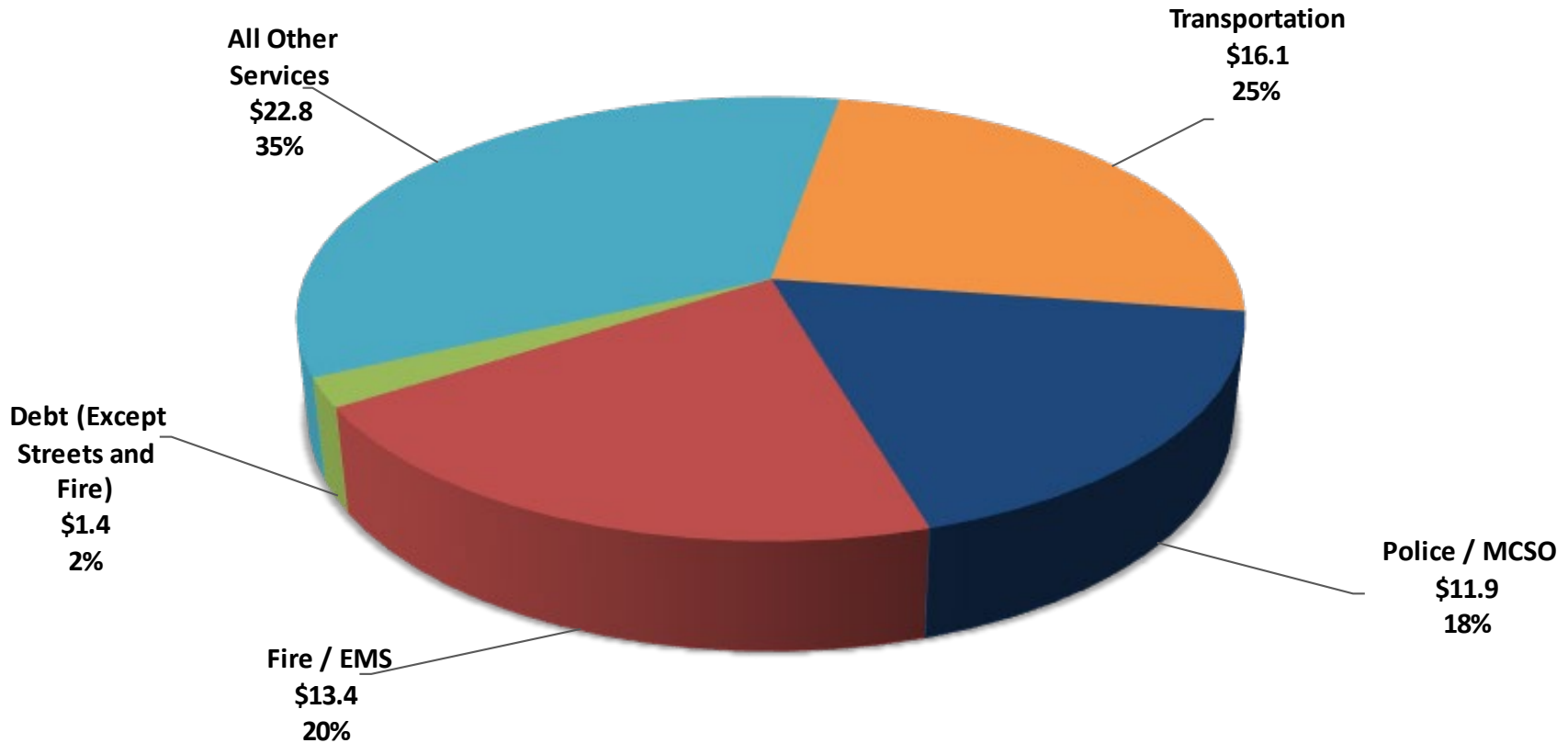
- No New, Non-Public Safety Personnel
- No Employee Market Increase
- No Employee Merit / Step Program
- Travel Eliminated
- R&R Programs Reduced or Suspended
- Outside Agency Funding Reduced
 - Visit Mesa reduced 50% to \$18,000
 - Performing Arts Center reduced 50% to \$67,500
 - Boys and Girls Club reduced 100% to \$0
 - Nonprofit in-kind support only, no cash awards



FY 20-21 OPERATING EXPENSES / USES \$65.6M BY CATEGORY



FY 20-21 OPERATING EXPENSES / USES \$65.6M BY PROGRAM



EXPENSE SUMMARY

	FY 19-20 Revised Budget	FY 20-21 Preliminary	\$ Change	% Change
Personnel	\$26.2	\$28.7	\$2.5	+10%
Operating	\$18.0	\$14.1	(\$3.9)	(22%)
Sheriff Services (MCSO)	\$8.4	\$9.1	\$0.7	+8%
Police Start-Up	\$ -	\$1.9	\$1.9	- %
Capital Outlay	\$3.7	\$1.1	(\$2.6)	(70%)
Contingency	\$ -	\$0.5	\$0.5	- %
Subtotal Expense	\$56.3	\$55.4	(\$0.9)	(2%)
Debt	\$4.8	\$6.5	\$1.7	+35%
CIP PAYGO Funding	\$7.4	\$3.4	(\$4.0)	(54%)
25% Reserve Requirement	\$ -	\$0.3	\$0.3	- %
Total Expenses / Uses	\$68.5	\$65.6	(\$2.9)	(4%)

IMPORTANT OPERATING EXPENSES

NET CHANGE FROM FY 19-20 = (\$2.9M)

