



FY 2021-22 Financial Results

Town Council Meeting
December 21, 2022

Purpose of Presentation

1. Address Passed Audit Adjustments
2. Present FY 21-22 Financial Results
 - Highlights
 - Operating Budget Results
 - Infrastructure
 - Debt



Passed Audit Adjustments



1. Other Post Employment Benefits:\$1.1M

- The result of an increase in the number of employees receiving post employment benefits (i.e. healthcare)

2. Bond Amortization Premium: \$3.1M

- The result of a change in the method used to amortize bond premiums

Highlights

1. Revenues

- Better Than Budget
- Reflects Town's Economic Maturity

2. Expenses Less than Budget



Highlights (continued)

3. Fully Funded Pensions

- Fully Funded ASRS Pension Liability: \$22.2M with Town
 - Operating Budget: \$15.9M (Fully Funded)
 - Enterprise Funds: \$6.3M (Fully Funded)
- Fully Funded PSPRS Fire Pension Asset: \$3.3M with PSPRS
- Fully Funded Police Pension Liability: \$26.3M with Town



Highlights (continued)


4. \$59.1M of Completed Infrastructure Added

Type of Infrastructure	Total as of 6/30/2022	\$ Increase	% Increase	Added by Town	Received From Private Entities
Streets, Buildings, and Equipment	\$595.5M	\$48.3M	9%	\$30.5M	\$17.8M
Water and Wastewater	<u>\$318.1M</u>	<u>\$10.8M</u>	<u>4%</u>	<u>\$3.3M</u>	<u>\$7.5M</u>
Total Completed	\$913.6M	\$59.1M	7%	\$33.8M	\$25.3M



Highlights (continued)

5. \$136.8M of Infrastructure Under Construction



	Streets, Buildings, and Equipment	Water and Wastewater	Total
Projects Under Construction	\$100.4M	\$36.4M	\$136.8M

Highlights (continued)

6. Refunding / New Debt Issuances: \$301.5M

Amount	Type	Purpose
\$107.0M	Excise Tax and State Shared Revenues	New Parks and Recreation Projects
<u>\$24.2M</u>	Excise Tax and State Shared Revenues	New Parks and Recreation Projects
\$131.2M		Total "General Government"
\$50.0M	Subordinate Lien Excise Tax and State Shared Revenues	Water and Wastewater Construction Projects
\$45.5M	WIFA Drinking Water	Water System Infrastructure Projects
\$10.1M	WIFA Clean Water	Water System Infrastructure Projects
\$21.5M	Senior Lien Utility System Refunding Obligations	Refund 2008 WIFA Loan for Queen Creek Water Company & Improvements
<u>\$8.2M</u>	WIFA Drinking Water	NIA priority CAP water from the Central Arizona Water Conservation District
\$135.3M		Total "Water"
<u>\$35.0M</u>	Subordinate Lien Excise Tax and State Shared Revenues	Water and Wastewater Construction Projects
\$35.0M		Total "Wastewater"





Operating Budget Results

FY 21-22 Operating Funds

~\$20M Better Than Expected

	Revised Budget	Final Audited Results	\$ Variance	% Variance
Revenues	\$105.8M	\$113.3M	\$7.5M	7%
Expenses	<u>\$105.0M</u>	<u>\$91.6M</u>	<u>\$13.4M</u>	15%
Net Annual	\$0.8M	\$21.7M	\$20.9M	
Beginning Balance	<u>\$92.4M</u>	<u>\$92.4M</u>		
Ending Balance	<u>\$93.2M</u>	<u>\$114.1M</u>		





