FINANCING THE CAPITAL IMPROVEMENT PLAN AND PSPRS UNFUNDED LIABILITY

October 24th, 2019

Unique Contingency

Adopted Budget 2020

For FY2019-20, budget authority was established exclusively for non-operating expenditures (like CIP or the PSPRS unfunded liability) that are "exempt from" the Town's AEL and budget for up to $12,000,000 of obligation proceeds.

The plan: pay up to $3,000,000 for PSPRS at year end FY2019, pending AEL capacity. Then pay $3,000,000 early July and prepare to pay $1,000,000 per quarter thereafter.

But to check be with Council

CHANGES FROM THE RECOMMENDED TO THE TENTATIVE BUDGET 2020

	Recommended Budget	Addition / (Reduction)	Tentative Budget
SOURCES			
Excise tax obligation proceeds	**-**	**$ 12,000,000**	**$ 12,000,000**
Use of fund balance / Carry forward	**$ 5,746,346**	**1,301,903**	**7,048,249**
ALF grant for public transit	-	38,000	38,000
PD DUI and STEP grants	-	50,000	50,000
Non-Town funded projects	9,425,067	-	9,425,067
All other current revenue	39,769,880	-	39,769,880
Total revenue	**$ 54,941,293**	**$ 13,389,903**	**$ 68,331,196**
EXPENDITURES / EXPENSES			
PSPRS unfunded in Police Dept	**$ 5,000,000**	**-**	**$ 5,000,000**
PSPRS unfunded in contingency	**1,000,000**	**$ 6,000,000**	**7,000,000**
AEL contingency (budget = AEL)	**-**	**6,000,000**	**6,000,000**
Debt service (1/2 $12M 5-yr)	**-**	**1,286,750**	**1,286,750**
Census 2020 outreach	-	20,000	20,000
Legislative outreach	-	5,000	5,000
Community services program	50,000	15,000	65,000
Offset 3rd party cost w/ new pos	-	(40,200)	(40,200)
Match IT allocation with ent.	-	(610)	(610)
General contingency	1,207,726	810	1,208,536
PD DUI and STEP grants	-	50,000	50,000
ALF grant for public transit	-	53,153	53,153
All other expenditures / expenses	47,683,567	-	47,683,567
Total Budget	**$ 54,941,293**	**$ 13,389,903**	**$ 68,331,196**

Financial Plan

Forecast Rec Budget p.22-23

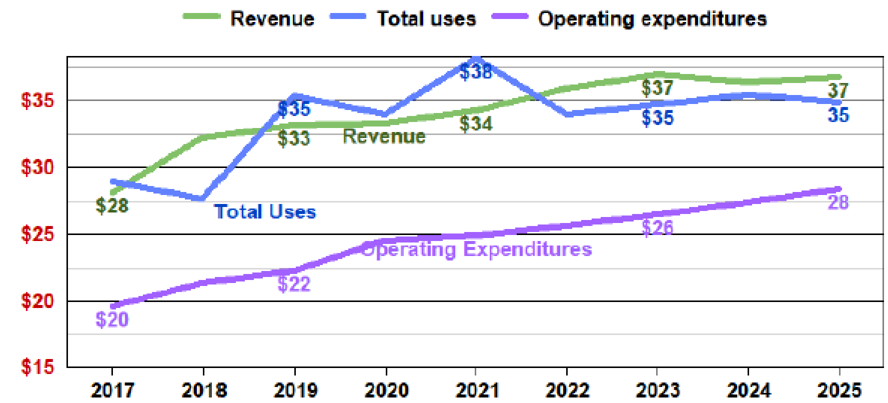
Over, strategically issuing and paying long term liabilities for planned non-operating expenditures has low impact on the operating forecast (Interest only).

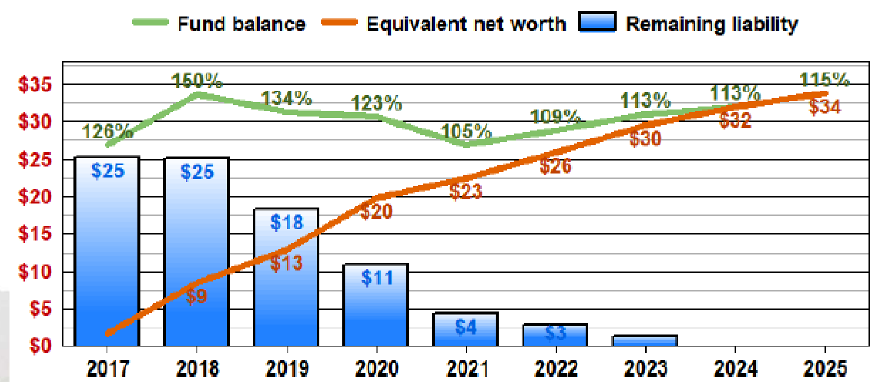
Challenge is new expenditures and the 2020 and 2021 AELs.