Item	
Police Department – Personnel + Start-up Costs + Non-PD Support FTE	\$2.8M
Debt Service – New 2020 Transportation & Fire Issue	\$1.7M
Fire Station #5 Staffing	\$1.6M
MCSO Contract Increase	\$0.7M
Fueling Station – Town Center	\$0.5M
Traffic Studies and Software	<u>\$0.2M</u>
Subtotal	\$7.5M
Contingency + 25% Reserve Requirement	\$0.8M
CIP PAYGO Funding	(\$4.0M)
Reductions to Capital Budgets	(\$3.1M)
Reductions to Operating Budgets	(\$3.0M)
Transportation Development Agreements (ended in FY2019-20)	<u>(\$1.1M)</u>
Total	<u>(\$2.9M)</u>



OPERATING BUDGET RESERVES

FY 2020-21 ENDING RESERVES

	FY 2020-21 Estimates	
Revenues / Sources	\$65.9	
Uses	(\$65.6)	
ASRS Pension Funding per Policy	<u>(\$0.3)</u>	
Net FY 20-21	<u>\$0</u>	
Ending Fund Balance		\$42.5
Restrictions:		
25% Revenue Reserve Requirement	\$17.0	
MSCO Pension Liability Reserve	\$18.6	
ASRS Pension Liability Reserve	<u>\$ 6.9</u>	
Total Restrictions		<u>\$42.5</u>



OTHER MAJOR BUDGETS

STREETLIGHT IMPROVEMENT DISTRICTS



- Property Tax Assessments: \$56K
 - Reduced by \$500K Because Town Now Owns and Maintains Streetlights
- Number of SLIDs: 101 (9 with a Levy)
- Number of Parcels: 15,000 (1,197 with a Levy)

WATER FUND (SELF-FUNDED)

- \$60M Placeholder for Potential Water Rights Purchases
- \$50M Interim Financing for CIP Projects
- Operational Increases Due to System Growth and Increased Water Wheeling / Pumping
 - \$0.5M Additional Surface Water Orders
 - \$0.3M Well Site Electricity
 - \$0.3M New / Replacement Meters
 - \$0.3M Pumping Reclaimed Water for Recharge
- No Rate Increase but Rate Study Underway



WASTEWATER FUND (SELF-FUNDED)

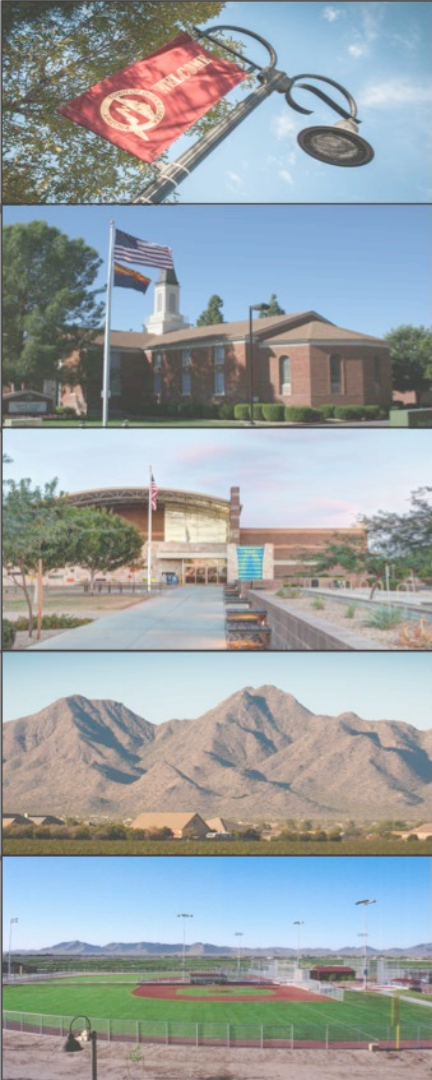
- \$40M Interim Financing for CIP
- Operational Increases due to Vehicle Replacements and GWRP O&M
 - \$0.5M Vac & Heavy Truck Replacement
 - \$0.3M GWRP O&M
- No Rate Increase but Study Underway
 - Residential Rate Cap





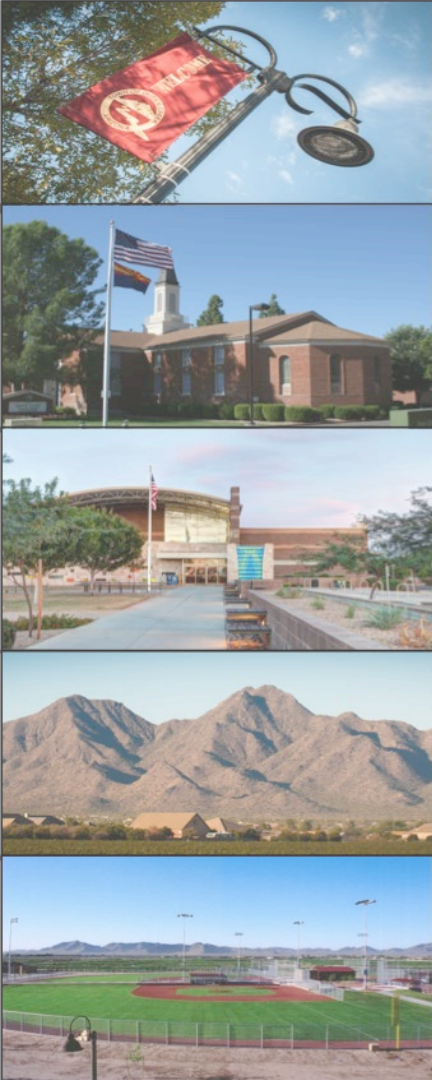
SOLID WASTE/RECYCLING FUND (SELF-FUNDED)

- Service Provider Costs increasing 32% due to Account Growth (\$638K)
 - Revenue from New Accounts Will Cover Increased Costs
 - Encanterra: 1,800 Households
- Contract Renewed through 2027
 - Followed by Option to Renew for 3 Years
- No Rate Increase in FY 20-21



TOWN CENTER FUND

- Dedicated 0.25% Sales Tax: \$0.7M
- Implement Town Center Master Plan
 - Drainage Improvements
 - Transportation and Utilities Infrastructure (Budgeted Separately in Those Funds)