Operating Revenues

REVENUE RESULTS

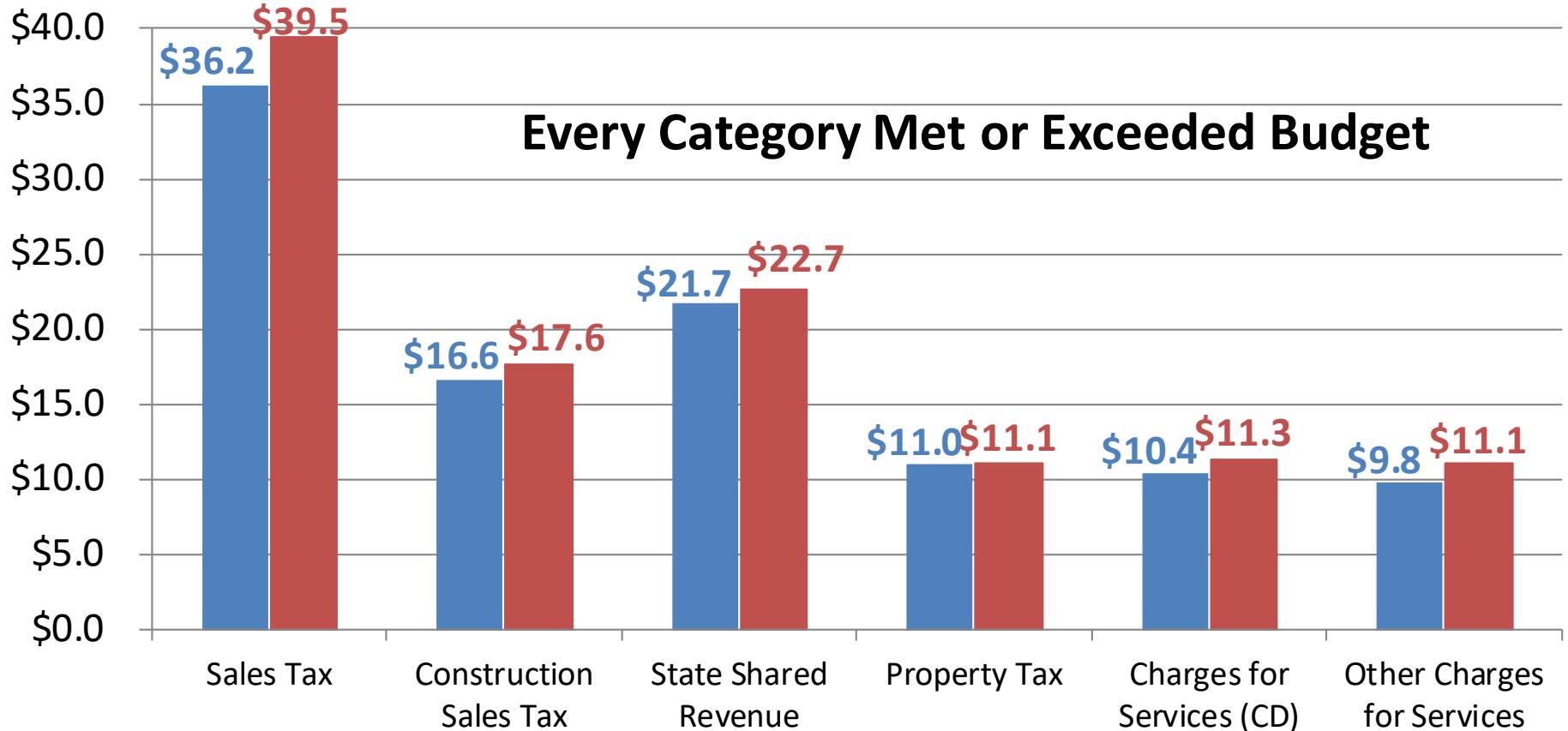
Revenues Were Better Than Expected: +\$7.5M (7%)

- High Median Income Households
- Population Growth In and Around QC
- More Individuals Shopping Closer to Home Because Working From Home Continues
- New Businesses Continue to Open in the QC
- Online Sales Tax
- Strong New Construction Activity



OPERATING REVENUE VARIANCE: +\$7.5M (+7%)

