



\$138M Bond Issue to Finance Phase 1 of the Parks Master Plan

Updated April 6, 2022

Town Council Meeting

April 6, 2022

Objective of Presentation

1. Review the Adopted Parks Master Plan
2. Review the Terms of the Proposed \$138M Bond Issue
3. Recommended Motion to Authorize Bond Issue



Parks Master Plan

- At Build out Population (~150k)*
 - **758** Total Park Acres
 - Requirements to Meet Buildout Projection:
 1. Purchase **334** Acres of Vacant Land
 - Finding Land Could be a Challenge
 2. Build **579** New Parks Acres
 - Town Owned Vacant Acres: 245 (Includes Jorde Property)
 - Costs to Buildout
 - Land and Construction: **\$495M** (Excludes Inflation)
 - Town Paid: \$335M
 - Impact Fees: \$160M
 - Annual Operating Expenses: **\$32M** (Excludes Inflation)
 - Debt: \$23M
 - O&M: \$9M

**The amounts on this slide changed from the August 18, 2021 presentation because the buildout population decreased from 175K to 150K due to land use changes in State Lands.*



Parks Master Plan (continued)

- The Adopted Master Plan (MP) Level of Service (LOS) is 51 Acres per 10k Population
- Current Status (Including Eagle Park)
 - Current LOS is **26 Acres per 10k Population** (68.5k Population)
 - Currently **170 Acres Under** the Adopted MP LOS (~290-Acre Parks)



Parks Master Plan (continued)

- Will Take 20+ Years to Attain MP LOS
 - Recommendations Focus on Next 10 Years
- “Keep Up” and “Catch Up”
 - Impact Fees were Set to Pay for ~90 Acres of the 245 Acres Needed to “Keep Up”
 - “Catch Up” is 100% Funded by the Town
- Two Funding Sources Exist for Parks
 1. Impact Fees: Growth Portion of Costs Only
 2. Operating Budget
 - Non - Growth Portion of Impact Fee Eligible Projects
 - Funds Projects Not Eligible for Impact Fees
 - Park Sites Greater than 30 Acres
 - Recreation and Aquatic Centers



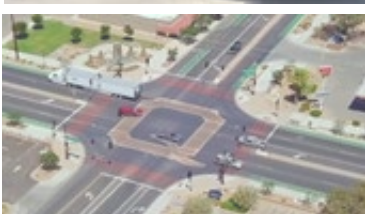
Parks Master Plan (concluded)



- Land and Construction Costs Will be Financed via Debt Issues
- Annual Costs Include Debt Payments and Operating / Maintenance Costs (O&M)
- New Taxes Will NOT Be Created
- User Fees Provide a Small Offset to O&M Costs
- Optimal Park Size is 80 – 90 Acres
 - Funding from Impact Fees: 30 Acres Maximum
- Affordability Metrics Evaluated

Financing Recommendation

- 10 - Years
- Totals
 - Infrastructure: \$265M
 - Construct 245 Park Acres, a Multi - Gen Center and an Aquatics Center
 - Debt and Operating Costs: \$19M Annually by 10th Year
- Broken Into 2 Phases
 - Phase 1: Years 1 - 5
 - Phase 2: Years 6 - 10
- Bonds Will be Issued for Town's Share
- Impact Fees Will Be Used for Growth Share





Town Council Policy Direction

December 1, 2021 Meeting

The Town Council Approved a Motion Directing Staff to Proceed with the Construction and Financing of Phase 1 of the Parks Master Plan

NOTES:

- **Bond Issue Amount Increased to \$138M (from \$115M) to Include Land Acquisition**
- **Inflation Impacts May Increase Costs Beyond \$159M Estimate. Staff has projected inflation into 2023 but market is fluid. Will update Council in about 6-9 months.**