Issuing obligations and paying debt shifts Fund balance and Liabilities.

New costs outside of existing forecasts impacts financial position. Example:

Change in PSPRS discount rate or the cost of concrete.





Budget Status

FY2020 CIP & PSPRS

Line for potential changes in costs.
The challenge not revenue or cash, but being and "new" expenditures and the "Annual Expenditure Limitation".

Unfunded Actuarial Accrued Liability ("UAAL")	Unfunded Actuarial Liability	Present Assets	Total Pension Liability
Actuarial Balance at June 30, 2008	$ 17,322,469	$ 19,020,328	$ 36,342,797
Subsequent Adjustments	413,583	(413,583)	-
Total June 30, 2018 (Measurement Date), as Adjusted	**$ 17,736,052**	**$ 18,606,745**	**$ 36,342,797**
Total as a Percentage of Total Pension Liability	49%	**51%**	
Town Payments to Reduce the UAAL in FY2019*	$ (9,000,000)	$ 9,000,000	$ -
Total 2018 with 2019 Payments and All Other Factors Constant	**$ 8,736,052**	**$ 27,606,745**	**$ 36,342,797**
As a Percentage of Total Pension Liability	24%	**76%**	

* The above calculation does not include factors outside the Town's control that occurred July 1, 2018-June 30, 2019, such as Actual investment earnings, contribution rates, benefits paid, changes in actuarial assumptions and other factors.
Payments made in 2019 to reduce the UAAL will be reflected in the Actuarial report for June 30, 2019.
The June 30, 2019 Actuarial report is expected to be available in between January and March of 2020.
The first payment for FY2019/20 is $3,000,000 and scheduled for the first week of July 2019.

After July's $3,000,000 pmnt = $5,736,052 (2018 balance)

ADOPTED AND AMENDMENTS TO CIP PROJECTS BUDGETS

TOWN FUNDED PROJECTS (General fund & Wastewater)		Total 2020 Budget	BUDGET Adopted	BUDGET Amendment
Roadway & Utility Improvements: Lincoln Dr, Mockingbird Ln, Indian Bend Rd	2016-14	$ 2,500,000	$ 2,500,000	$ -
Lincoln Dr Sidewalks	2017-05	380,000	80,000	300,000
Town Hall Optimization-Office Spaces & Entry	2018-12	710,000	600,000	110,000
SRP Denton Ln Underground Conversion	2020-02	170,000	170,000	-
Drainage Improvements (various locations)	2020-10	300,000	300,000	-
Lincoln Dr & Tatum Blvd Improvement - VSC	2020-15	10,000	10,000	-
Intersection Improvement: 56th St & Doubletree Ranch Rd	2020-11	20,000	20,000	-
License Plate Readers Update	2020-12	350,000	350,000	-
Lincoln Dr Median Improvements: 32nd St to Tatum Blvd	2020-13	650,000	650,000	-
Lincoln Dr Median Improvements: Tatum Blvd to Mockingbird Ln	2020-14	650,000	650,000	-
Intersection Realignment: Lincoln Dr & Invergordon Rd	2019-01	230,000	230,000	-
Telecommunications System Update	2019-04	200,000	200,000	-
Public Works Remodel	2018-01	90,000	90,000	-
CIP Contingencies (general)	2099-99	-	200,000	(200,000)
Town-wide general infrastructure improvements		-	-	-
CIP Scope & Cost Estimating	2099-98	50,000	50,000	-
Town of Paradise Valley Operating Funds		***6,310,000***	***6,100,000***	***210,000***
Sewer system assessment	2017-06	234,200	234,200	
Sewer system improvements	2019-05	500,000	500,000	
Total Wastewater Enterprise Funds		***734,200***	***734,200***	***-***
TOTAL TOWN FUNDED PROJECTS		**$ 7,044,200**	**$ 6,834,200**	**$ 210,000**

