
TOWN OF PARADISE VALLEY, ARIZONA

**STRATEGIC
REVENUE
PLAN**

FISCAL YEAR 2020

DRAFT
May 9, 2019

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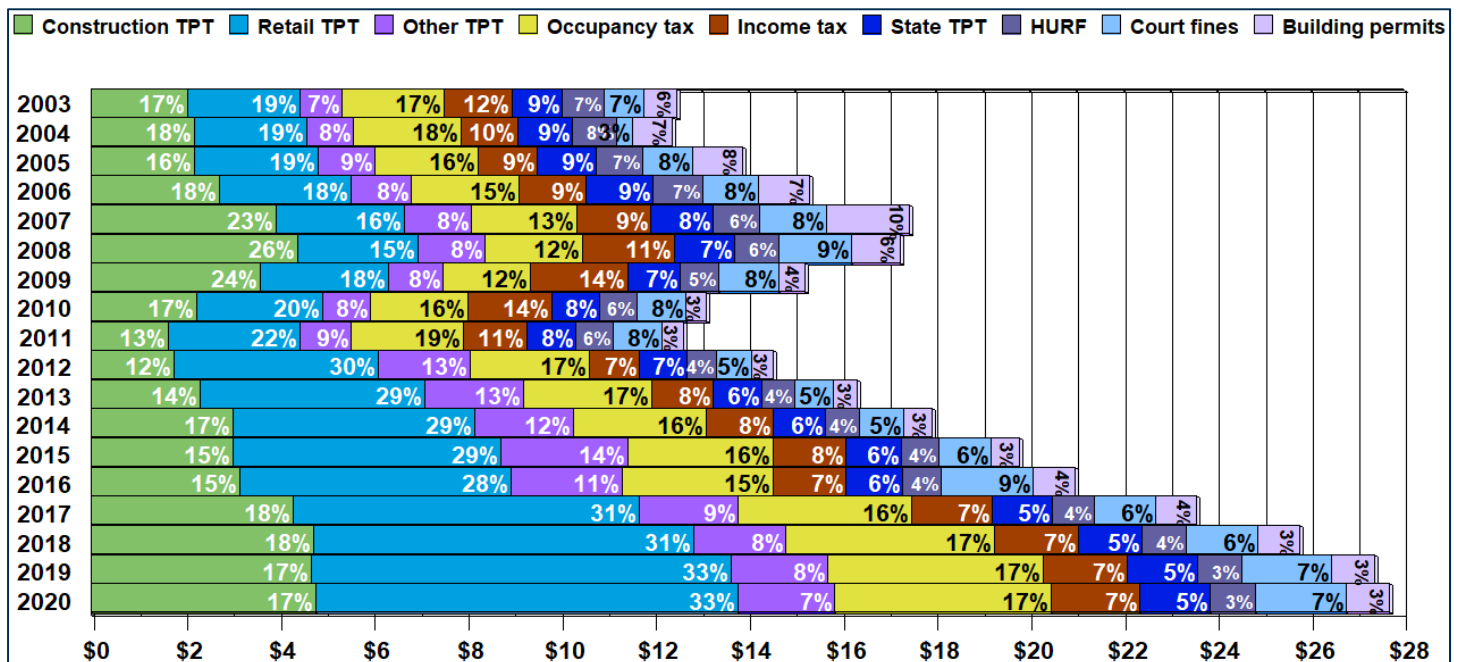
SUMMARY

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SUMMARY

Major revenues are a combination of seven (7) individually reported revenue sources. Trends show that historically, these seven revenues generally meet the benchmark of 80% of total governmental revenues (78%-83% from 2013 to 2020). Estimating these seven sources with reasonable accuracy is vital to adequately managing and supporting the Towns financial strategies.

MAJOR OPERATING REVENUE ESTIMATED FOR 2020						
Revenue Major Sources	Actual 2014/15	Projected 2015/16	Actual 2016/17	Actual 2017/18	Projected 2018/19	Estimated 2019/20
1-Transaction privilege tax (sales):						
Retail and hospitality	\$ 5,705,830	\$ 5,788,062	\$ 7,370,408	\$ 8,088,233	\$ 8,960,000	\$ 9,000,000
Construction & contracting	3,049,241	3,181,485	4,327,639	4,762,342	4,708,000	4,800,000
All other	2,692,378	2,376,355	2,120,270	1,982,947	2,059,000	2,060,000
2-Occupancy tax (bed)	3,117,450	3,207,626	3,701,739	4,443,281	4,577,734	4,623,500
State shared revenues:						
3-State income tax	1,551,940	1,543,526	1,703,256	1,778,003	1,807,858	1,891,800
4-State sales tax	1,171,604	1,217,296	1,277,675	1,378,388	1,487,842	1,502,000
5-Highway user revenue fund	793,772	828,858	897,142	933,034	953,225	968,900
6-Court fines	1,118,688	1,964,887	1,318,793	1,528,206	1,920,403	1,921,120
7-Building permits	613,269	894,704	876,434	893,751	900,432	919,440
Total major revenues	\$ 19,814,172	\$ 21,002,799	\$ 23,593,356	\$ 25,788,185	\$ 27,374,494	\$ 27,686,760
Non major revenue	3,569,271	4,939,641	4,530,042	6,414,288	5,767,526	5,679,620
Total operating revenue	\$ 23,383,443	\$ 25,942,440	\$ 28,123,398	\$ 32,202,473	\$ 33,142,020	\$ 33,366,380
% Major revenue to total	85%	81%	84%	80%	83%	83%



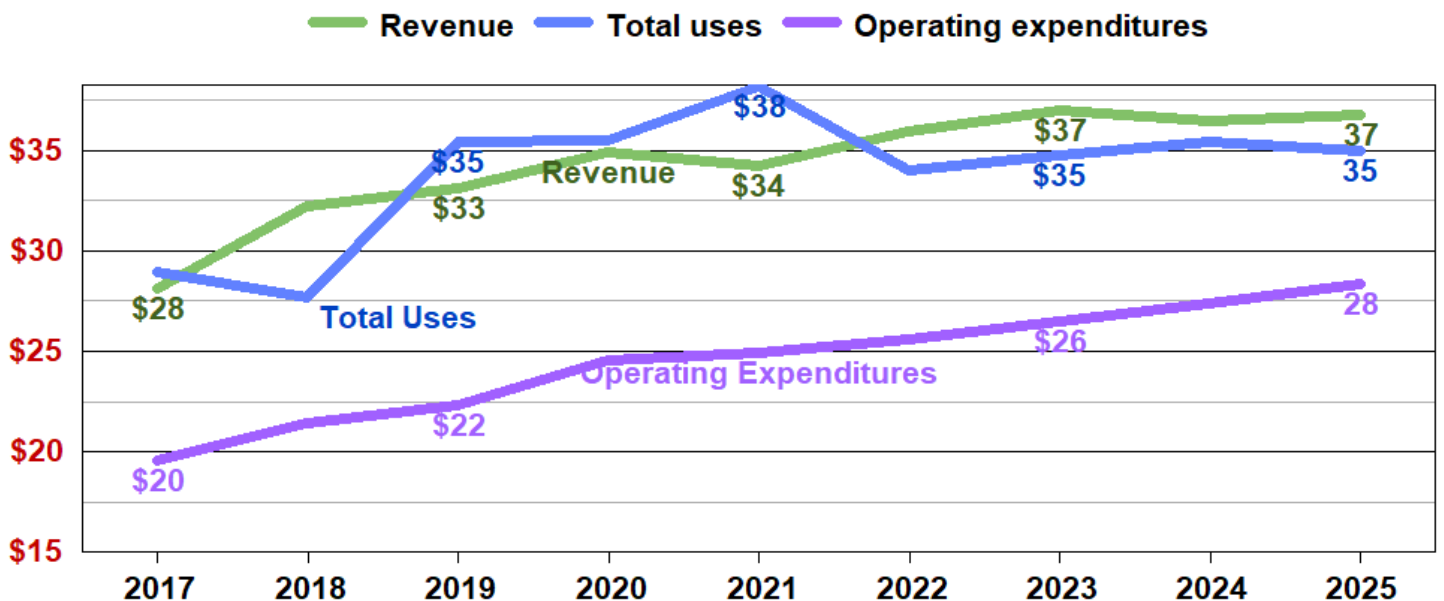
SUMMARY

The forecast below is based on the forecast in the recommended budget for FY2019/20.

