



FY 2022-23 Financial Results

Town Council Meeting
February 21, 2024

Purpose of Presentation

1. Reasons for the Financial Statement Delay
2. Present FY 22-23 Financial Results
 - Operating Budget
 - Infrastructure
 - Debt
 - Pensions



Reasons for the Delay



1. Determining the Effective Date of the EPCOR Customer Exchange Agreement
2. Audit Finding
 - \$1.5M Reimbursement on a Federal Grant
 - Not Recorded as a Receivable
 - Reimbursement Not Timely
3. Understanding the Water Fund Deficits
 1. \$15.2M Cash Deficit
 2. \$9.3M "Savings" Deficit



Operating Budget

FY 22-23 Operating Funds

\$24.1M Better Than Expected

	Revised Budget	Final Audited Results	\$ Variance	% Variance
Revenues	\$127.9M	\$134.6M	\$6.7M	5%
Expenses	<u>\$128.5M</u>	<u>\$111.1M</u>	<u>\$17.4M</u>	14%
Net Annual	\$(0.6M)	\$23.5M	\$24.1M	
Beginning Balance	<u>\$114.1M</u>	<u>\$114.1M</u>		
Ending Balance	<u>\$113.5M</u>	<u>\$137.6M</u>		



REVENUE RESULTS

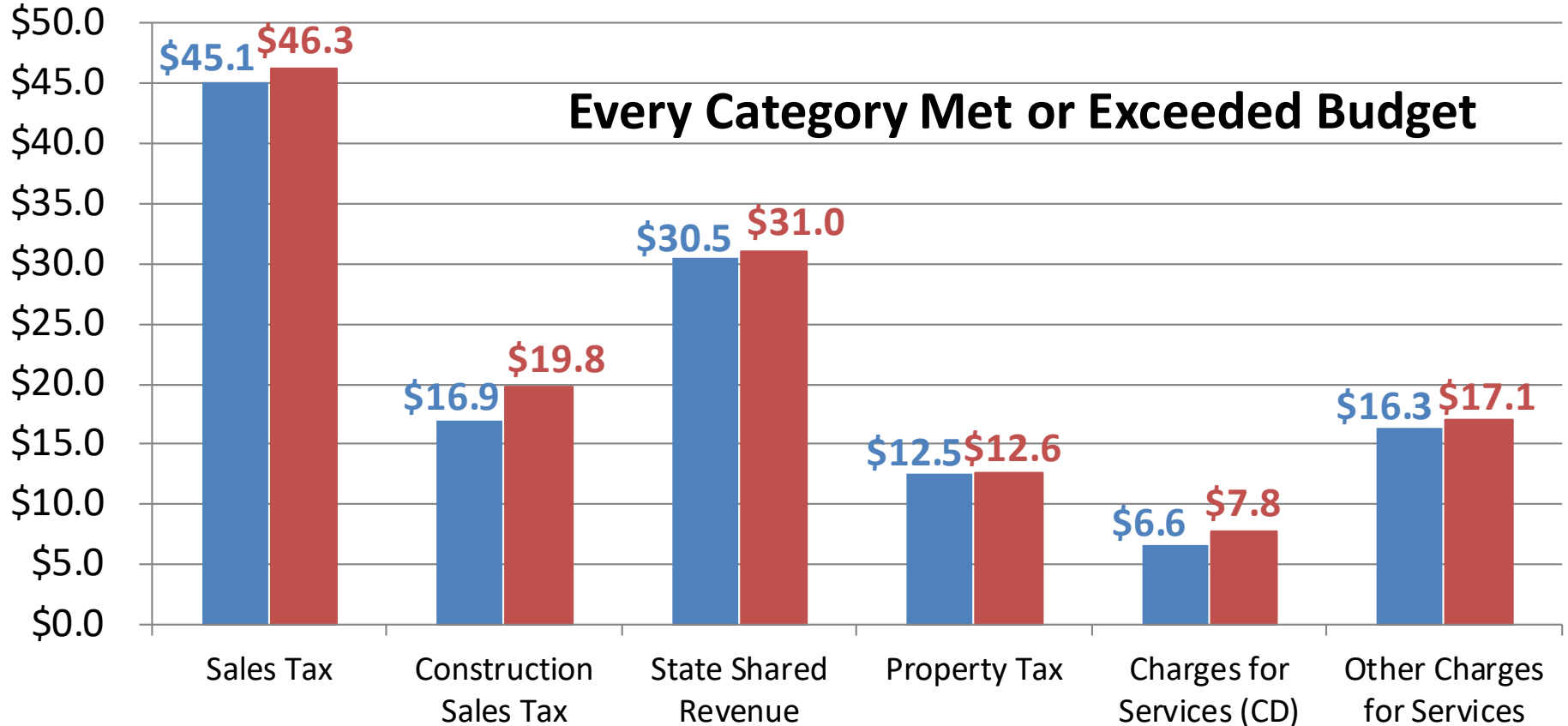
Revenues Were Better Than Expected: +\$6.7M (5%)