HEALTHCARE FUND

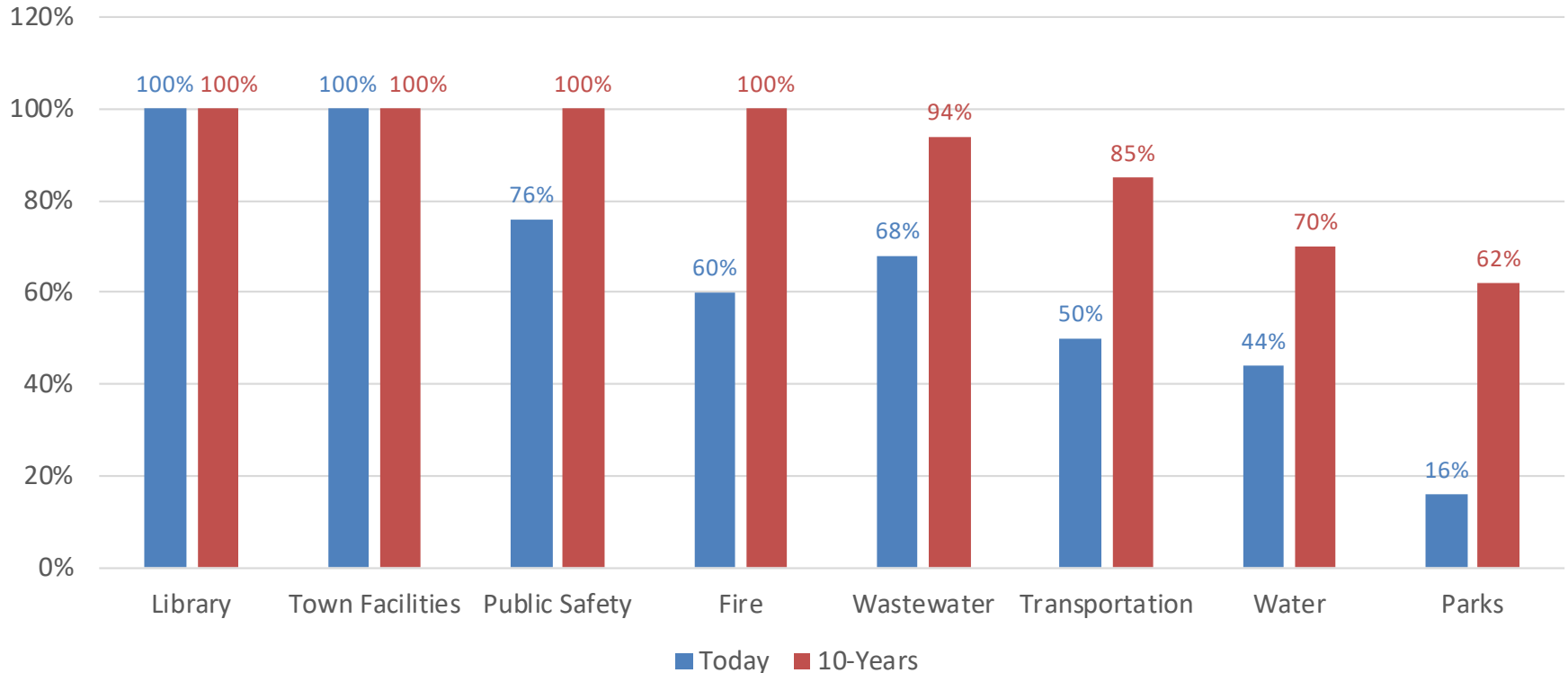
- Self-Funded
- Revenues: \$4.6M
 - No Change to Employer Premiums
 - No Change to Employee Premiums
- Healthcare Claims/Costs: \$4.6M
- Objective to build reserves to offset future premium increases