FINANCIAL FORECAST 2020						
Financial Forecast from the Recommended Budget 2019/20	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
REVENUE:						
Major revenues	\$ 27,686,760	\$ 29,019,949	\$ 30,734,630	\$ 31,755,374	\$ 31,226,413	\$ 31,560,568
Non major revenues	5,679,620	5,209,620	5,209,620	5,209,620	5,209,620	5,209,620
Transfers in	1,500,000	-	-	-	-	-
Total revenue	\$ 34,866,380	\$ 34,229,569	\$ 35,944,250	\$ 36,964,994	\$ 36,436,033	\$ 36,770,188
USES:						
Base operations	24,530,963	24,925,949	25,622,328	26,491,082	27,393,062	28,383,990
Debt obligations	168,494	1,474,585	1,475,883	1,471,800	1,472,337	-
Assigned for:						
PSPRS unfunded liability	6,000,000	5,233,108	-	-	-	-
Repair and replacement	479,210	523,102	873,188	799,022	569,786	555,382
Capital improvement plan	4,300,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Total uses	\$ 35,478,667	\$ 38,156,744	\$ 33,971,399	\$ 34,761,904	\$ 35,435,185	\$ 34,939,372
Increase (decrease) fund balance	\$ (612,287)	\$ (3,927,175)	\$ 1,972,851	\$ 2,203,090	\$ 1,000,848	\$ 1,830,816
This forecast deviates from the 2020 budget document by reporting "transfer in" as a revenue in the 2019/20 column						

The graph below illustrates the financial forecast for 2020.

If the **total uses line** is over the **revenue line**, then the Town is using fund balance, like in FY2019-2021. If the **revenue line** is over the **total uses line**, then the town is accruing fund balance that is carried for future years, like FY2022-2025. If the **operating expenditure line** were over the **revenue line**, then the Town would be facing a structural deficit.



SUMMARY

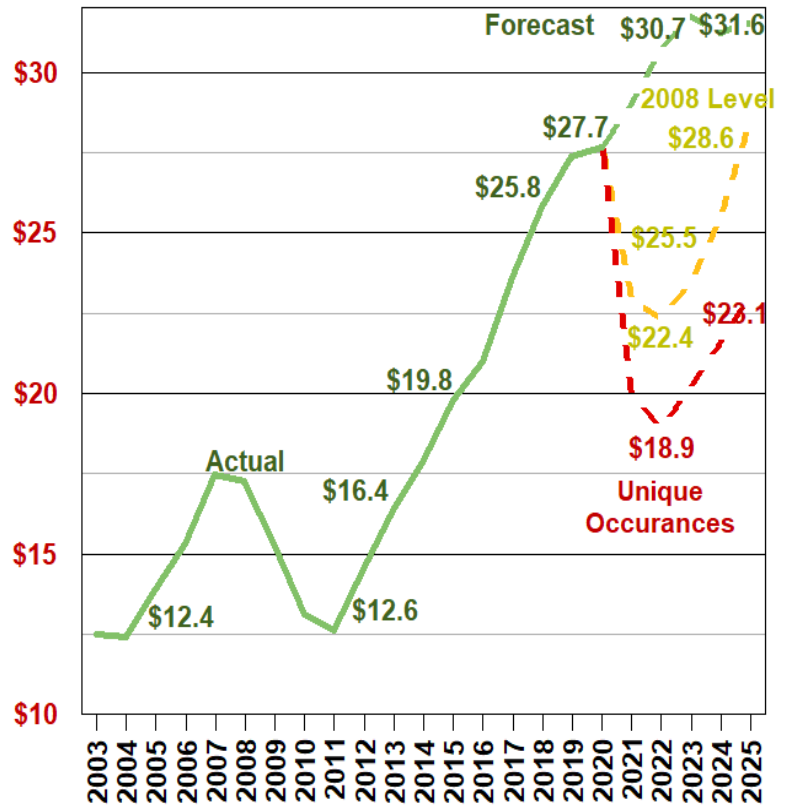
Stressing the forecast: Based on the previous pages, a goal is to maintain the revenue line above the expenditure line and focusing on major revenues is a logical step one.

Green line: shows the current revenue forecast that is then stressed in two scenarios.

Yellow line: runs a trend that mirrors the economic downturn late 2008 through 2011 for each major revenue.

Red line: represents a unique situation, either legislative action or a change in the revenue base for each major revenue.

Step two is to test how these two scenarios support the Towns forecasted expenditures for operations, debt payments, capital improvements, planned repairs and replacement of vehicles and equipment.

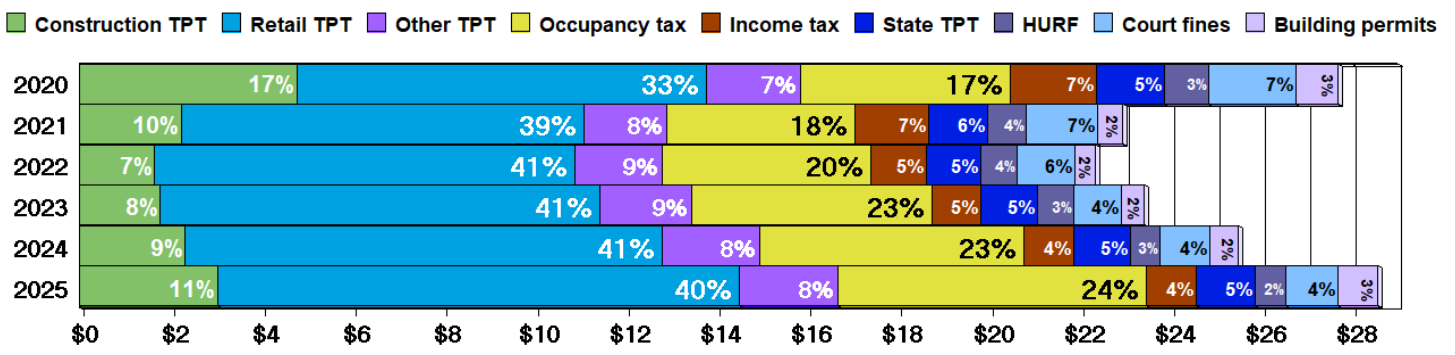


YELLOW LINE: REVENUE IMPACTS - STRESS TEST: 2008-2011 MODEL

MAJOR REVENUES	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
MAJOR REVENUES:						
Financial forecast 2020	\$ 27,686,760	\$ 29,019,949	\$ 30,734,630	\$ 31,755,374	\$ 31,226,413	\$ 31,560,568
Stress: 2008-2011 model	27,686,760	22,959,849	22,356,496	23,436,173	25,492,940	28,573,942
Shortfall: less than forecast	\$ -	\$ (6,060,100)	\$ (8,378,134)	\$ (8,319,201)	\$ (5,733,473)	\$ (2,986,626)
* Due to the inclusion of multiple scenarios, "equivalent net worth" is not shown						

The chart above compares major revenues in the forecast in the 2020 budget and a stress test modeled after impacts to revenue 2008-2011.

The graph below shows each major revenue and the percentage the account for in the total major revenue.