- Population Growth In and Around QC
- High Median Income Households
- New Businesses Continue to Open in the QC
- Online Sales Tax Revenues Continue to Increase
- Record High New Construction Activity



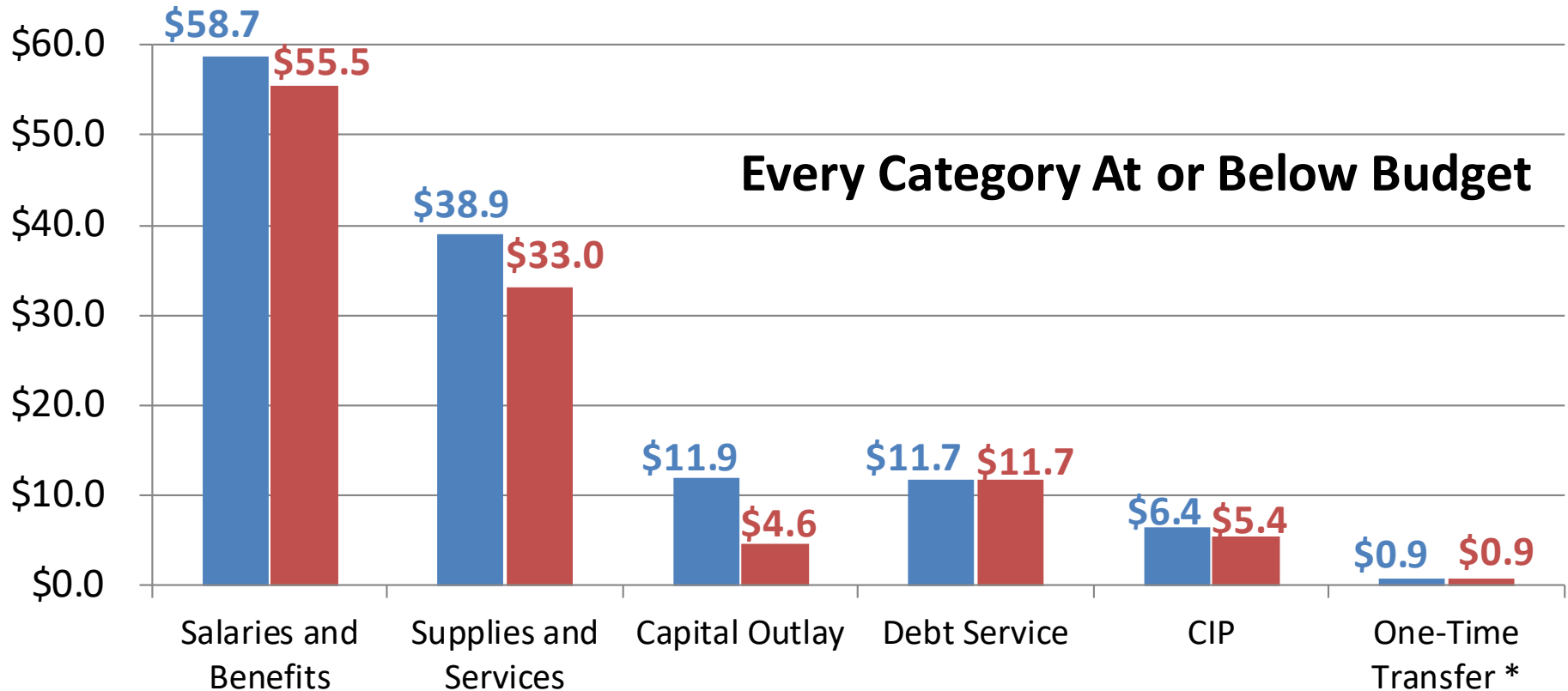
OPERATING REVENUE VARIANCE: +\$6.7M (+5%)