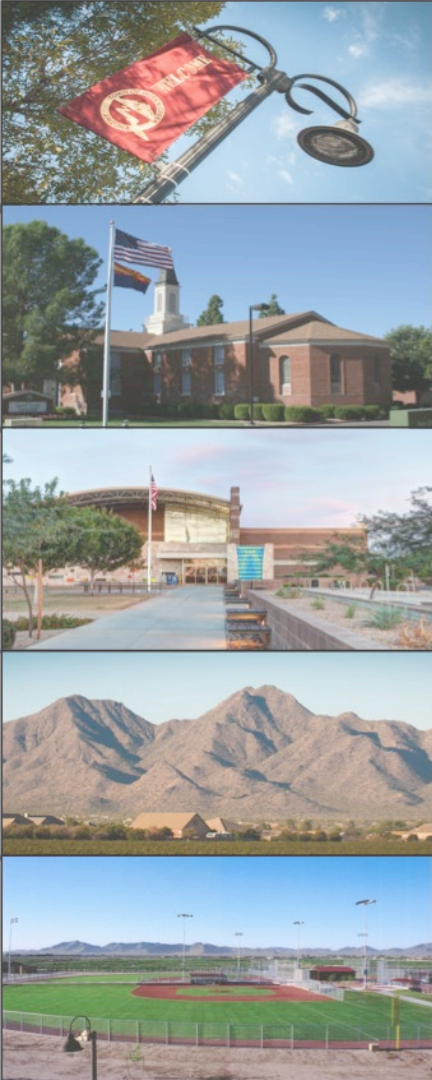
INFRASTRUCTURE BUDGETS

TOWN INFRASTRUCTURE

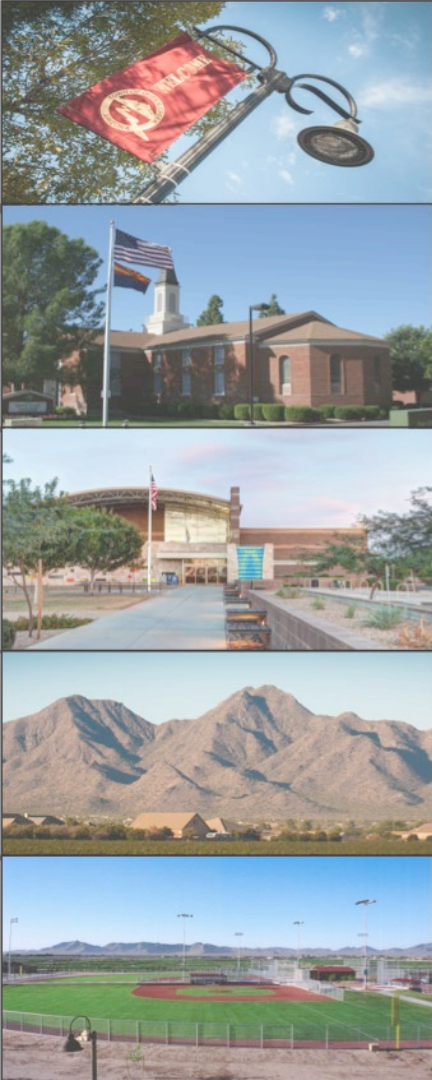
% COMPLETE TODAY VS FUTURE 10-YEARS



INFRASTRUCTURE SUMMARY



	Projects Under Contract	Previously Approved Projects	New Projects	Total FY 20-21 Budget
Transportation	\$23.4	\$13.2	\$58.9	\$95.5
Water	\$8.2	\$22.3	\$13.2	\$43.7
Wastewater	\$10.0	\$19.0	\$9.1	\$38.1
Water Rights	\$ -	\$ -	\$60.0	\$60.0
Fire	\$4.5	\$1.1	\$21.4	\$27.0
Police	\$0.7	\$ -	\$1.8	\$2.5
Parks and Trails	\$1.8	\$0.3	\$9.1	\$11.2
Municipal Facilities	\$0.1	\$0.6	\$ -	\$0.7
Contingencies	\$ -	\$ -	\$12.5	\$12.5
Total Infrastructure	\$48.7	\$56.5	\$186.0	\$291.2



STREET INFRASTRUCTURE

- Re-Balanced 10-Year Capital Plan
 - Prior IIP Amount: \$195M
 - Total CIP Amount: \$269M (+\$74M)
 - Reasons for the Change
 1. IIP Cost Updates: \$47M
 2. New Projects: \$7M
 3. Outside QC Projects: \$20M

NEW STREETS FINANCING (CONCLUDED)

Growth (Impact Fee) and Non-Growth (Operating Budget) Allocation

Purpose	Total (Amount / Annual Payment)	Impact Fees (Amount / Annual Payment)	Construction Sales Tax (Amount / Annual Payment)	Operating Budget (Amount / Annual Payment)
Streets – IIP	\$40M / \$2.3M	\$7M / \$0.4M	\$5M / \$0.3M	\$28M / \$1.6M
Streets – New *	\$7M / \$0.4M	\$ - / \$ -	\$ - / \$ -	\$7M / \$0.4M
Streets – Outside Town *	<u>\$20M / \$0.9M</u>	<u>\$ - / \$ -</u>	<u>\$ - / \$ -</u>	<u>\$20M / \$0.9M</u>
Total	\$67M / \$3.6M	\$7M / \$0.4M	\$5M / \$0.3M	\$55M / \$2.9M

*Projects included in the Towns' Capital Improvement Plan but not included in the Infrastructure Improvement Plan for Impact Fees



WATER INFRASTRUCTURE

- Re-Balanced 10-Year Capital Plan
 - Prior Amount: \$105.8M
 - New Amount: \$135.7M (+\$29.9M)
 - Reasons for the Change
 1. Costs Increases: \$16.2M
 2. New Projects: \$10.6M
 3. Encanterra Water Exchange Project (from Sewer): \$8.9M
 4. Projects Reduced / Removed from Plan: (\$5.8M)

WASTEWATER INFRASTRUCTURE

- Re-Balanced 10-Year Capital Plan
 - Prior Amount: \$67.4M
 - New Amount: \$72.5M (+\$5.1M)
 - Reasons for the Change
 1. Costs Increases: \$3.0M
 2. New Projects: \$16.4M
 3. Encanterra Water Exchange Project (to Water): (\$8.9M)
 4. Projects Reduced / Removed from Plan: (\$5.4M)



FIRE

- Fire: \$28.0M
 1. Station #4 (New): \$6.4M (under construction)
 2. Station #5 (New): \$8.7M (in design)
 3. Station #2 (Reconstruct): \$7.9M (in design)
 4. Resource Center (New): \$5.0M (pre-design)



PARKS AND TRAILS

INFRASTRUCTURE: \$11.2M

- Trails \$2.6M
 - \$0.4M Sonoqui Wash design, 2 segments(Carry forward from FY 19-20)
 - \$2.2M Sonoqui Wash construction, 2 segments(New budget for FY20-21)
- Parks \$8.6M
 - \$1.6M East Park Design for Site/Drainage, design to 60% (Carry forward from FY 19-20)
 - \$7.0M East Park Site Drainage(New budget for FY 20-21)





DEBT BUDGETS

OUTSTANDING BONDED DEBT⁽¹⁾

Purpose	Outstanding Amount 6/30/20	% of Total	Proposed 2020 Issue	Total Outstanding Amount	% of Total ⁽²⁾
Transportation	\$88.3M	74%	\$67M	\$155.3M	73%
Fire	\$6.4M	5%	\$28M	\$34.4M	16%
Law Enforcement	\$1.8M	2%	-	\$1.8M	1%
Library	\$5.0M	4%	-	\$5.0M	2%
Town Buildings	\$4.7M	4%	-	\$4.7M	2%
Parks	\$3.8M	3%	-	\$3.8M	2%
HPEC	\$4.8M	4%	-	\$4.8M	2%
Recreation Annex	<u>\$4.3M</u>	<u>4%</u>	<u>-</u>	<u>\$4.3M</u>	<u>2%</u>
TOTAL	\$119.1M	100%	\$95M	\$214.1M	100%

(1) Excludes Water, Wastewater, and Non-Town Improvement District Debt.