PRIVATE ORGANIZATION FUNDED PROJECTS		Total Budget	BUDGET Adopted	BUDGET Amendment
Mockingbird Ln, Indian Bend Rd	2016-14	$ 10,395,000	$ 10,395,000	$ -
SRP Denton Ln Underground - Aesthetics	2020-02	200,000	200,000	-
SRP Denton Ln Underground - Residents	2020-02	180,067	180,067	-
Deferred capital contributions		(1,350,000)	(1,350,000)	-
TOTAL PRIVATE ORGANIZATION PROJECTS		**$ 9,425,067**	**$ 9,425,067**	**$ -**
TOTAL CAPITAL IMPROVEMENT PLAN		**$ 16,469,267**	**$ 16,259,267**	**$ 210,000**

PSPRS & Debt Policies Rec Budget pages 175 & 176

RESOLUTION NUMBER 2016-19

A RESOLUTION OF THE TOWN OF PARADISE VALLEY, ARIZONA, DECLARING THE EXPEDIENT RESOLUTION OF THE PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS) UNFUNDED LIABILITY A PRIORITY;

would generate future increases to the unfunded liability; and

WHEREAS, the Town Council has established a Council goal of a long term balanced budget;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE TOWN OF PARADISE VALLEY, ARIZONA THAT:

The expedient resolution of the PSPRS unfunded liability is a Council priority. It is the Council's intent to pay off the liability as quickly as reasonably possible. The Town will plan through its budgeting processes to pay the unfunded liability over a three-year period in an effort to avoid significant future assessment costs. Each year the Town will revisit the schedule to ensure that current revenues are sufficient to allow for the continuation of the aggressive payment schedule.

PASSED AND ADOPTED by the Town Council this 13th day of October 2016.

Michael Collins, Mayor

ATTEST:

Duncan Miller, Town Clerk

APPROVED AS TO FORM

Andrew M. Miller, Town Attorney

5. Reserves equal to a minimum of 90 days of operating expenses will be maintained for the following funds: Alarm, Fire/EMS, and Wastewater Operations. The amount will be calculated using the budgeted operating expenses for the following year and will be used for revenue stabilization and major repairs.
6. The Contingency Fund is intended to create budget authority for the Town's remaining spending authority under the State of Arizona's Annual Expenditure Limit. Use of this authority requires approval of the Town Council.
7. All fund reserves will be evaluated annually for long-term adequacy and use requirements in conjunction with development of the Town's five-year financial plan.

DEBT SERVICE POLICIES

1. Long-term debt shall not exceed the Town's resources for repaying the debt.

DEBT SERVICE POLICIES

1. Long-term debt shall not exceed the Town's resources for repaying the debt.
2. Capital lease purchasing shall generally be used for financing capital equipment and land purchases and building improvements to remove the expenditures from the State imposed expenditure limitation.
3. Bond issuance shall be limited to capital improvement projects too large to be financed from current revenues, or too large to be included in the State imposed expenditure limitation.
4. Long-term debt payment schedules shall not exceed the expected useful life of the project.

will be distributed to the Town Manager and Departments for management of the budget. Quarterly reports will be prepared for Council for review.

3. Financial systems will maintain internal controls to monitor revenues, expenditures, and program performance on an ongoing basis.
4. An annual audit will be performed by an independent public accounting firm, with an audit opinion to be included with the Town's published Comprehensive Annual Financial Report (CAFR).
5. The Town's CAFR will be submitted to the GFOA Certification of Achievement for Excellence in Financial Reporting Program. The financial report should be in conformity with GAAP, demonstrate compliance with finance related legal and contractual provisions, disclose thoroughness and detail sufficiency, and minimize ambiguities and potentials for misleading inference.

Financial Plan

AEL Status for FY2020

Not a revenue or cash concern its the Timing with the AEL in FY2020 & 2021. AEL capacity available once the PSPRS payment plan is completed.

Shifts Projects from “Subject to” the AEL to “Exempt from”; and
Spread costs over multiple fiscal years.

**Use as general as possible project language like “Roadway & utility improvements” rather than “Mockingbird Lane improvements”.

A reallocation of $5,420,000 projects to tax exempt obligations could yield more PSPRS and $2,535,000 AEL capacity for other needs in FY2020 or FY2021.