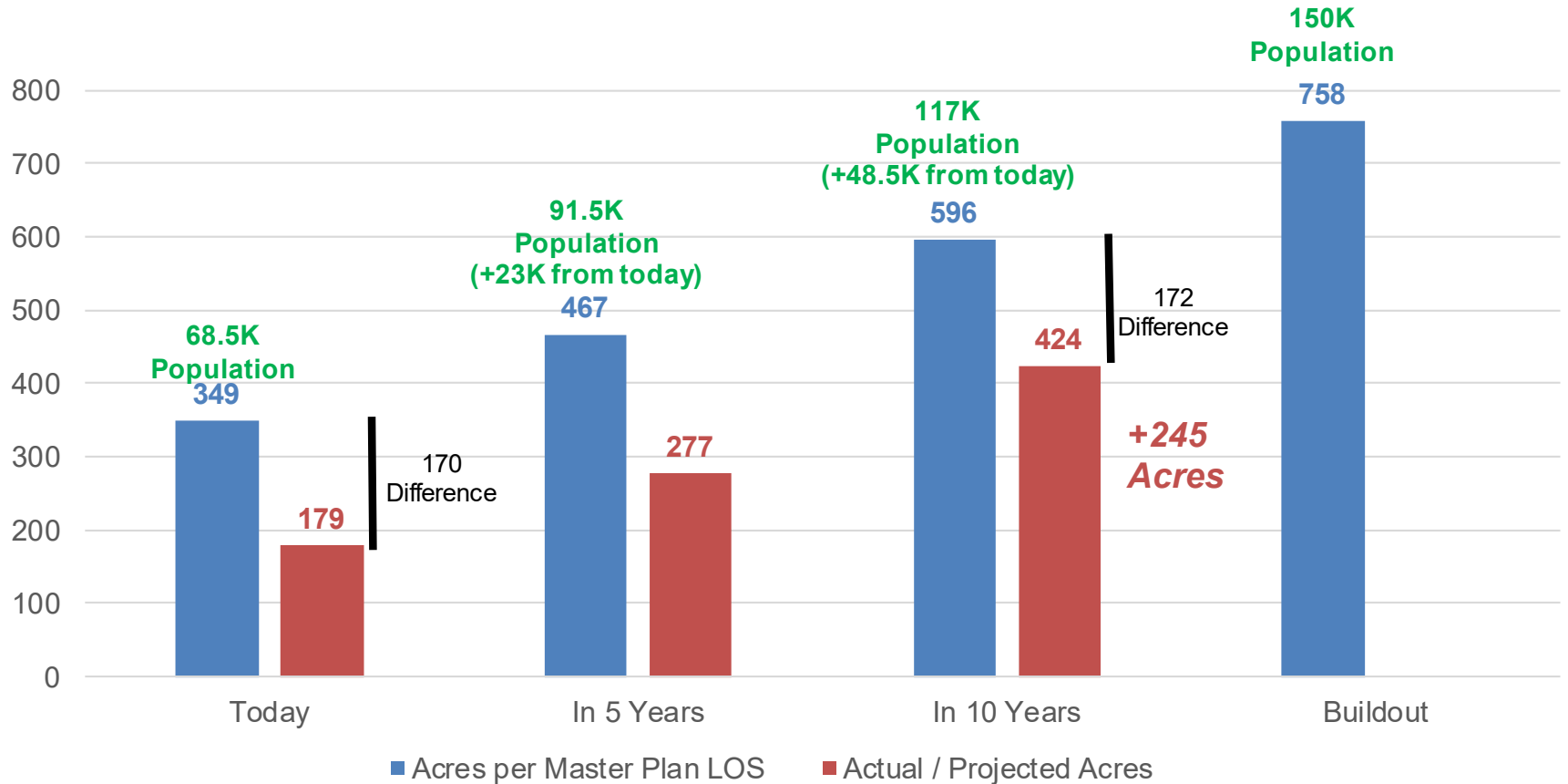
Recommendation: Years 1 - 5

- Consistent with Citizen Survey
- Construction Cost: \$156M
 - \$138M* Bond Financed (Town's Share)
 - 98 Park Acres Constructed
- Annual Cost: ~\$11M