NOTE: 90% of outstanding debt will be for Transportation, Fire, and Law Enforcement.

ANNUAL BOND DEBT PAYMENT*

Funding Source	Current Payment	2021 Payment	Total Annual Payment
Operating Budget	\$4.8M	\$1.7M	\$6.5M
Dedicated Transportation Sales Tax	\$1.3M	\$0.1M	\$1.4M
Town Center Sales Tax	\$0.3M	-	\$0.3M
Transportation Impact Fees	\$0.6M	\$0.2M	\$0.8M
Fire Impact Fees	\$0.5M	\$0.3M	\$0.8M
Law Enforcement Impact Fees	\$0.1M	-	\$0.1M
Library Impact Fees	\$0.2M	-	\$0.2M
Town Building Impact Fees	\$0.3M	-	\$0.3M
Parks Impact Fees	<u>\$0.5M</u>	-	<u>\$0.5M</u>
TOTAL	\$8.6M	\$2.3M	\$10.9M

*Excludes Water, Wastewater, and Non-Town Improvement District Debt

OPERATING BUDGET PAYMENT

Purpose	Current Payment	2021 Payment	Total Annual Payment
Transportation	\$3.4M	\$1.3M	\$4.7M
Fire	-	\$0.4M	\$0.4M
Library	\$0.3M	-	\$0.3M
Town Buildings	\$0.3M	-	\$0.3M
HPEC	\$0.3M	-	\$0.3M
Parks	\$0.2M	-	\$0.2M
Recreation	<u>\$0.3M</u>	-	<u>\$0.3M</u>
TOTAL	\$4.8M	\$1.7M	\$6.5M

OUTSTANDING BONDED DEBT - UTILITIES

Purpose	Outstanding Amount 6/30/20	% of Total	Proposed 20-21 Issue	Total Outstanding Amount	% of Total
Water – Company Acquisitions	\$53.2M	47%	\$ -	\$ 53.2M	20%
Water – Water Resources	\$56.2M	50%	\$60M	\$116.2M	45%
Water – CIP	-	-	\$50M	\$50.0M	19%
Wastewater – GWRP Buy-in	\$ 2.9M	3%	-	\$ 2.9M	1%
Wastewater – CIP	—	—	<u>\$40M</u>	<u>\$40.0M</u>	<u>15%</u>
TOTAL	\$112.3M	100%	\$150M	\$262.3M	100%

ANNUAL DEBT SERVICE - UTILITIES

Purpose	Annual Payment FY19- 20	Annual Payment After New Debt Issues ⁽¹⁾
Water – Company Acquisitions	\$5.7M	\$4.3M
Water – Water Resources	\$0.8M	\$2.7M
Water – CIP	\$ -	\$3.5M
Wastewater – GWRP Buy-in	\$ 0.4M	\$0.4M
Wastewater – CIP	\$ -	<u>\$2.3M</u>
TOTAL	\$6.9M	\$13.2M

(1) Timing of debt service payments for new debt issues will likely begin in FY 21-22.