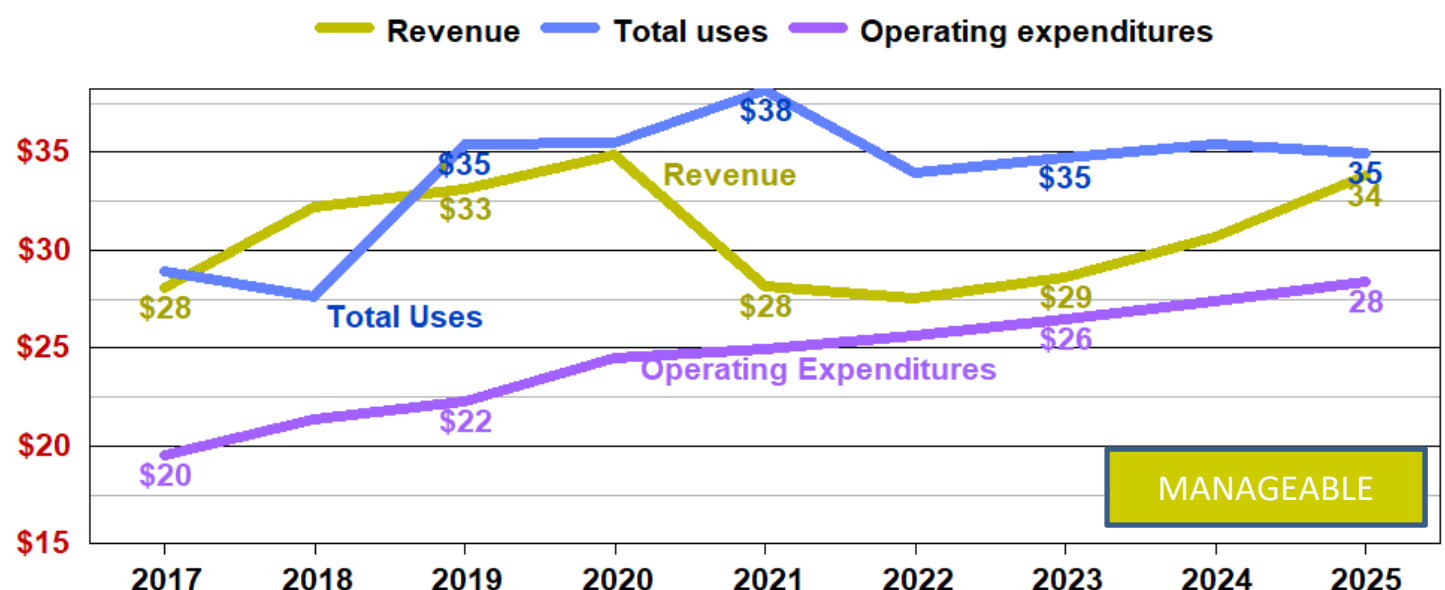


SUMMARY

The forecast below is based on simulating patterns of major revenues with economic conditions from late 2008-2011.

YELLOW LINE: FINANCIAL FORECAST - STRESS TEST: 2008-2011 MODEL						
Financial Forecast based on the 2008-2011 model*	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
REVENUE:						
Stress: 2008-2011 model	\$ 27,686,760	\$ 22,959,849	\$ 22,356,496	\$ 23,436,173	\$ 25,492,940	\$ 28,573,942
Non major revenues	5,679,620	5,209,620	5,209,620	5,209,620	5,209,620	5,209,620
Transfers in	1,500,000	-	-	-	-	-
Total revenue	\$ 34,866,380	\$ 28,169,469	\$ 27,566,116	\$ 28,645,793	\$ 30,702,560	\$ 33,783,562
USES:						
Base operations	24,530,963	24,925,949	25,622,328	26,491,082	27,393,062	28,383,990
Debt obligations	168,494	1,474,585	1,475,883	1,471,800	1,472,337	-
Assigned for:						
PSPRS unfunded liability	6,000,000	5,233,108	-	-	-	-
Repair and replacement	479,210	523,102	873,188	799,022	569,786	555,382
Capital improvement plan	4,300,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Total uses	\$ 35,478,667	\$ 38,156,744	\$ 33,971,399	\$ 34,761,904	\$ 35,435,185	\$ 34,939,372
Increase (decrease) fund balance	\$ (612,287)	\$ (9,987,275)	\$ (6,405,283)	\$ (6,116,111)	\$ (4,732,625)	\$ (1,155,810)
Different from Forecast 2020	\$ -	\$ (6,060,100)	\$ (8,378,134)	\$ (8,319,201)	\$ (5,733,473)	\$ (2,986,626)
This forecast deviates from the 2020 budget document by reporting "transfer in" as a revenue in the 2019/20 column						

Though not as compelling as in the forecast in the FY2020 budget, **the revenue line** does remain above **operating expenditures**. By looking at each revenue source, there are possible actions that can be taken on the expenditure side to lower **the blue line** in this graph. Simply using fund balance to cover all revenue shortfalls would leave the Town vulnerable in future years. However, fund balance can be the bridge to navigate over this type of revenue stress.



SUMMARY

The chart below identifies some possible mitigation actions that could be taken on the expenditure side, should revenues decline to the extent in the stress test.

YELLOW LINE: POSSIBLE ACTIONS - STRESS TEST: 2008-2011 MODEL						
Possible actions to mitigate impacts of 2008-2011 type stress	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Defer capital improvement plan		\$ 3,000,000	\$ 3,500,000	\$ 4,000,000	\$ 3,500,000	\$ 3,000,000
Reprogram street maintenance	-	152,120	226,552	254,183	438,091	451,234
Defer PSPRS unfunded liability	-	-	-	-	-	-
Reduce contractual services	-	130,000	130,000	130,000	75,000	-
Reduce contribution to tourism	-	410,753	509,519	606,056	414,519	55,677
Staffing reductions	-	-	-	-	-	-
Other expenditure offsets	-	-	-	-	-	-
Defer assignments for:						
Fleet	-	-	-	-	-	-
Facilities	-	-	-	-	-	-
Technology	-	-	-	-	-	-
Total before use of fund balance	\$ -	\$ 3,692,873	\$ 4,366,071	\$ 4,990,239	\$ 4,427,610	\$ 3,506,911
Use of (replenish) fund balance:						
PSPRS unfunded liability	612,287	5,233,108	-	-	-	-
PSPRS debt obligations	-	-	-	-	-	-
Operating expenditures	-	-	-	-	-	-
Capital improvement plan	-	1,061,294	2,039,212	1,125,872	305,015	(2,351,101)
CIP debt obligations	-	-	-	-	-	-
Use of (replenish) fund balance	612,287	6,294,402	2,039,212	1,125,872	305,015	(2,351,101)
Total actions to balance deficit	\$ 612,287	\$ 9,987,275	\$ 6,405,283	\$ 6,116,111	\$ 4,732,625	\$ 1,155,810
Total deficit from 2008-2011 stress	\$ 612,287	\$ 9,987,275	\$ 6,405,283	\$ 6,116,111	\$ 4,732,625	\$ 1,155,810

Unassigned **fund balance** is the cumulative difference of revenue and expenditures carried forward to the next fiscal year, that is not assigned or restricted. The chart below shows the amount of unassigned balance as a percentage (%) of next year's forecasted operating expenditures.