	Construction Cost	Paid by Impact Fees	Paid by Operating Budget	Increase to Operating Budget	Debt	Net O&M Costs
Parks	\$94M	\$21M	\$73M	\$4.8M	\$4.1M	\$1.5M
Recreation Center	\$40M	NA	\$40M	\$3.7M	\$2.3M	\$1M
Aquatics Center	<u>\$25M</u>	<u>NA</u>	<u>\$25M</u>	<u>\$2.7M</u>	<u>\$1.4M</u>	<u>\$1M</u>
Total	\$159M*	\$21M	\$138M*	\$11.2M	\$7.8M*	\$3.5M

* Updated Since 12/1/21 Town Council Presentation to Include Land Acquisition.

Parks Master Plan Level of Service*

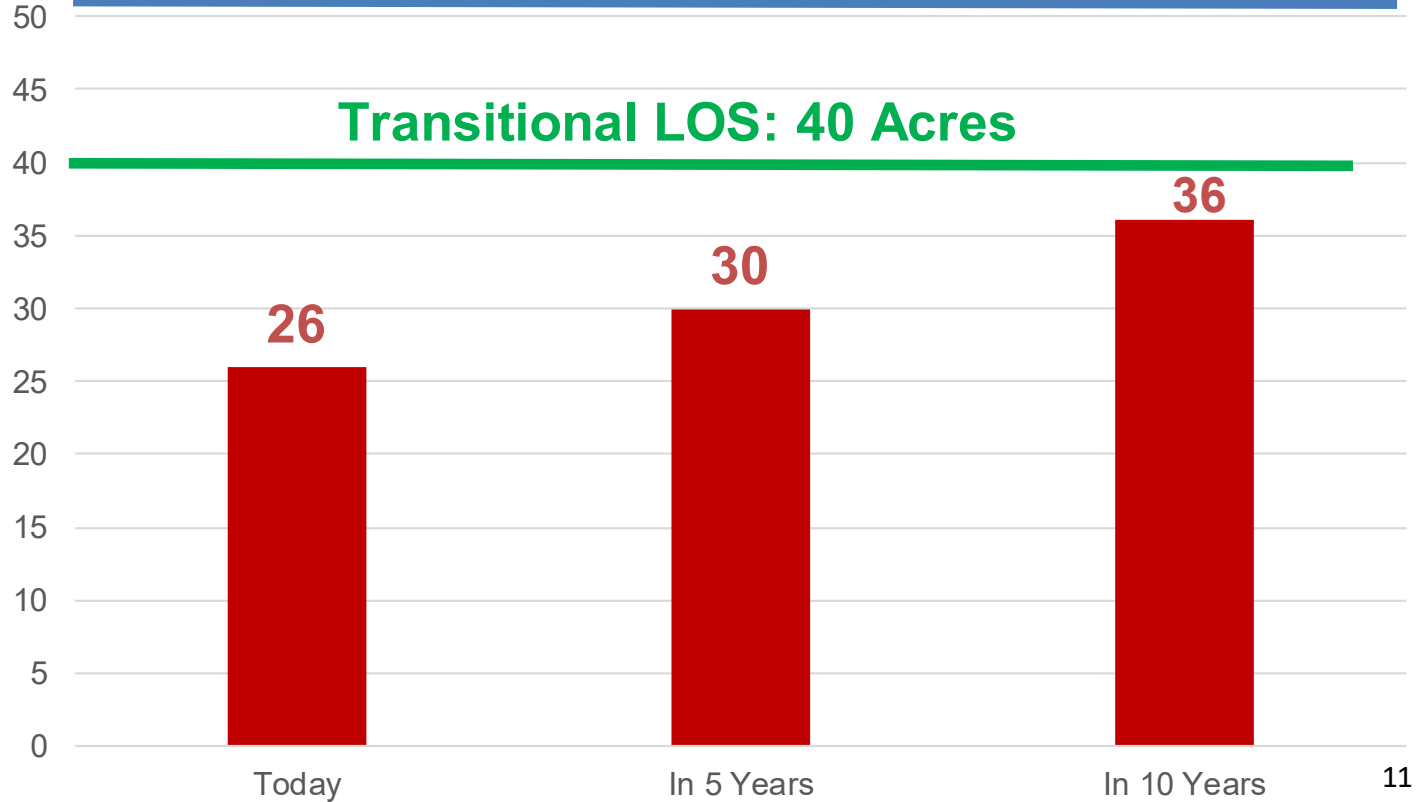


*Master Plan Level of Service is 51 Acres per 10K Population

Park Acres per 10K Population (Funding Recommendation)

Adopted MP LOS: 51 Acres

Transitional LOS: 40 Acres



Parks Construction

Manuel Carter Oasis Park Phase II



Approx
13 acres

Amenities may include:

- Tennis Courts
- Volleyball Courts
- Fitness Play
- Passive Turf Space
- Restrooms
- Parking
- Retention

Parks Construction

East Park with Recreation Center and Aquatic Center



EAST PARK MASTER PLAN ALTERNATE 'A'



Construction Timeline



Facility	Completion Date
East Park	Late 2023
Mansel Carter Oasis Park Phase II	Late 2023
Recreation Center	Summer 2024
Aquatic Center	Summer 2024

Recommended Financing: \$138M

- Amount: \$138M (Non-Growth Share Only)
- Term: 30 Years
- Estimated Interest Rate: ~3.5%
- Annual Debt Service: \$7.8M (Level)
- Repayment Pledge: Excise Taxes
- Repayment Source: Operating Budget





Recent Bond Rating Increases (From AA)

1. Fitch Rating: **AA+**, Stable Outlook
2. S&P Rating: **AA+**, Stable Outlook

Independent Rating Agencies

Highest Possible Rating: **AAA**

QC is “one notch away” from **AAA**

Comments RE. Rating Increase

1. Revenues

- Stable and Diverse Revenue Base
