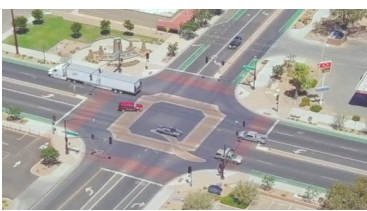


COMPREHENSIVE FINANCIAL POLICY REVIEW

Town Council Meeting

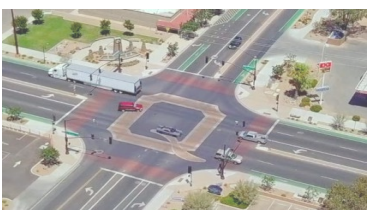
September 21, 2022



Purpose of Presentation

Follow up from February 2022 Town Council Strategic Planning Session

1. Overview of Existing Financial Policies
2. Introduce 'AAA' Bond Rating Initiative
3. Introduce Financial Policy Changes
4. Discuss Town Council Decision Calendar

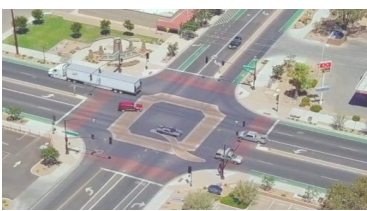


1. OVERVIEW OF EXISTING FINANCIAL POLICIES

Why Do We Have Financial Policies?



- Demonstrates a Commitment to Long-Term, Strategic Financial Planning
- GFOA and Bond Rating Agency “Best Practice”
- Promotes Sound Financial Planning and Management
- Contributes to Increased Public Confidence, Transparency, and Accountability
- Reviewed and Updated Annually (as a part of the Budget Process)



QC's Financial Policies

1. Revenues
2. Expenses
3. Reserves
4. Debt Management
5. Pensions
6. Investments
7. Management
8. New Infrastructure
9. Infrastructure Replacement
10. Financial Reporting
11. Budgeting

Why Review Now?



- Introduced at the February 2022 Town Council Strategic Planning Session
- QC is Growing and Maturing
- Constructive Evaluation of the Status Quo is a Healthy Exercise

Financial Policy Issues and Questions



- Is it Possible to Reduce Property Taxes?
- Where is the Best Opportunity to Reduce Costs?
- What is the Appropriate Amount of Debt?
- What is the Appropriate Amount of Reserves (Savings)?

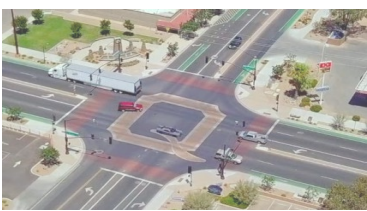
Roles

TOWN COUNCIL

Make Policy Decisions

TOWN STAFF

- Identify Policy Issues
- Develop Options
- Identify Expected Outcomes
- Make Recommendations





2. 'AAA' BOND RATING INITIATIVE

Current Bond Rating

- Current Rating: 'AA+' (S&P and FitchRatings)
- Last Rating Increase: March 2022
- Rating Highlights
 - Stable and Diverse Revenue Base
 - Continued Strong Population Growth and Employment Gains Expected
 - Strong Arizona Economy and Connectivity to Phoenix-Metro Area



'AAA' Bond Initiative

Based on Bond Rating Agency Criteria, Staff
Recommends Updating these Financial Policies

1. Operating Budget Reserve
2. Pension Funding
3. Debt Management



Initial Thoughts

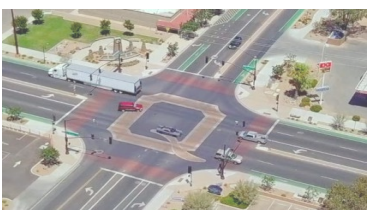


1. Update Operating Budget Reserve Policy
 - Current Policy: 25% of Next Year's Revenue Estimate
 - Initial Thoughts
 - Replace with a Range
 - Address What Becomes of the Amount in Excess of the Policy

Initial Thoughts (continued)

2. Update Pension Funding Policy

- Add New Financial Metrics to Improve Measuring Financial Condition and Decision Making
 - NCPERS Report: Measuring Public Pension Health, New Metrics and New Approaches
 - Example: QC's Ability to Pay
- ASRS
 - New Prefunding Program
- PSPRS
 - New Police Plan
 - Reduction of Tier 2 Employee Contribution Rate



Initial Thoughts (concluded)