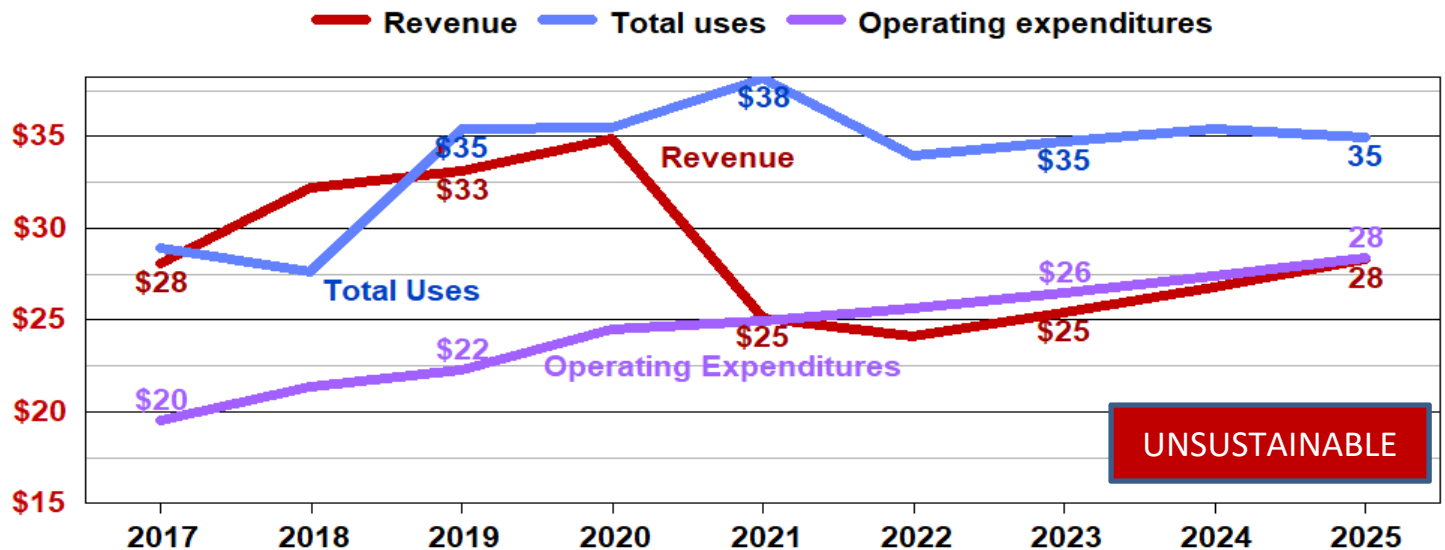
This percentage is calculated with 5 different bases: 1) The financial forecast for FY2020; 2) status quo - the Town continues its current PSPRS unfunded liability plan; 2) accelerated – the Town accelerates the status quo plan by using all unencumbered funds and available expenditure limitation capacity at fiscal year-end for a large PSPRS payment; 3) Taxable – the Town issues taxable excise tax obligations and uses for PSPRS; 4) Tax exempt – the Town issues tax-exempt excise tax obligations for its CIP.

YELLOW LINE: FINANCIAL FORECAST - STRESS TEST: 2008-2011 MODEL						
Unassigned fund balance	\$ 30,745,765	\$ 24,451,363	\$ 22,412,151	\$ 21,286,279	\$ 20,981,264	\$ 23,332,365
% of subsequent year	123%	95%	85%	78%	74%	79%
Financial Forecast 2020	123%	105%	109%	113%	113%	115%
PSPRS Option 1 - status quo	123%	95%	85%	78%	74%	79%
PSPRS Option 2 - accelerated	111%	95%	85%	78%	74%	79%
PSPRS Option 3 - taxable	142%	125%	104%	88%	75%	80%
PSPRS Option 4 - tax exempt	108%	96%	81%	70%	62%	68%
* Due to the inclusion of multiple scenarios, "equivalent net worth" is not shown; all long-term debt paid by 2025						

SUMMARY

The second stress test applies a unique situation, either legislative action or a change in the revenue base for each major revenue and presents the information in the same format as previous forecasts.

RED LINE: REVENUE IMPACTS - UNIQUE OCCURANCES						
MAJOR REVENUES	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
MAJOR REVENUES:						
Financial forecast 2020	\$ 27,686,760	\$ 29,019,949	\$ 30,734,630	\$ 31,755,374	\$ 31,226,413	\$ 31,560,568
Stress: Unique occurrences	27,686,760	19,917,358	18,921,490	20,229,901	21,564,009	23,096,383
Shortfall: less than forecast	\$ -	\$ (9,102,591)	\$ (11,813,140)	\$ (11,525,473)	\$ (9,662,404)	\$ (8,464,185)



RED LINE: FINANCIAL FORECAST - UNIQUE OCCURANCES						
	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
REVENUE:						
Major revenues	\$ 27,686,760	\$ 19,917,358	\$ 18,921,490	\$ 20,229,901	\$ 21,564,009	\$ 23,096,383
Non major revenues	5,679,620	5,209,620	5,209,620	5,209,620	5,209,620	5,209,620
Transfers in	1,500,000	-	-	-	-	-
Total revenue	\$ 34,866,380	\$ 25,126,978	\$ 24,131,110	\$ 25,439,521	\$ 26,773,629	\$ 28,306,003
USES:						
Base operations	24,530,963	24,925,949	25,622,328	26,491,082	27,393,062	28,383,990
Debt obligations	168,494	1,474,585	1,475,883	1,471,800	1,472,337	-
Assigned for:						
PSPRS unfunded liability	6,000,000	5,233,108	-	-	-	-
Repair and replacement	479,210	523,102	873,188	799,022	569,786	555,382
Capital improvement plan	4,300,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Total uses	\$ 35,478,667	\$ 38,156,744	\$ 33,971,399	\$ 34,761,904	\$ 35,435,185	\$ 34,939,372
Increase (decrease) fund balance	\$ (612,287)	\$ (13,029,766)	\$ (9,840,289)	\$ (9,322,383)	\$ (8,661,556)	\$ (6,633,369)
Different from Forecast 2020	\$ -	\$ (6,060,100)	\$ (8,378,134)	\$ (8,319,201)	\$ (5,733,473)	\$ (2,986,626)
This forecast deviates from the 2020 budget document by reporting "transfer in" as a revenue in the 2019/20 column						

REVENUES

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TRANSACTION PRIVILEGE TAX

The *Arizona Department of Revenue* (“ADOR”) describes the Arizona Transaction Privilege Tax as: “although commonly referred to as a **sales tax**, the Arizona transaction privilege tax (TPT) is actually a tax on a vendor for the privilege of doing business in the state. Various business activities are subject to transaction privilege tax and must be licensed.”

“If a business is selling a product or engaging in a service subject to TPT. A license from the ADOR would likely be needed as well as a transaction privilege tax or business / occupational license from the city or cities in which the business is based and / or operates.”

“ADOR collects the tax for the counties and cities; however, tax rates vary depending on the type of business activity, the city and the county.”

RATES & CATEGORIES

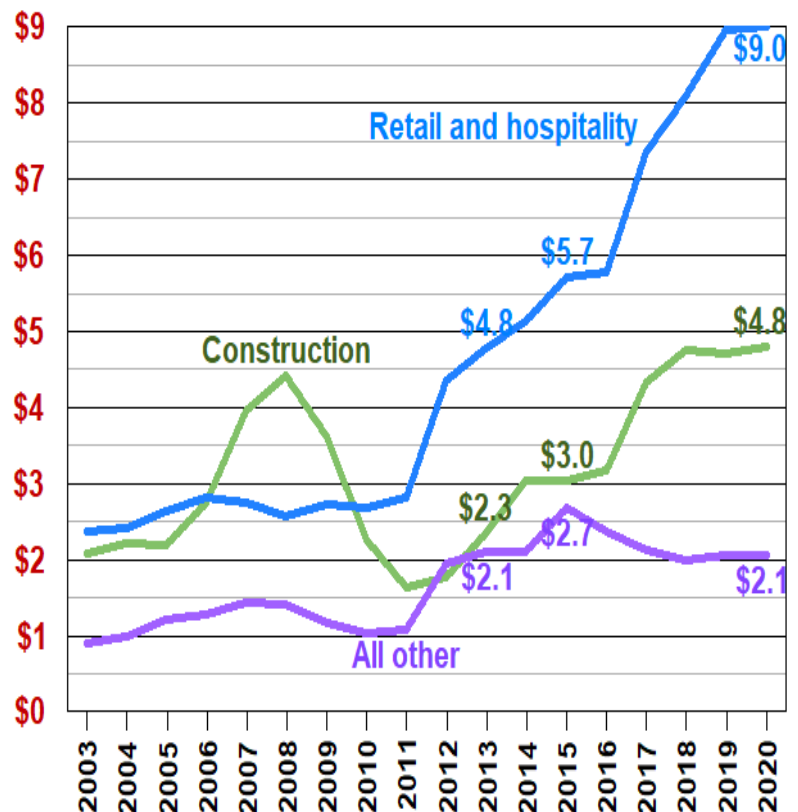
On January 1, 1999, the Town’s TPT rate increased from 1.2% to 1.4%; increased to 1.65% on September 1, 2004 and 2.50% on August 1, 2011.