- Maturing Bedroom Community with Increasing Commercial and Industrial Sectors
- Expected Strong Revenue Growth
- Resilience Expected through Economic Cycles
- Continued Strong Population Growth and Employment Gains Expected
- Infrastructure Plans Bode Well for Continued Economic Expansion
- Strong Arizona Economy and Connectivity to Phoenix-Metro Area








Comments RE. Rating Increase (continued)



2. Expenses / Long-Term Liabilities

- Pension Reserves Eliminate Unfunded Liabilities
 - Manageable Pension Expenses
 - Long-Term Liabilities Expected to Remain Moderate
 - Strong Debt to Pledge Revenue Coverage Ratio
 - Debt Relates to Growth-Related Infrastructure Needs
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Comments RE. Rating Increase (concluded)



3. Reserves

- Increasing Reserves
- Funded Pensions



4. Management

- No Adverse Financial Impacts from COVID
- Very Strong Financial Management Policies and Practices
 - Road Replacement Sinking Fund



The Scrapbook (Updated April 2022)

Type / Category	One-Time Amount	Annual Amount
1. Debt Related One-Time Savings / Cost Avoidance	\$33.9M	-
2. Operating Budget Annual Savings / Cost Avoidance	-	\$10.2M
3. Tax and Fee Reductions / Refunds	<u>\$3.2M</u>	<u>\$8.6M</u>
UPDATED TOTAL	\$37.1M	\$18.8M
<i>PRIOR TOTAL (May 2020)</i>	<i>\$37.1M</i>	<i>\$11.4M</i>

1. One-Time Savings / Cost Avoidance

Item	Year Completed	One-Time Amount
1. Early Payoff of Two Development Agreements	FY 16-17	\$10.8M
2. Refinanced Excise Tax Debt	FY 16-17	\$12.5M
3. Refinanced Improvement District Debt	FY 16-17	\$4.0M
4. Improvement District Account Payoffs	FY 17-18	\$0.3M
5. Early Payoff of Debt for WW Treatment Plant	FY 18-19	\$3.7M
6. Early Payoff of Interfund Loans	FY 19-20	<u>\$2.6M</u>
PRIOR TOTAL		\$33.9M