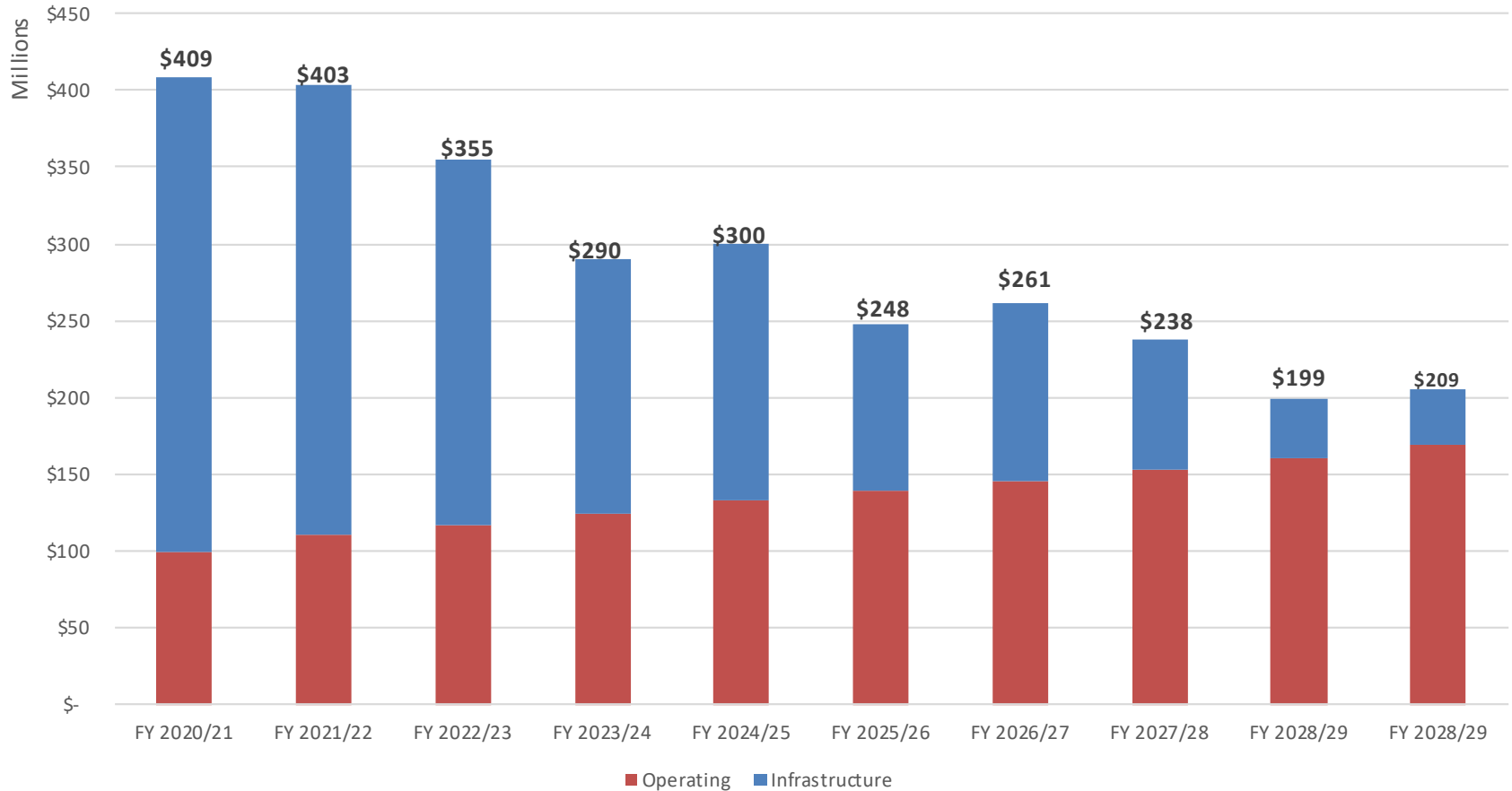
CONTINGENCIES

INFRASTRUCTURE CARRY FORWARD/CONTINGENCIES



Purpose	Description	Amount
1. Projects Under Contract	Carryforward of approved contracts into FY 20-21	\$48.7M
2. Project Budgets Approved – Not yet under Contract	Expenditure authority for projects approved in FY 19-20 but not under contract by end of fiscal year	\$56.5M
3. Unanticipated Expenses	Expenditure authority for private development partnerships, new projects, or emergency needs	<u>\$12.5M</u>
	Total CIP Contingency	\$117.7
4. Police Services Contingency	Expenditure authority for additional Police Department start-up costs	\$4.5M
	Total FY 20-21 Contingency	<u>\$122.2M</u>

10-YEAR BUDGET PROJECTION





BUDGET ADOPTION CALENDAR

KEY BUDGET DATES

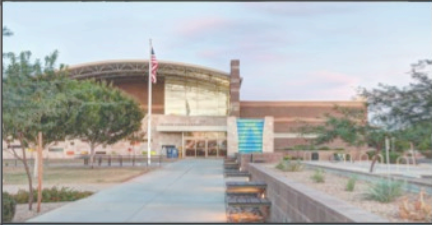


Date	Item
May 11	Budget Committee Meeting
June 3	Tentative Budget Approval
June 17	Truth in Taxation Hearing (Property Tax) Final Budget Hearing – Budget Adoption
July 15	Property Tax Levy Adoption <ul style="list-style-type: none">• Primary Property Tax• SLID Levy Adoption



POLICY ISSUES

PENSION FUNDING POLICY



1. Fire (Fully Funded)

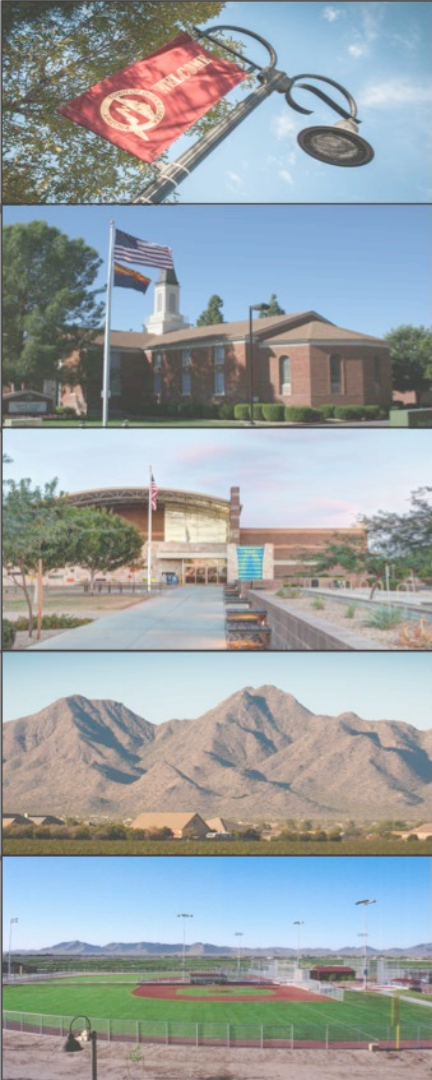
- \$1.5M Unfunded Liability Paid off in 2015
- Annual Savings: \$140K

2. MCSO (Fully Funded)

- Internal Reserve Amount: \$18.6M
- Annual Savings: \$1.7M
- Fully Funded in 2018

3. ASRS (Partially Funded)

- Internal Reserve: \$9.5M (\$19.9M Remaining)
- Annual Savings: \$254K
- Started Funding in 2018
- Full Funding Expected Within 5 Years



RECOMMENDED FINANCIAL POLICY CHANGES

1. Create a Police Services Reserve

- \$4.5M (From Current Fiscal Year Close Out)
- Potentially Fund Start-Up Expenses in Addition to the \$2.8M Included in the FY 20-21 Budget
- Town Council Approval Required to Use

RECOMMENDED FINANCIAL POLICY CHANGES (CONTINUED)

2. The Following Reports Will be Adopted by the Town Council

- Impact Fees (annually)
- Capacity Fees (annually)
- Impact Fee Audit (every two years)



RECOMMENDED FINANCIAL POLICY CHANGES (CONCLUDED)

3. Budgets for projects already underway will automatically roll forward into the next year
 - Formal Town Council approval not required to move funds from “contingency” into individual projects at the beginning of a fiscal year