There are numerous components and taxable activities within the local sales tax (TPT) and can be simplified into three (3) main categories: Construction, Hospitality and Retail, and All Other.

Construction is generally considered a non-recurring revenue and is primarily used for the Town’s Capital Improvement Plan.

Retail and hospitality is a significant category for the Town because of its potential to be recurring year-to-year and recent growth.

The line graph to the right shows these categories for local sales tax from 2003-2020 (in millions).



TRANSACTION PRIVILEGE TAX						
Revenue By category	Actual 2014/15	Actual 2015/16	Actual 2016/17	Actual 2017/18	Projected 2018/19	Estimated 2019/20
Construction	\$ 3,049,241	\$ 3,181,485	\$ 4,327,639	\$ 4,762,342	\$ 4,708,000	\$ 4,800,000
Retail and hospitality	5,705,830	5,788,062	7,370,408	8,088,233	8,960,000	9,000,000
All other	2,692,378	2,376,355	2,120,270	1,982,947	2,059,000	2,060,000
Total major revenues	\$ 11,447,449	\$ 11,345,902	\$ 13,818,317	\$ 14,833,522	\$ 15,727,000	\$ 15,860,000

CONSTRUCTION TPT

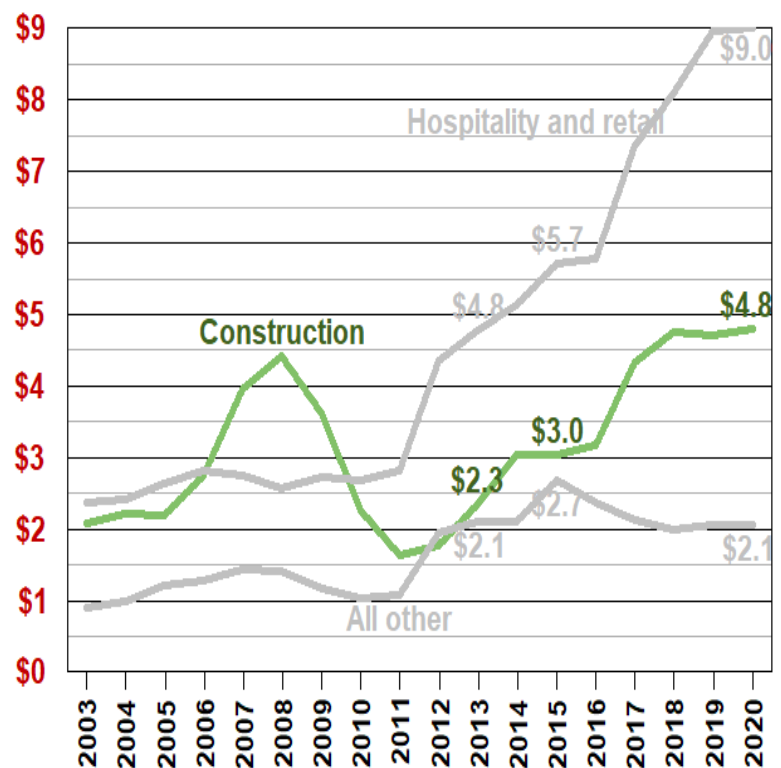
Construction is the most volatile of the three TPT categories.

Construction TPT is generally considered a non-recurring revenue, because once the specific construction project is completed, that activity is done.

Construction is volatile and cyclical in the Town. The majority of the Town's construction is for major projects, such as building resorts.

As the Town's residential areas are being "built out", it is expected that a level of construction will be maintained with remodels and "scrape and build".

The line graph to the right shows highlights the Construction TPT from 2003-2020. (in millions).



RISK ASSESSMENT

Significance and Likelihood	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Significantly impact	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Likelihood of occurrence	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L

Assessment is from the "Paradise Valley Revenue Risk Assessment"

The risk assessment shows Construction TPT is highly volatile and has limited residential growth; and is vulnerable to potential legislative action (at the State level) and the strength of the economy relative to building.

RESTRICTIONS ON USE OF REVENUE

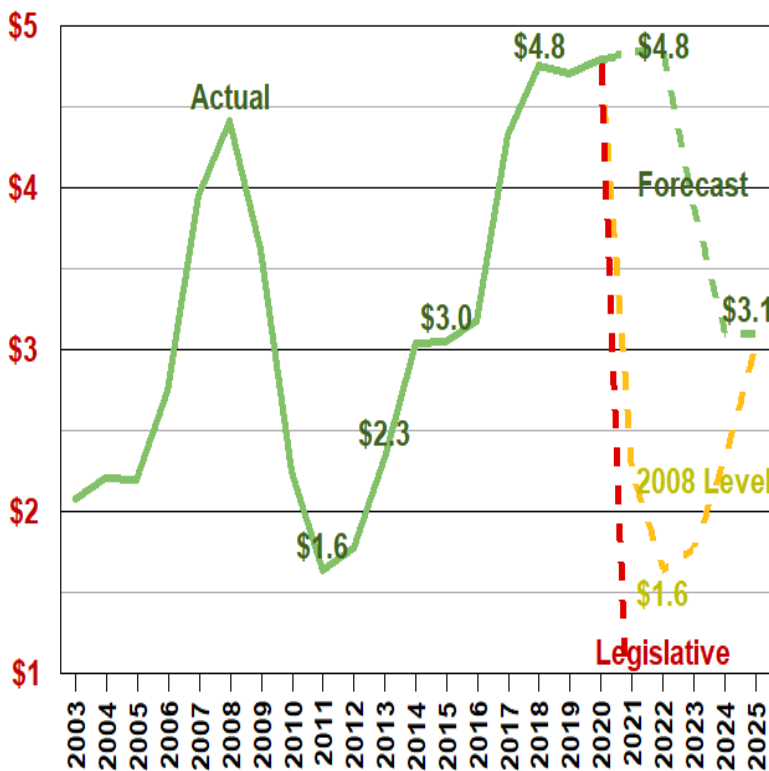
Legal or Legislative	Town Designation	General Use
None	All revenue in excess of \$500,000 is for the Capital Improvement Program	First \$500,000 can be used for general operations

A shortfall defers CIP or uses other sources

The Town has a policy that the first \$500,000 of Construction TPT received can be used for general operations and all amounts in excess of \$500,000 is transferred to the Capital Improvement Program (CIP).

When the Town experiences a reduction in Construction sales tax revenue, the initial impact is on the CIP. The Town's CIP currently includes funding from other sources than Construction TPT. Town Council would need to determine weather to offset a reduction in Construction TPT by deferring CIP projections or augmenting the short fall with other revenues or other Town programs.

CONSTRUCTION TPT



The green line represents the financial forecast for FY2020 through FY2025. It projects that construction levels will remain at peak for the next few years. This will then level off as major projects are completed. This forecast does not specifically predict the completion in FY2024, but in years after FY2023.

The yellow line emulates the trend of construction TPT in the nation-wide economic downturn that began in late 2008 and construction resumes 3 years later.

The red line illustrates legislative action that could be materially detrimental to the Town's revenue upon action.

The line graph (in millions) and charts show the three forecast scenarios for Construction TPT for the next 5 years.