2. Operating Budget Annual Savings / Cost Avoidance

Item	Year Started	Annual Amount
1. Fully Funded Pensions (Fire)	FY 15-16	\$2.1M
2. Increased Costs Recovered from Fire District Contract	FY 15-16	\$125K
3. Reallocated Source of Funding for Two Street Development Agreements	FY 16-17	\$1.7M
4. Increased Public Safety Funding from Utilities	FY 17-18	<u>\$2.8M</u>
<i>PRIOR TOTAL</i>		<i>\$6.7M</i>
5. Fully Funded Pensions (Police)	FY 19-20	\$1.7M
6. Fully Funded Pensions (All Other Employees)	FY 20-21	\$1.3M
7. Reduced Credit Card Fees In Development Services	FY 21-22	<u>\$0.5M</u>
UPDATED TOTAL		\$10.2M

3. Tax and Fee Reductions / Refunds

Item	Year Completed	One-Time Amount	Annual Amount
1. SLID Property Tax Reduction (Reconciliation)	FY 19-20	\$0.5M	
2. SLID Property Tax Reduction (Pole Ownership)	FY 20-21		\$0.4M
3. Water Meter Deposit Refunds	Ongoing	\$2.3M	
4. Terminated 2 Years of Pre- Approved Wastewater Rate Increases	FY 15-16		\$0.8M
5. Reduction of Monthly Wastewater Rates	FY 19-20		\$1.1M
6. Reduced Water Replenishment Fees	Ongoing		\$2.4M
7. Impact Fee Refunds (Grandfather Provision)	FY 16-17	<u>\$0.4M</u>	— -
<i>PRIOR TOTAL</i>		<i>\$3.2M</i>	<i>\$4.7M</i>
8. Further Reduction of Water Replenishment Fees (\$6.0M Annually)	FY 21-22		\$3.6M
9. Capped Monthly Residential Wastewater Bill	FY 21-22		<u>\$0.3M</u>
UPDATED TOTAL		\$3.2M	\$8.6M

Final Takeaways

- Congratulations !!
- Leadership is Critical
- Continue on Our Focus on Long-Term Financial Strategies and Policies
- Use the Upgrade as a Roadmap to **AAA**