AEL REALLOCATION POTENTIAL IN CURRENT CIP

TOWN FUNDED PROJECTS (General fund & Wastewater)	Amount Change	Amended Project	AEL STATUS Subject to	AEL STATUS Exempt from
Roadway and utility construction and improvements	$ 300,000	$ 4,410,000	$ -	$ 4,410,000
Drainage and flood control	-	300,000	-	300,000
Municipal facilities and improvements	110,000	710,000	-	710,000
Equipment and technology	-	550,000	550,000	-
Other	(200,000)	340,000	340,000	-
Wastewater	-	734,200	734,200	-
TOTAL TOWN FUNDED CIP	$ 210,000	$ 7,044,200	$ 1,624,200	$ 5,420,000
Private organization funded	-	9,425,067	-	9,425,067
PSPRS Unfunded liability	2,800,000	8,800,000	8,800,000	-
Contingency for PSPRS / CIP financing	(2,885,000)	9,115,000	-	9,115,000
General fund contingency used for CIP	(125,000)	(125,000)	(125,000)	-
TOTAL CIP & PSPRS	$ -	$ 34,259,267	$ 10,299,200	$ 23,960,067

CURRENT AEL OF CAPITAL PROJECTS & PSPRS

TOWN FUNDED PROJECTS (General fund & Wastewater)	Project Code	Total Project	AEL STATUS Subject to	AEL STATUS Exempt from
Roadway and utility construction and improvements	RD	$ 4,110,000	$ 4,110,000	$ -
Drainage and flood control	DR	300,000	300,000	-
Municipal facilities and improvements	MF	600,000	600,000	-
Equipment and technology	ET	550,000	550,000	-
Other	O	540,000	540,000	-
Wastewater	WW	734,200	734,200	-
TOTAL TOWN FUNDED CIP		$ 6,834,200	$ 6,834,200	$ -
Private organization funded		9,425,067	-	9,425,067
PSPRS Unfunded liability		6,000,000	6,000,000	-
Contingency for PSPRS / CIP financing		12,000,000	-	12,000,000
General fund contingency used for CIP		-	-	-
TOTAL CIP & PSPRS		$ 34,259,267	$ 12,834,200	$ 21,425,067

Financial Plan

AEL Status Project Level

CURRENT AEL OF CAPITAL PROJECTS & PSPRS				
TOWN FUNDED PROJECTS (General fund & Wastewater)		Total Project	AEL STATUS Subject to	AEL STATUS Exempt from
Roadway & Utility Improvements: Lincoln Dr, Mockingbird Ln, Indian Bend Rd	2016-14 RD	$ 2,500,000	$ 2,500,000	$ -
Lincoln Dr Sidewalks	2017-05 RD	80,000	80,000	-
Town Hall Optimization-Office Spaces & Entry	2018-12 MF	600,000	600,000	-
SRP Denton Ln Underground Conversion	2020-02 O	170,000	170,000	-
Drainage Improvements (various locations)	2020-10 DR	300,000	300,000	-
Lincoln Dr & Tatum Blvd Improvement - VSC	2020-15 O	10,000	10,000	-
Intersection Improvement: 56th St & Doubletree Ranch Rd	2020-11 O	20,000	20,000	-
License Plate Readers Update	2020-12 ET	350,000	350,000	-
Lincoln Dr Median Improvements: 32nd St to Tatum Blvd	2020-13 RD	650,000	650,000	-
Lincoln Dr Median Improvements: Tatum Blvd to Mockingbird Ln	2020-14 RD	650,000	650,000	-
Intersection Realignment: Lincoln & Invergordon	2019-01 RD	230,000	230,000	-
Telecommunications System Update	2019-04 ET	200,000	200,000	-
Public Works Remodel	2018-01 O	90,000	90,000	-
CIP Contingencies (general)	2099-99 O	200,000	200,000	-
Town-wide general infrastructure improvements	n/a	-	-	-
CIP Scope & Cost Estimating	2099-98 O	50,000	50,000	-
Town of Paradise Valley Operating Funds		*6,100,000*	*6,100,000*	-
Sewer system assessment	2017-06 WW	234,200	234,200	-
Sewer system improvements	2019-05 WW	500,000	500,000	-
Total Wastewater Enterprise Funds		*734,200*	*734,200*	-
SUB TOTAL TOWN FUNDED CIP		**$ 6,834,200**	**$ 6,834,200**	**$ -**
PRIVATE ORGANIZATION FUNDED				
Roadway & Utility Improvements: Lincoln Dr, Mockingbird Ln, Indian Bend Rd	2016-14	$ 10,395,000	$ -	$ 10,395,000
SRP Denton Ln Underground - Aesthetics	2020-02	200,000	-	200,000
SRP Denton Ln Underground - Residents	2020-02	180,067	-	180,067
Deferred capital contributions		(1,350,000)	-	(1,350,000)
SUB TOTAL PRIVATELY FUNDED CIP		**$ 9,425,067**	**$ -**	**$ 9,425,067**
PRS AND CONTINGENCIES				
PRS Unfunded liability		6,000,000	6,000,000	-
ntingency for PSPRS / CIP financing		12,000,000	-	12,000,000
eneral fund contingency used for CIP		-	-	-
TOTAL CIP & PSPRS		**$ 34,259,267**	**$ 12,834,200**	**$ 21,425,067**