RECOMMENDED FINANCIAL POLICY CHANGES (CONTINUED)

4. Create a COVID-19 Reserve

- Created From Current Year Excess of Revenues Over Expenses in the Operating Budget
- This Reserve Council Be Used to Mitigate Revenue Losses
- Town Council Approval Required to Use



RECOMMENDED FINANCIAL POLICY CHANGES (CONCLUDED)

5. Clarification Regarding How Pension Liabilities are Funded and Establish a Debt Reserve

- Year-End Excess of Revenues Over Expenses Will be Used to Fund Pension Reserves in the Following Order:
 1. Fire (Fully Funded)
 2. Police (Fully Funded)
 3. All Other Employees (Partially Funded, ~\$10M Remaining to Full Funding)
- Once Pension Reserves Fully Funded, then Debt Reserve Accumulates



ORDINANCE 730-20

- Creates a New Debt Reserve
- Accumulates Resources for Early Payoff of Debt
- Resources are Accumulated After Pension Reserves are Fully Funded
 - Currently ~\$10M Needed to Fully Fund ASRS Reserve



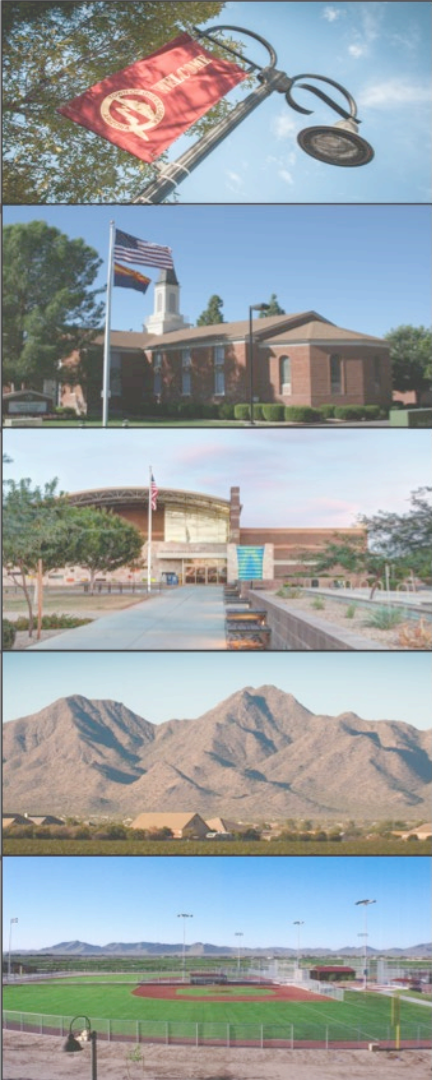
BOND CALLS FROM OPERATING BUDGET

Purpose	Outstanding at 6/30/20	Call Date	Outstanding at Call Date	Annual Payment
Municipal Services Building	\$2.3M	8/1/2026	\$1.1M	\$0.3M
Library	\$2.9M	8/1/2026	\$1.8M	\$0.3M
Recreation Annex	\$3.8M	8/1/2026	\$2.7M	\$0.3M
Parks	\$1.9M	8/1/2026	\$1.1M	\$0.2M
HPEC	\$2.7M	8/1/2026	\$1.3M	\$0.3M
Transportation	<u>\$2.5M</u>	8/1/2026	<u>\$1.6M</u>	<u>\$0.3M</u>
Total 2016 Refunding Bonds	\$16.1M		\$9.6M	\$1.7M
Transportation (2018)	<u>\$46.8M</u>	8/1/2028	<u>\$41.3M</u>	<u>\$3.1M</u>
TOTAL	\$62.9M		\$50.9M	\$4.8M



PROPERTY TAXES

FY 20-21 ASSESSED VALUE INCREASE



	Assessed Value	% Change
FY 19-20	\$427.9M	
FY 20-21 Increases:		
Existing Property	\$29.1M	+6%
Annexed Property	\$45.8M	+11%
New Construction	<u>\$32.9M</u>	+8%
FY 20-21 Increase	\$107.8M	
FY 20-21	\$535.7M	+25%

PROPERTY TAX FORMULA

Assessed
Value (AV)

\$536M

Maricopa /
Pinal
County

X

Levy Rate
(per \$100 AV)

\$1.95

=

Annual
Revenues

\$10.4M

Town
Council

DISCUSS FINANCIAL IMPACTS

1. Aggregate Impact
2. Individual Parcel Impacts



AGGREGATE IMPACT

Three Options

- Option A: Same Revenue as Current Year (\$8.3M)
- Option B: Same Revenue as Current Year Plus New Construction (\$9.8M) (including Encanterra)
 - \$1.5M More Than Option A (New Construction)
 - \$0.6M Less than the Maximum
- Option C: Maximum Revenue (\$10.4M)
 - \$2.1M Increase Over Current Year
 - \$1.5M Increase From New Construction
 - \$0.6M Increase From Existing Properties



INDIVIDUAL PARCEL IMPACT

- About 27K Parcels
- Property Taxes Paid by Each Parcel Could Increase, Decrease, or Have No Change from the Prior Year (See Next Slide)
 - The Individual Parcel Appreciation Increase is Limited by State Statute to 5% (Assuming Land Use Remains the Same)