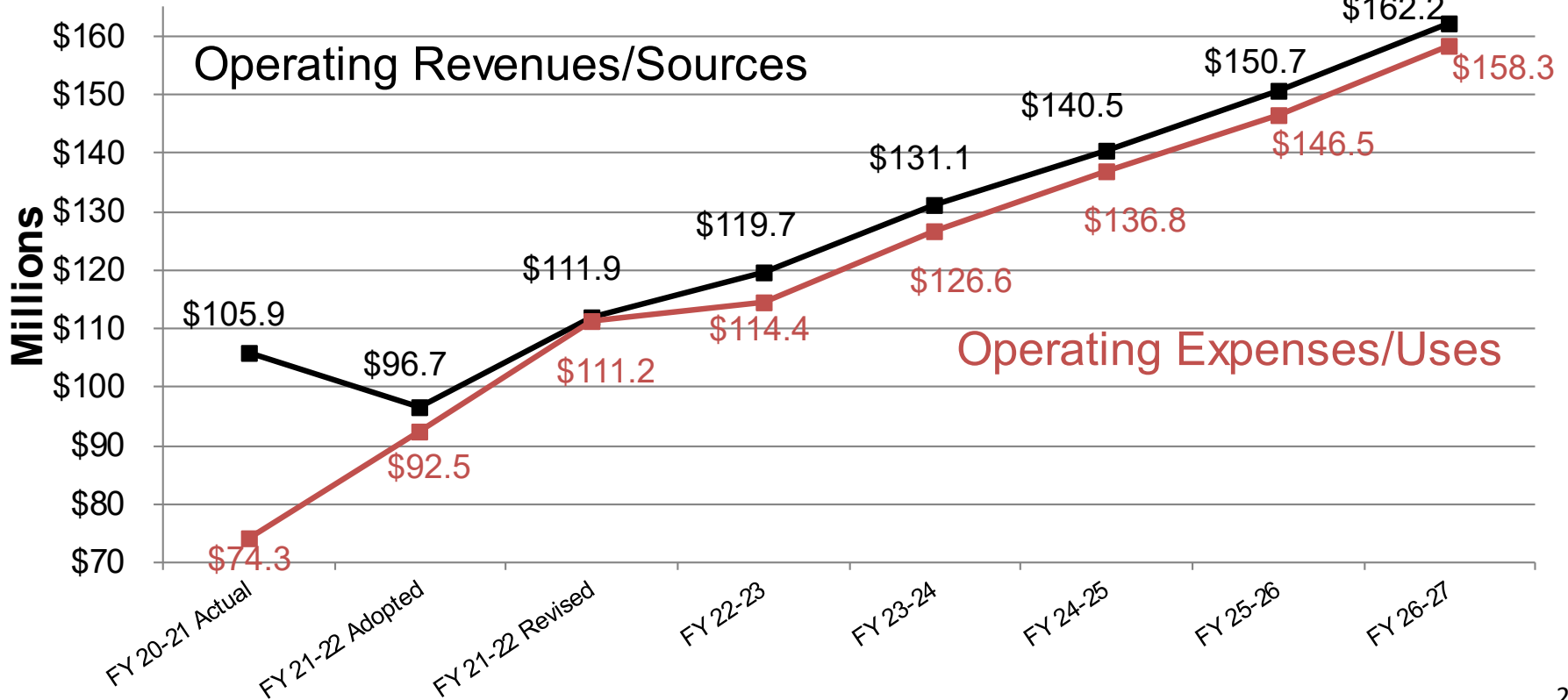


Affordability Metrics

1. Operating Budget Capacity
2. Operating Budget Liquidity
3. Capacity to Issue Debt



1. Operating Budget Capacity



2. Operating Budget Liquidity

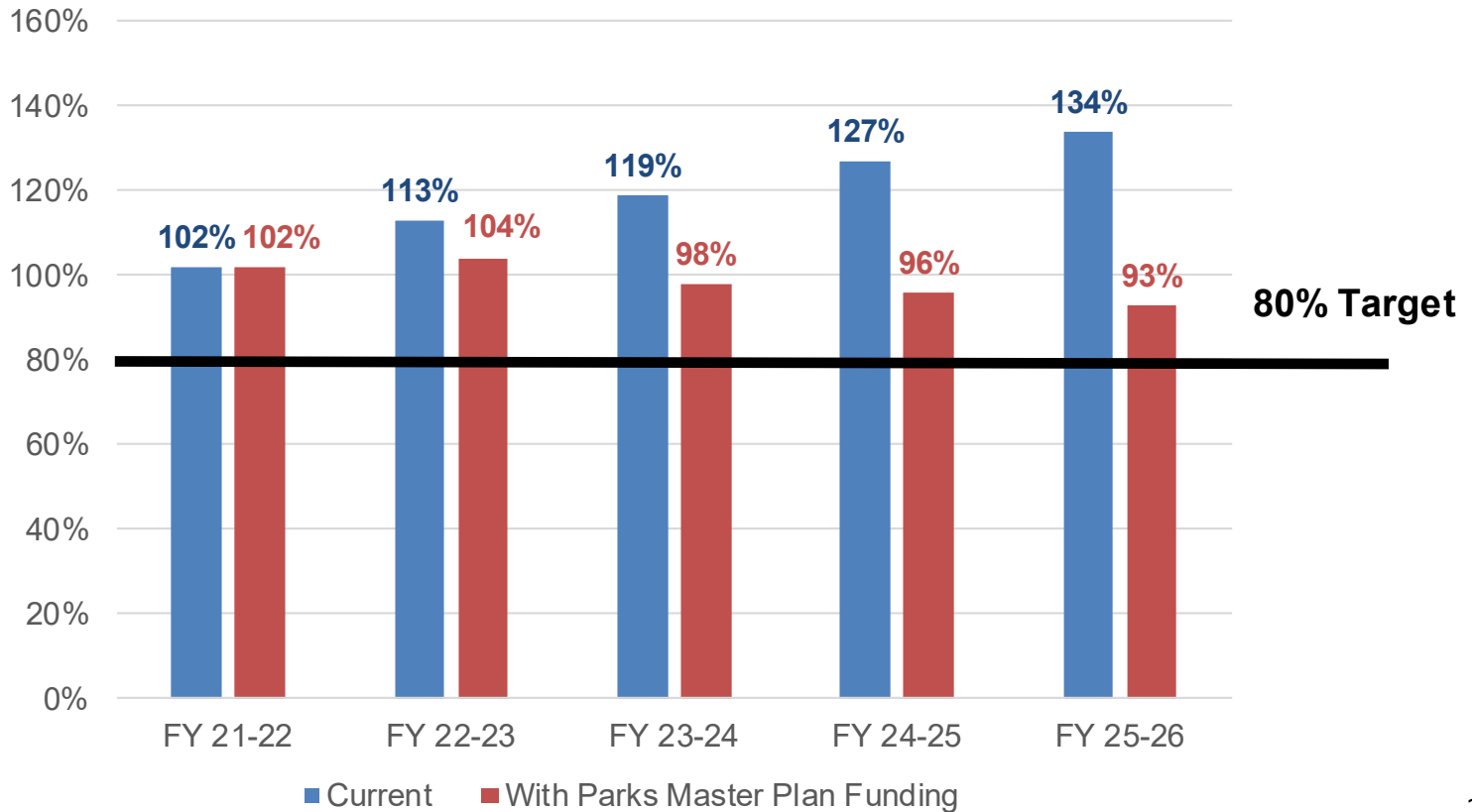
- Measures the Relationship of Reserves to Annual Expenses
- Intended to Show the Length of Time Reserves Could be Used to Pay Expenses in an Economic Downturn
- Calculation: Reserves Divided by Annual Expenses
 - The Higher the Percent, the Better
 - Target: 80% or Greater

	FY 21-22
Reserves (A)	\$97.6M
Annual Expenses (B)	\$96.1M
Liquidity Ratio (A / B)	102%