SCENARIO #1 - YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

CONSTRUCTION & CONTRACTING	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Construction & contracting:						
Financial forecast 2020	\$ 4,800,000	\$ 4,848,000	\$ 4,848,000	\$ 3,878,400	\$ 3,102,720	\$ 3,102,720
Stress: 2008-2011 model	4,800,000	2,250,756	1,645,850	1,780,801	2,340,481	3,048,856
Shortfall: less than forecast	\$ -	\$ (2,597,244)	\$ (3,202,150)	\$ (2,097,599)	\$ (762,239)	\$ (53,864)
Estimated 5-year accumulated shortfall		\$ (8,713,096)				

The nation-wide economic downturn that began in late 2008 halted most major construction projects in the state. The Town was fortunate that projects within the Town were not cancelled but delayed and construction resumed in 2012.

SCENARIO #2 - RED LINE - LEGISLATIVE CHANGES

CONSTRUCTION & CONTRACTING	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Construction & contracting:						
Financial forecast 2020	\$ 4,800,000	\$ 4,848,000	\$ 4,848,000	\$ 3,878,400	\$ 3,102,720	\$ 3,102,720
Stress: Legislative action	4,800,000	-0-	-0-	-0-	-0-	-0-
Shortfall: less than forecast	\$ -	\$ (4,848,000)	\$ (4,848,000)	\$ (3,878,400)	\$ (3,102,720)	\$ (3,102,720)
Estimated 5-year accumulated shortfall		\$(19,779,840)				

Since the Town uses Construction TPT for its capital improvement plan, any factors that negatively impacts this revenue, directly impacts the Town's Capital Improvement Plan.

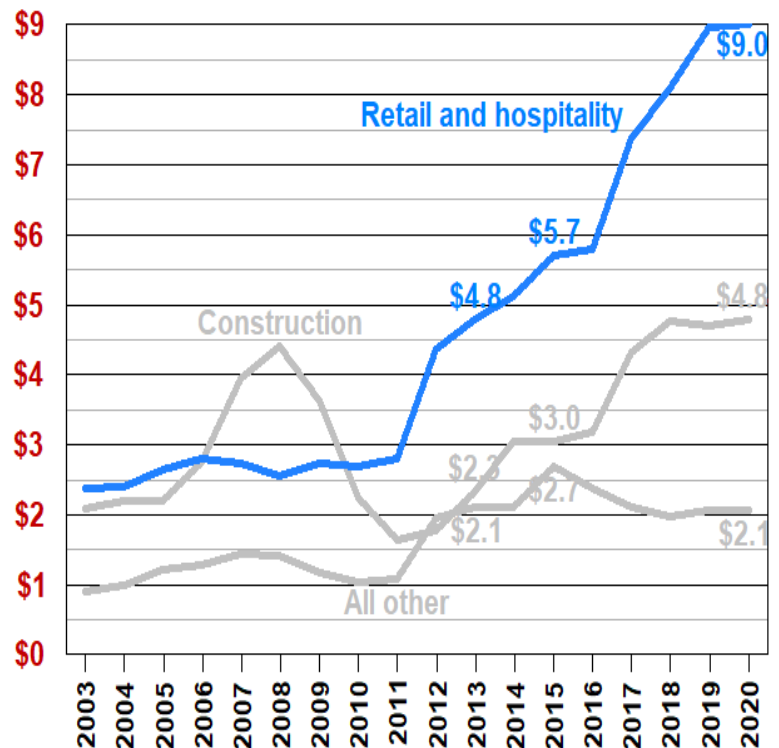
RETAIL & HOSPITALITY TPT

Retail and hospitality is a significant revenue category. In 2016 it became the most predominant of the three categories of Transaction Privilege Tax (TPT).

Retail and hospitality TPT is a recurring revenue and is available to support the Town's governmental operations, which includes Public Safety.

Retail and hospitality revenue was consistent between \$2.4 million and \$2.8 million from 2003 to 2011. Beginning in 2012, this revenue began a continued steep increase from \$3 million to an estimated \$9 million in 2020. This is a direct result of new amenities within the Town.

The graph (in millions) highlights the Retail and hospitality TPT from 2003-2020.



RISK ASSESSMENT

Significance and Likelihood	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Significantly impact	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Likelihood of occurrence	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L

Assessment is from the "Paradise Valley Revenue Risk Assessment"

The risk assessment shows the nature of the Town's Retail and hospitality has low volatility and not susceptible to legislative action, state allocation or stagnant population. But, since Retail and hospitality is dependent on tourism, it does have a high risk should there be impacts on income levels, such as a recession.

RESTRICTIONS ON USE OF REVENUE

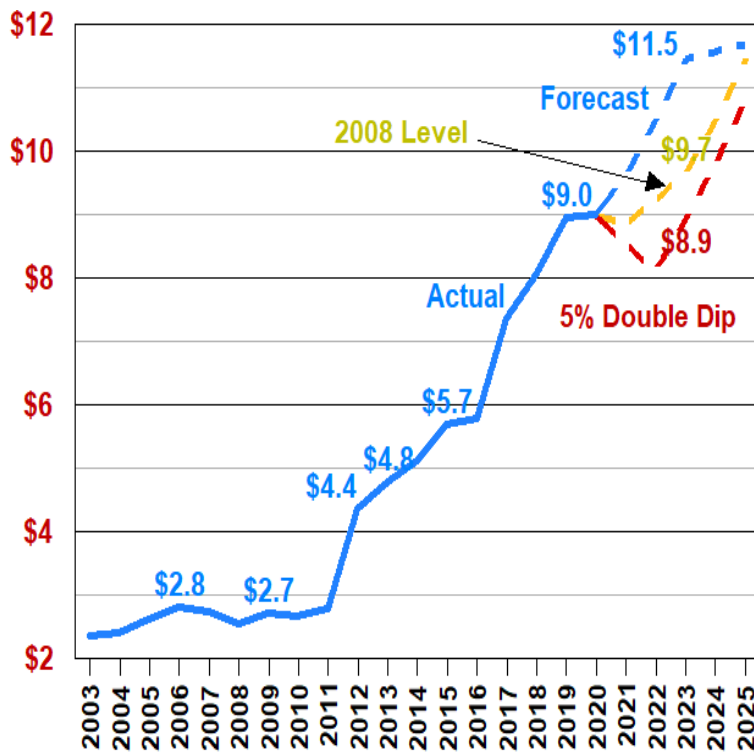
Legal or Legislative	Town Designation	General Use
None	None	All revenue is for general use

A shortfall could impact Town's operations

There are no specific legislative or Town designations imposed on Retail and hospitality revenue, other than laws regarding the use of public funds.

Retail and hospitality revenue is for general use and provides funding for the recurring governmental operations of the town and is also available to supplement other programs where other funding may temporarily fall short, such as the Capital Improvement Program.

RETAIL & HOSPITALITY TPT



The blue line is the forecast for FY2020 and continues to include new retail and hospitably amenities opening over the next few years. Consist with prior years, revenue for new retail space is estimated by using a “per square foot” formula. The tapering of the steep increase in 2023 isn’t specific to that year but recognizing less “new” amenities in out years.

The yellow line trends the economic downturn from late 2008-2011. The impacts on the Town’s Retail and hospitality revenue were not as sever compared to the other revenue sources and the rest of the state.

The red line calculates a two-year decline of 5%. The reason for this to occur could be a change in rates, revenue basis, income levels or a natural or other event that effects tourism.

The graph (in millions) and charts show the three forecast scenarios for the next 5 years.

YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

RETAIL & HOSPITALITY	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Retail and hospitality:						
Financial forecast 2020	\$ 9,000,000	\$ 9,630,800	\$ 10,478,546	\$ 11,470,831	\$ 11,585,539	\$ 11,701,394
Stress: 2008-2011 model	9,000,000	8,864,314	9,261,692	9,676,884	10,478,546	11,470,831
Shortfall: less than forecast	\$ -	\$ (766,486)	\$ (1,216,854)	\$ (1,793,947)	\$ (1,106,993)	\$ (230,563)
Estimated 5-year accumulated shortfall		\$ (5,114,843)				

In the timeframe of 2008-2011, the total dollar impact to this revenue stream wasn’t as significant when compared to other revenues or the rest of the state. However, as this revenue has grown, that percentage change equals larger dollars. This model recognized that if there was a 2008 type of economic downturn that impacts construction, then building new amenities would be delayed.