\$127.9M REVISED BUDGET TO \$134.6M ACTUAL



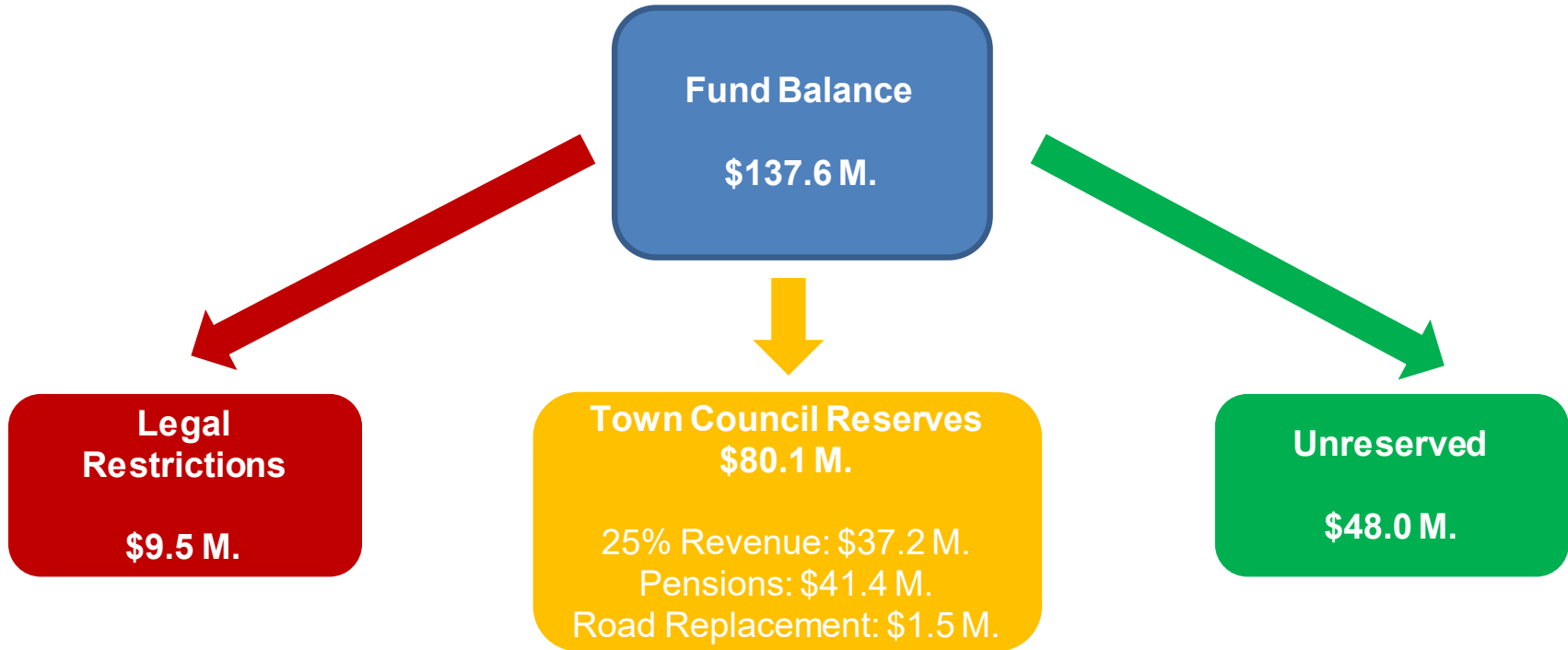
OPERATING EXPENSE VARIANCE: +\$17.4M (+14%)

\$128.5M REVISED BUDGET TO \$111.1M ACTUAL



* To Solid Waste Fund, prior-year corrections

Operating Fund Balance: \$137.6M (June 30, 2023)





Infrastructure

Infrastructure

\$103.2M of Infrastructure Completed



Type of Infrastructure	Total as of 6/30/2023	\$ Increase	% Increase	Added by Town	Received From Private Entities
Streets, Buildings, and Equipment	\$673.2M	\$73.9M	13%	\$60.7M	\$13.2M
Water and Wastewater	<u>\$347.4M</u>	<u>\$29.3M</u>	<u>9%</u>	<u>\$16.9M</u>	<u>\$12.4M</u>
Total Completed	\$1+B	\$103.2M	11%	\$77.6M	\$25.6M

Infrastructure (concluded)

\$93.2M of Infrastructure Under Construction

	Streets, Buildings, and Equipment	Water and Wastewater	Total
Projects Under Construction	\$66.0M	\$27.2M	\$93.2M





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

Debt Management



- Debt is Only Used to Build Infrastructure
- Debt Accomplishes the Financial Objective of Spreading the Cost of Infrastructure over Multiple Generations of Taxpayers (Intergenerational Equity)
 - Public Finance is Different from Personal Finance
- Two Types of Debt
 1. General Government
 2. Water / Wastewater
- Debt is Paid Using Numerous Sources
 - Impact and Capacity Fees, Operating Budget, 2% Sales Tax Dedication for Transportation, and Water and Wastewater Rates

Outstanding Debt



Purpose	Outstanding Amount 6/30/23	Annual Payment
General Government*	\$300.6M	\$22.1M
Water and Wastewater**	<u>\$302.8M</u>	<u>\$15.3M</u>
Total	\$603.4M	\$37.4M

* Police, Fire, Roads, Parks and Recreation Facilities, Horseshoe Park, and Other Buildings Infrastructure.

** \$24.2M new debt was issued for the Cibola water rights acquisition.



Pensions

Pension Funding

Town's 3 Pension Plans

1. Police

- Fully Funded PSPRS Plan (\$376K Asset)
- \$19.3M Town Reserve

2. Fire

- Fully Funded PSPRS Plan (\$1.1M Asset)

3. All Other Employees

- ASRS Pension Liability: \$29.5M Total
 - Operating Budget: \$21.8M (Fully Funded)
 - Enterprise Funds: \$7.7M (Partially Funded)



Points of Emphasis



1. Timely Completion of FY 23-24 Financial Statements and Audit
2. Address Water Fund Cash and “Savings” Deficits and Pension Reserve
3. Initiate Monthly Utility Financial Reporting
4. Improved Management of Fund Cash Balances and Capital Projects Subject to Reimbursements

Recommended Motion

Approve Resolution No. 1565-24 Accepting the Town's Fiscal Year 2022-23 Annual Comprehensive Financial Report and Related Audit Reports as Presented