\$105.8M REVISED BUDGET TO \$113.3M ACTUAL

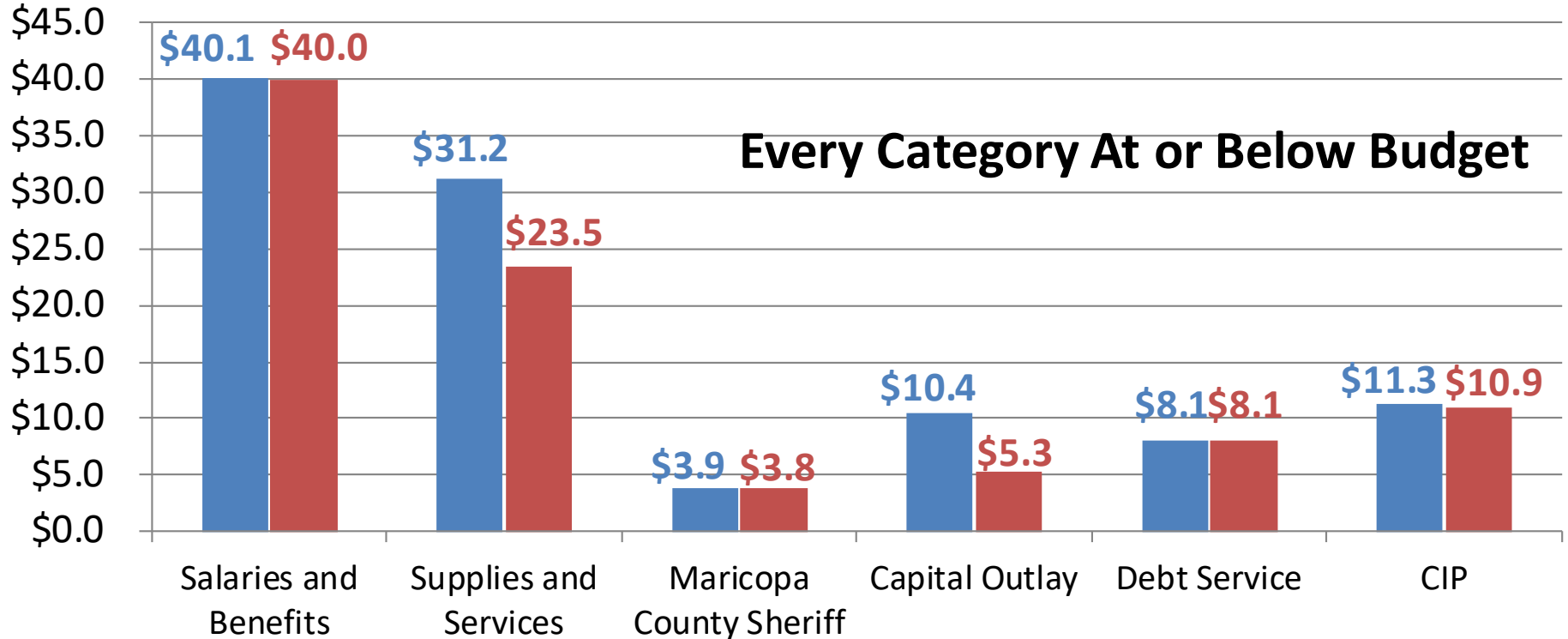




Operating Expenses

OPERATING EXPENSE VARIANCE: +\$13.3M (+13%)

\$105.0M REVISED BUDGET TO \$91.6M ACTUAL





Operating Reserves

FY 21-22 Operating Fund Balance

125% of
Expenses

Total Fund Balance		\$114.1M
Restrictions / Obligations:		
25% Revenue Reserve	\$29.6M	
Police Unfunded Pension Liability Reserve	\$26.3M	
ASRS Unfunded Pension Liability Reserve	\$15.9M	
HURF Funds (Reserved by State Statute)	\$1.7M	
Road Replacement Funding Reserve	\$0.5M	
Allowance for Carry-Forward Encumbrances	<u>\$6.4M</u>	
Total Restrictions		<u>\$80.4M</u>
Unrestricted		\$33.7M



Debt

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

OUTSTANDING DEBT



Purpose	Principal Outstanding
Transportation	\$135.5M
Fire	\$29.0M
Parks and Recreation (includes HPEC)	\$142.5M
Library	\$4.5M
Town Facilities	\$4.0M
Police	<u>\$1.7M</u>
Total "General Government"	\$317.2M
Water	\$160.0M
Wastewater	<u>\$21.9M</u>
Total – All Debt	\$499.1M

SOURCES OF DEBT REPAYMENT

(IN MILLIONS)

Of \$765.8M in future debt payments (principal and interest), \$437.3 million (57%) will come from Pledged Excise Taxes and \$328.5 million (43%) will come from Dedicated Revenues

			Dedicated Revenues						
Issue	Future Debt Payments	Excise Taxes	Impact Fees	Water Rates	Sewer Rates	Private / 3 rd Parties	Total Dedicated Revenue	% Of Debt	
Excise Tax Bonds	\$500.0	\$437.3	\$62.7				\$62.7	13%	
2014 GADA Wastewater Loan	\$2.7				\$2.7		\$2.7	100%	
WIFA Loans	\$211.6			\$211.6			\$211.6	100%	
H2O Loan	\$39.1			\$39.1			\$39.1	100%	
Improvement District Bonds	\$12.4					\$12.4	\$12.4	100%	
Total Debt Payments	\$765.8	\$437.3	\$62.7	\$250.7	\$2.7	\$12.4	\$328.5	43%	

Capacity to Issue Debt

- Debt Coverage Ratio (Excise Tax Debt)
 - 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 Coverage Ratio: 3

	FY 19-20	FY 20-21	FY 21-22
Pledged Revenues (A)	\$74.1M	\$96.8M	\$112.6M
Annual Debt Payments (B)	\$9.0M	\$11.0M	\$13.4M
Liquidity Ratio (A / B)	8.2	8.8	8.4

Future Action Items



1. Update Operating Reserve Policy
2. Update Debt Management Policy
3. Update Pension Funding Policy
4. Impact and Capacity Fee Study Update
5. Utility Rate and Fee Study Update
6. Initial Utility Bond Rating

Recommended Motion

Approve Resolution No. 1510-22 Accepting the Town's Fiscal Year 2021-22 Annual Comprehensive Financial Report and Related Audit Reports