RED LINE - 2 YEARS OF 5% REDUCTION, 5% ANNUAL GROWTH THEREAFTER

RETAIL & HOSPITALITY	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Retail and hospitality:						
Financial forecast 2020	\$ 9,000,000	\$ 9,630,800	\$ 10,478,546	\$ 11,470,831	\$ 11,585,539	\$ 11,701,394
Stress: 5% double dip	9,000,000	8,550,000	8,122,500	8,934,750	9,828,225	10,811,048
Shortfall: less than forecast	\$ -	\$ (1,080,800)	\$ (2,356,046)	\$ (2,536,081)	\$ (1,757,314)	\$ (890,347)
Estimated 5-year accumulated shortfall		\$ (8,620,588)				

Even though 2 years of 5% reduction are followed with 3 years of 5% growth, such an occurrence that negatively affects tourism would be detrimental to the Town’s revenue stream.

ALL OTHER TPT

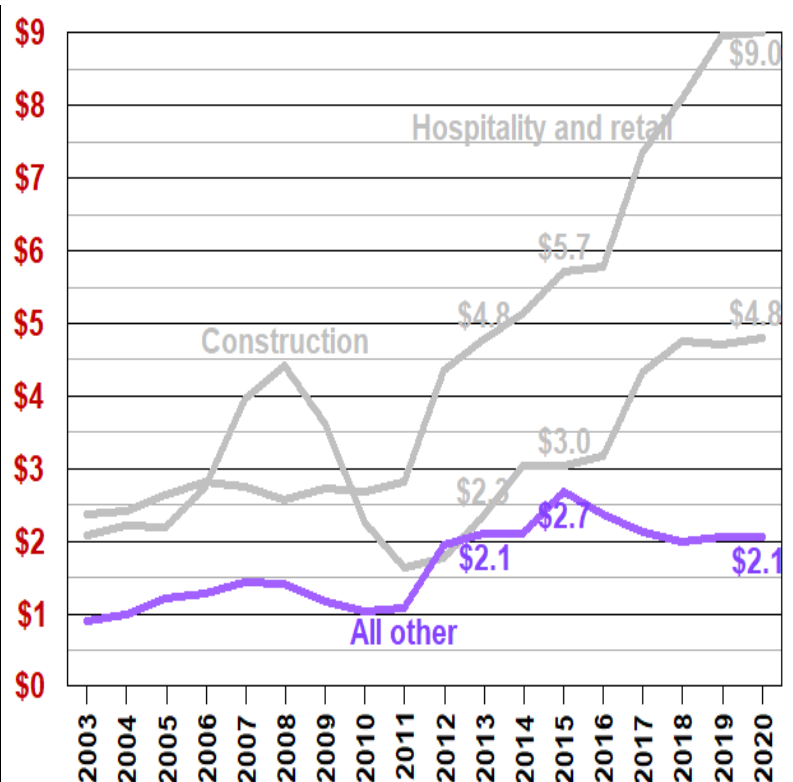
“All other” is the category that contains all other classifications of Transaction Privilege Tax (TPT) other than “Construction and contracting” or “Retail and hospitality”.

All other TPT, in total, is the most consistent but is still vulnerable to business and building cycles.

All other TPT, in total, is generally considered recurring revenue and is available to support the Town’s governmental operations, including Public Safety.

Since 2003 to 2020, All other TPT has ranged from \$1 million to \$2.7 million and is estimated at \$2.1 million for 2020.

The graph (in millions) highlights the All other TPT from 2003-2020.



RISK ASSESSMENT

Significance by Category	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Communications	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Utilities	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Manufacturing	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Finance and insurance	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
All other	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L

Assessment is from the "Paradise Valley Revenue Risk Assessment"

The risk assessment did not account for all classifications in “all other” TPT but did look at the higher revenue classifications and combined the rest in “all other”. Though there are a few areas with the potential for high volatility and medium legislative action, stagnant population and recession; overall this is considered a low risk revenue, as a whole.

RESTRICTIONS ON USE OF REVENUE

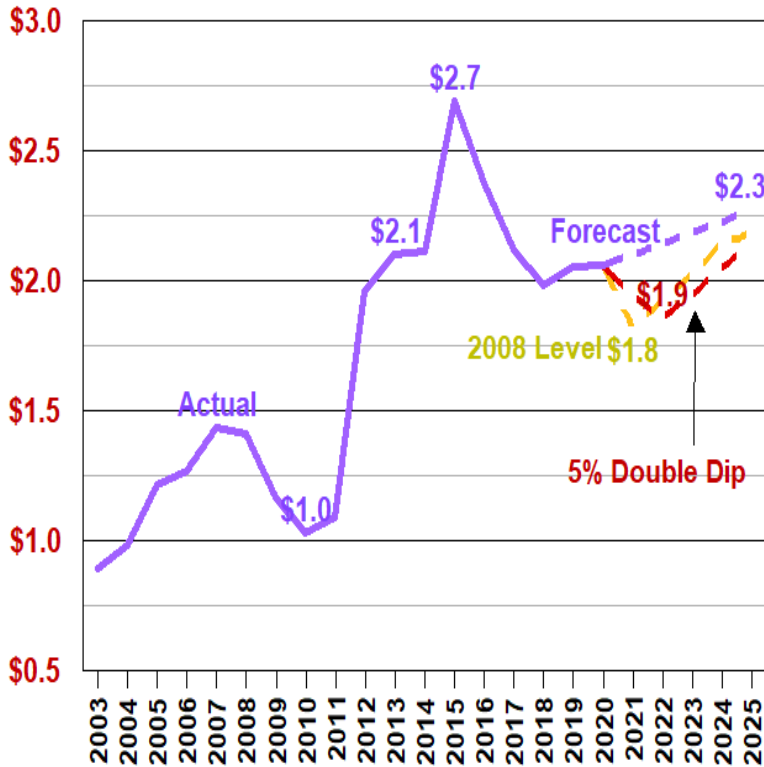
Legal or Legislative	Town Designation	General Use
None	None	All revenue is for general use

A shortfall could impact Town's operations

There are no specific legislative or Town designations imposed on Retail and hospitality revenue, other than laws regarding the use of public funds.

All other TPT is for general use and provides funding for the recurring governmental operations of the Town and is also available to supplement other programs where other funding may temporarily fall short.

ALL OTHER TPT



The purple line is the forecast for FY2020. To minimize the risk of over-extending the use of this revenue it was conservatively estimated flat, with a modest increase to recognize a growing inflationary factor to the cost of goods and services.

The yellow line trends the economic downturn from late 2008-2011. Even though the percentage reduction was 33%, the total amount of \$0.5 million impacts on the All other TPT revenue was not as severe compared to the other revenue sources and the rest of the state.

The red line calculates a two-year decline of 5%. The reason for this to occur could be a change in rates, tax basis, manufacturing, real estate, or income levels.

The graph (in millions) and charts show the three forecast scenarios for the next 5 years.

YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

ALL OTHER TPT	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
All other TPT:						
Financial forecast 2020	\$ 2,692,378	\$ 2,101,200	\$ 2,143,224	\$ 2,186,088	\$ 2,229,810	\$ 2,274,406
Stress: 2008-2011 model	2,692,378	1,825,046	1,922,951	2,026,108	2,143,224	2,186,088
Shortfall: less than forecast	\$ -	\$ (276,154)	\$ (220,273)	\$ (159,980)	\$ (86,586)	\$ (88,318)
Estimated 5-year accumulated shortfall		\$ (831,311)				

The overall, 5-year negative impact to All other TPT in the 2008-2011 economic downturn model is \$831,311.