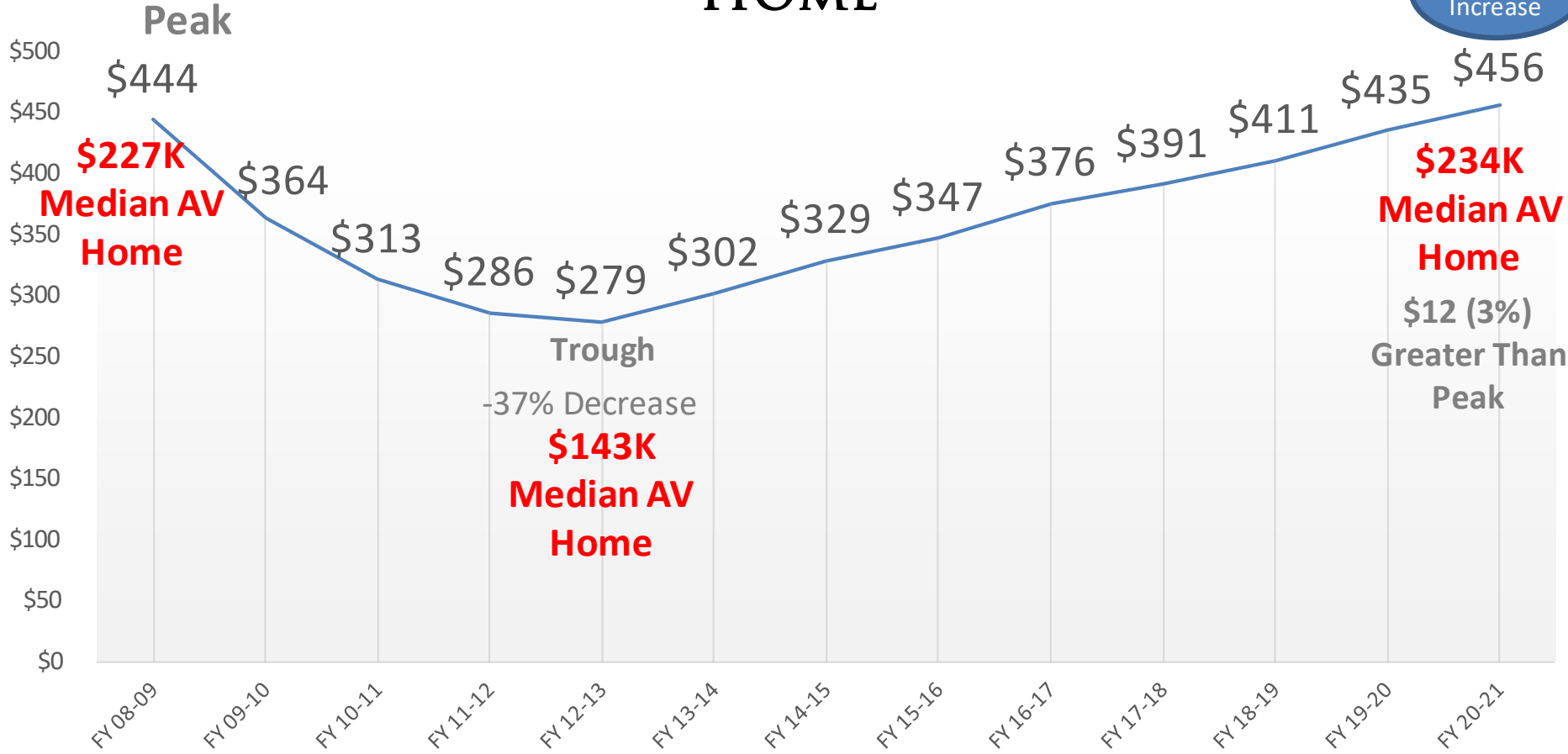


INDIVIDUAL PARCEL IMPACT

(CONTINUED)

		Option A	Option B	Option C
	~Median Home Value	Same Revenue as FY 19-20 \$1.56 Levy	Same Revenue as FY 19-20 (plus new construction only) \$1.83 Levy	Maximum Revenue \$1.95 Levy
FY 19-20	\$223K			\$435
Scenarios:				
AV +5% (“Most Likely”)	\$234K	\$365 (-\$70)	\$428 (-\$7)	\$456 (+\$21)
AV +7%	\$239K	\$373 (-\$62)	\$437 (+\$2)	\$466 (+\$31)

QC PROPERTY TAX PAID ON A MEDIAN VALUE HOME





PROPOSED MOTION

Move to Approve the FY 2020/21 Tentative Budget of \$409.1M and Set June 17, 2020 as the date of the Public Hearing for the FY 2020/21 Final Budget and the Truth-in-Taxation Hearing as required under Arizona Revised Statutes



DISCUSSION AND QUESTIONS

REDUCTIONS TO OPERATING BUDGET DUE TO COVID-19 = \$17.4M (21%)*

Item	
Police Department – Adjust Timing of Expenses	\$4.5M
Personnel – No COLA, merits, or new employees except PD	\$1.8M
Restructure Debt Service on New Bond Issue	\$2.0M
Reduce Operating Contingencies	\$1.3M
Reduce 25% Reserves Funding	\$0.9M
Estimated Savings from MCSO Contract Credits	\$1.1M
Reduce Repair/Replacements and New Facilities	\$1.8M
Delay/ Eliminate New Software, Vehicles, and Equipment	\$1.2M
Reduce Contract and Consulting Services	\$0.7M
Reduce Outside Agency Support	\$0.2M
Reduce Planned Streets Maintenance	\$1.4M
Misc. Operating Budget Reductions (Travel, Advertising, etc.)	<u>\$0.5M</u>
Total	<u>(\$17.4M)</u>

* Compared to FY 20/21 Budget Released March 19th

REDUCTIONS TO TOTAL BUDGET DUE TO COVID-19 = (\$27.7M) (6%)

Item	
Total Recommended Budget, 3/19/2020	\$436.8M
Operating Budget Expense Reductions (excludes Debt and Reserves Transfers)	(\$14.6M)
Water / Wastewater Operating Budget Reductions	(\$1.4M)
Capital Budget Reductions / Adjustments	(\$8.8M)
Debt Service Reductions by Restructuring New Debt	<u>(\$2.9M)</u>
Total Reductions	(\$27.7M)
Total Recommended Budget, 4/23/2020	<u>\$409.1M</u>