2. Operating Budget Liquidity

Reserves Divided by Annual Expenses



3. Capacity to Issue Debt

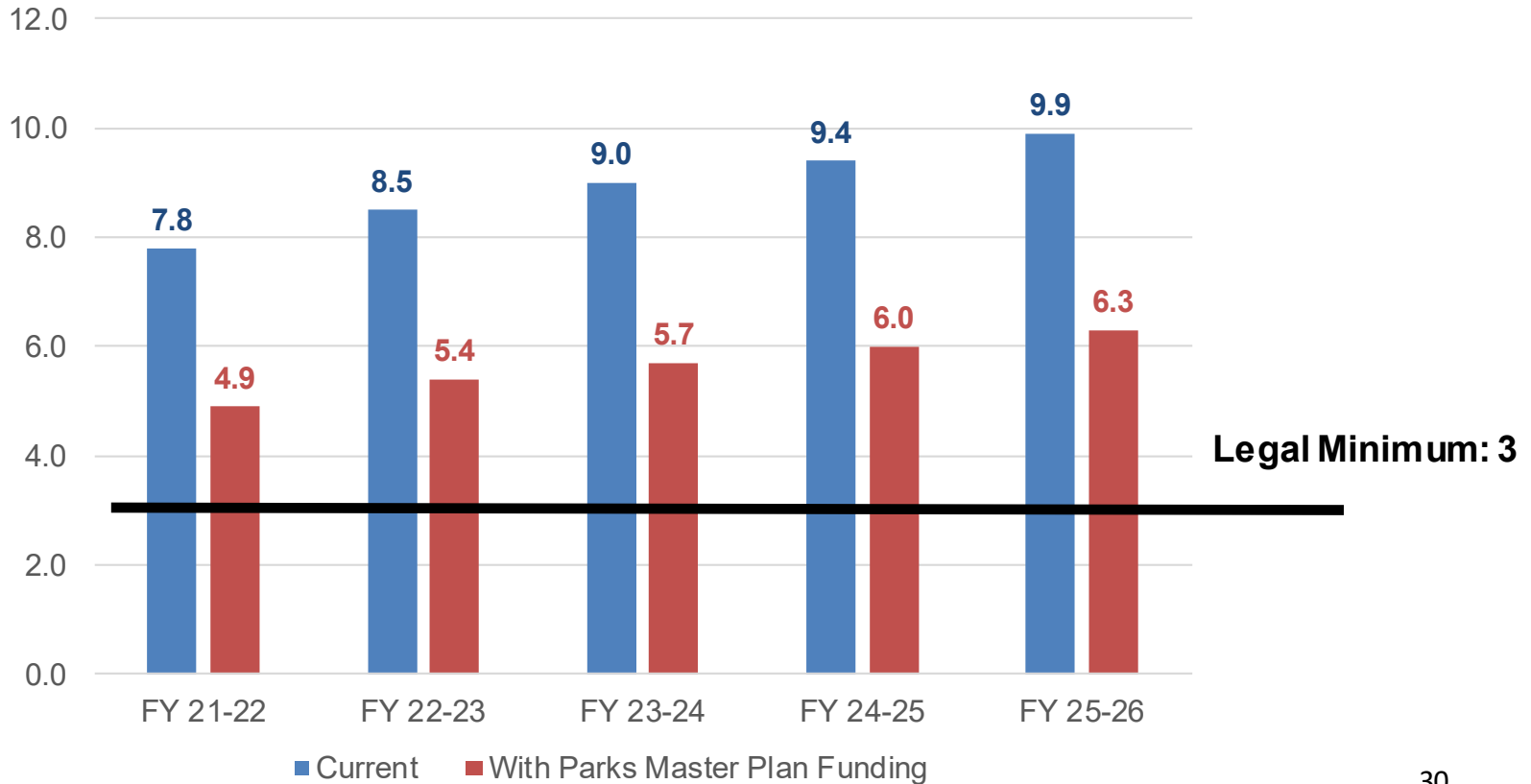
- Debt Coverage Ratio
 - Calculation: Revenues Legally Pledged to Make Annual Debt Payments Divided by Annual Debt Payments
 - The Higher the Number Indicates More Revenues are Available to Make Annual Debt Payments
 - Bond Legal Minimum: 3

	FY 21-22
Pledged Revenues (A)	\$104.2M
Annual Debt Payments (B)	\$21.3M
Liquidity Ratio (A / B)	4.9



3. Debt Coverage Ratio

Pledged Revenues Divided by Annual Debt Payments



BOND ISSUE TIMELINE

Date	Action
March	<ul style="list-style-type: none">• Prepare Preliminary Official Statement• Bond Rating Agency Presentations• Ratings Notification
April	<ul style="list-style-type: none">• Town Council Approval of Authorizing Resolution (April 6 Council Meeting)
May	<ul style="list-style-type: none">• Bond Sale• Review & Sign Closing Documents
June	<ul style="list-style-type: none">• Close Transaction and Receive Bond Proceeds• Present Sale Results to Town Council



Recommended Motion

NOTE: This is the Only Action Required of the Town Council Before the Bonds Are Issued

- Adopt Resolution No. 1449-22 as Presented





Comments and Questions