3. Update Debt Management Policy

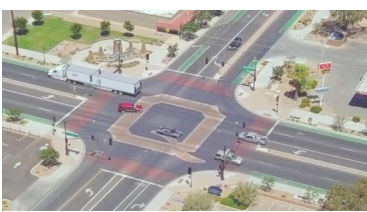
- Debt Payoff Recommendations
 - Town Paid
 - Impact Fee Paid
- Add New Debt Measurement Metrics
 - Example: Ability to Pay



Final Thoughts and Timing

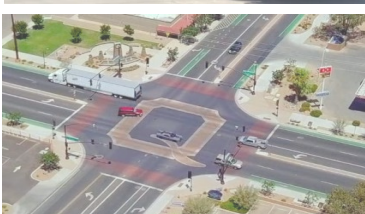


- All Three Issues and Inter-Related and Should be Considered Together
 - Example: Size of Operating Budget Reserve Will Determine Amount Available for Debt Payoff
- Recommendations Will Be Incorporated into the FY 2023-24 Budget and 5-Year Financial Plans
- These Recommendations Will Not Have a Direct Impact on Taxpayers or Utility Customers So Timing is Not as Immediate as Issues Discussed Next
- Recommendations Would be Influenced by Changes to State Law Reducing Revenues



3. INTRODUCE FINANCIAL POLICY CHANGES

Financial Policy Changes



1. Consider Reducing Water Replenishment Fees (CAGR D Fees)
2. Consider Elimination of SLID Property Taxes (Streetlight Improvement Districts)
3. Consider a Property Tax Reduction and Annual Revenue Setting Policy
4. Consider Reallocation of the Use of the Town's 4.25% Construction Sales Tax

Things to Remember . . .



- Assumes All Other Financial Policies Remain Unchanged
- Assumes All Existing Revenues Remain in Place
- Assumes No Revenue Reductions Caused by Changes in State Law
- Changes are Possible ... It's Your Decision

1. Water Replenishment Fee Reduction (CAGRDR)

- Background
 - 32K Customers Pay \$5.1M Annually
 - \$8M Already Reduced from Annual Bills
- Staff Recommendation
 - \$600K Reduction to 2023-24 Bills
- Possible Town Council Action
 - Modify the Water Replenishment Fee Reduction Policy to Reduce Fees
 - See Separate Presentation on Tonight's Agenda





2. Elimination of SLID Property Taxes (Streetlight Improvement Districts)

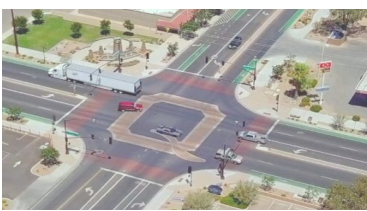
- Background
 - ~\$200K Electric Expenses Annually
 - 11.6K Taxpayers Billed Annually
 - Bills Have Been Decreased Over Time for Various Reasons
- Staff Recommendation
 - Eliminate SLID Property Taxes
- Possible Town Council Action
 - Add a New Financial Policy Eliminating SLIDs

3. Property Tax Reduction



- Background
 - FY 22-23 Revenue: \$12.5M
 - Percent of EMS Budget: 28%
 - Percent of Operating Budget: 11%
- Possible Town Council Actions
 - Reduce FY 23-24 Property Tax Bills
 - Create a New Property Tax Policy that Identifies How Property Taxes Will be Set Annually

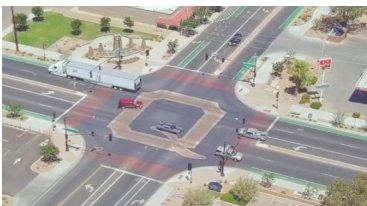
4. Reallocation of Construction Sales Tax



- Background
 - 4.25% Tax Paid on All Construction Projects
 - 10-Year Revenue Projection: \$265M
 - Currently Funds One-Time Costs in the Operating Budget and Build New Roads
- Possible Town Council Action
 - Reallocation of How the Revenues are Expended

Calendar

Item	Council Meeting Date
Water Replenishment Fee Reduction Recommendation (CAGRDR)	September 21
Possible Action of Water Replenishment Fee Reduction (CARGD)	October 5
SLID Recommendation Property Tax Recommendation	October 19
Possible Action on SLID Recommendation Possible Action on Property Tax Recommendation	November 2
Construction Sales Tax Reallocation Options	November 16
Possible Action on Reallocation of Construction Sales Taxes	December 7





Comments and Questions