AEL REALLOCATION POTENTIAL IN CURRENT CIP				
TOWN FUNDED PROJECTS (General fund & Wastewater)	Amount Change	Amended Project	AEL STATUS Subject to	AEL STATUS Exempt from
Roadway & Utility Improvements: Lincoln Dr, Mockingbird Ln, Indian Bend Rd	$ -	$ 2,500,000	$ -	$ 2,500,000
Lincoln Dr Sidewalks	300,000	380,000	-	380,000
Town Hall Optimization-Office Spaces & Entry	110,000	710,000	-	710,000
SRP Denton Ln Underground Conversion	-	170,000	170,000	-
Drainage Improvements (various locations)	-	300,000	-	300,000
Lincoln Dr & Tatum Blvd Improvement - VSC	-	10,000	10,000	-
Intersection Improvement: 56th St & Doubletree Ranch Rd	-	20,000	20,000	-
License Plate Readers Update	-	350,000	350,000	-
Lincoln Dr Median Improvements: 32nd St to Tatum Blvd	-	650,000	-	650,000
Lincoln Dr Median Improvements: Tatum Blvd to Mockingbird Ln	-	650,000	-	650,000
Intersection Realignment: Lincoln & Invergordon	-	230,000	-	230,000
Telecommunications System Update	-	200,000	200,000	-
Public Works Remodel	-	90,000	90,000	-
CIP Contingencies (general)	(200,000)	-	-	-
Town-wide general infrastructure improvements	-	-	-	-
CIP Scope & Cost Estimating	-	50,000	50,000	-
Town of Paradise Valley Operating Funds	*210,000*	*6,310,000*	*890,000*	*5,420,000*
Sewer system assessment	-	234,200	234,200	-
Sewer system improvements	-	500,000	500,000	-
Total Wastewater Enterprise Funds	-	*734,200*	*734,200*	-
SUB TOTAL TOWN FUNDED CIP	**$ 210,000**	**$ 7,044,200**	**$ 1,624,200**	**$ 5,420,000**
PRIVATE ORGANIZATION FUNDED				
Roadway & Utility Improvements: Lincoln Dr, Mockingbird Ln, Indian Bend Rd	$ -	10,395,000	$ -	$ 10,395,000
SRP Denton Ln Underground - Aesthetics	-	200,000	-	200,000
SRP Denton Ln Underground - Residents	-	180,067	-	180,067
Deferred capital contributions	-	(1,350,000)	-	(1,350,000)
SUB TOTAL PRIVATELY FUNDED CIP	**$ -**	**$ 9,425,067**	**$ -**	**$ 9,425,067**
PSPRS AND CONTINGENCIES				
PSPRS Unfunded liability	2,800,000	8,800,000	8,800,000	-
Contingency for PSPRS / CIP financing	(2,885,000)	9,115,000	-	9,115,000
General fund contingency used for CIP	(125,000)	(125,000)	(125,000)	-
TOTAL CIP & PSPRS	**$ -**	**$34,259,267**	**$10,299,200**	**$23,960,067**

Why now?

Timing is vital: Issuing obligations can be as expedient as a 3-month process and there are many options and structures.

Should staff and professionals provide an overview of steps and process of issuing tax-exempt excise tax obligations in November, including:

Consider adopting resolution 2019-xx to reimburse CIP spending with obligations (if issued) from 60 days before and after its adoption

?

Timing is Essential

Use of proceeds and repayment are both exempt from AEL.

Use as general as possible project language like "Roadway & utility improvements" rather than "Mockingbird Lane improvements".

Timing matters with proceeds and AEL.

Unused proceeds revert to repayment.

Proceeds must be physically drawn in same FY expenditures are reported to be exempt from AEL (accrual vs cash).


TOWN OF PARADISE VALLEY
INCORPORATED MAY 1961
October 24th, 2019