RED LINE - 2 YEARS OF 5% REDUCTION, 5% ANNUAL GROWTH THEREAFTER

ALL OTHER TPT	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
All other TPT:						
Financial forecast 2020	\$ 2,692,378	\$ 2,101,200	\$ 2,143,224	\$ 2,186,088	\$ 2,229,810	\$ 2,274,406
Stress: 5% double dip	2,692,378	1,957,000	1,859,150	1,952,108	2,049,713	2,152,199
Shortfall: less than forecast	\$ -	\$ (144,200)	\$ (284,074)	\$ (233,981)	\$ (180,097)	\$ (122,207)
Estimated 5-year accumulated shortfall		\$ (964,559)				

A dip of 5% for two consecutive years would have larger impact than a 2008-2011 type of event. The 5% reduction could be from a combination of changes in the taxable activities tax basis, manufacturing, real estate, or income levels

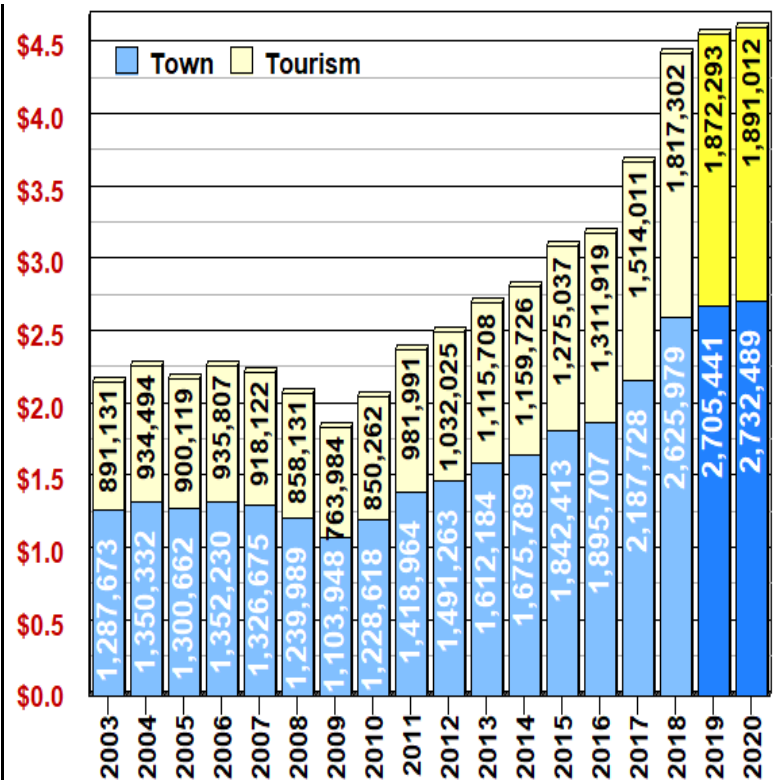
OCCUPANCY (BED) TAX

Tourism and the hospitality industry are critical elements and contribute greatly to the Town's character. This industry generates a good portion of the Town's operating revenue. As a result, the Town dedicates significant resources to invest in tourism promotion.

Occupancy tax is a recurring revenue and has specific legislative restrictions regarding how the Town can use this revenue.

Occupancy tax revenue was consistently less than \$2.5 million until 2013. With the addition of new resorts, the Town has seen a significant increase in Occupancy tax revenue with an estimated \$4.6 million in 2020.

The graph (in millions) shows a history of the Occupancy (bed) tax from 2003-2020.



RISK ASSESSMENT

Significance and Likelihood	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Significantly impact	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Likelihood of occurrence	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L

Assessment is from the "Paradise Valley Revenue Risk Assessment"

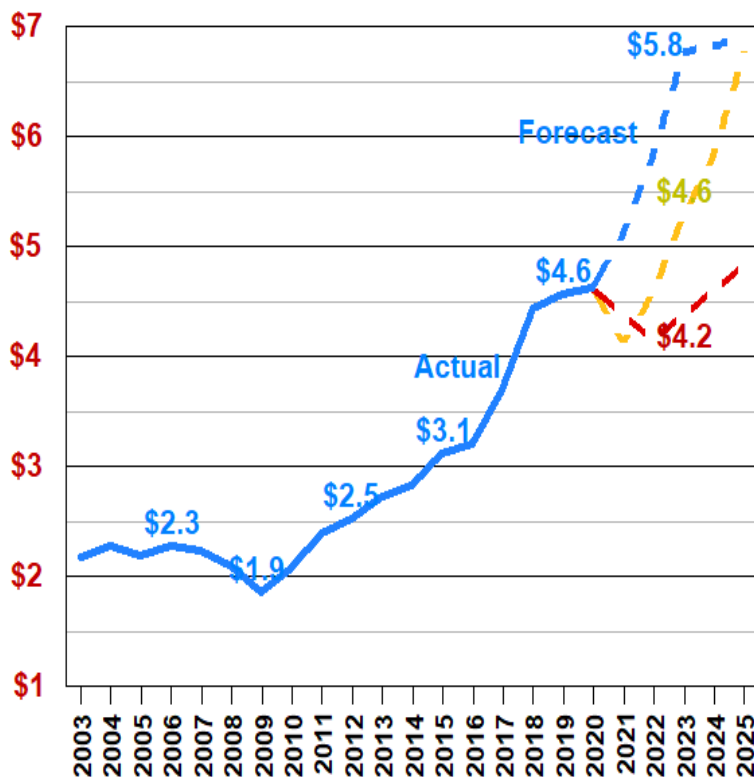
The risk assessment views Occupancy tax to have medium volatility and susceptibility to legislative action. Though the risks for state allocation and the Town's stagnant population are low, there is a high risk of impact from shifts in income and recession. Overall, this revenue has a medium risk.

RESTRICTIONS ON USE OF REVENUE

Legal or Legislative	Town Designation	General Use
{This section is under review}		
Arizona Revised Statutes 9-500.06		

{This section is under review}

OCCUPANCY (BED) TAX



The blue line is the forecast for FY2020 and like Retail, continues to include new amenities opening over the next few years. Revenues are estimated based on the growing number of room keys and the expected occupancy rate. The tapering of the steep increase in 2024 isn't specific to that year but recognizes that major projects will be completed in out years.

The yellow line trends the economic downturn from late 2008-2011. The impacts on the Town's Occupancy tax were visible, but quick to recover, unlike other revenue sources and the rest of the state.

The red line calculates a two-year decline of 5%. The reason for this to occur could be a change in rates, revenue basis, income levels or a natural or other event that effects tourism.

The graph (in millions) and charts show the three forecast scenarios for the next 5 years

YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

OCCUPANCY (BED) TAX	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Occupancy (bed) tax						
Financial forecast 2020	\$ 4,623,500	\$ 5,120,535	\$ 5,826,870	\$ 6,772,639	\$ 6,840,365	\$ 6,908,769
Stress: 2008-2011 model	4,623,500	4,116,249	4,581,102	5,290,839	5,826,870	6,772,639
Shortfall: less than forecast	\$ -	\$ (1,004,286)	\$ (1,245,768)	\$ (1,481,800)	\$ (1,013,495)	\$ (136,130)
Estimated 5-year accumulated shortfall		\$ (4,881,479)				

Even though in 2008-2011 the Occupancy tax was quick to recover, there was still a significant dollar impact in the next 5 years. This model recognizes that if there were a 2008 type of economic downturn that impacted construction, then additional room keys would not be cancelled, but delayed.

RED LINE - 2 YEARS OF 5% REDUCTION, 5% ANNUAL GROWTH THEREAFTER

OCCUPANCY (BED) TAX	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Occupancy (bed) tax						
Financial forecast 2020	\$ 4,623,500	\$ 5,120,535	\$ 5,826,870	\$ 6,772,639	\$ 6,840,365	\$ 6,908,769
Stress: 5% double dip	4,623,500	4,392,325	4,172,709	4,381,344	4,600,411	4,830,432
Shortfall: less than forecast	\$ -	\$ (728,210)	\$ (1,654,161)	\$ (2,391,295)	\$ (2,239,954)	\$ (2,078,337)
Estimated 5-year accumulated shortfall		\$ (9,091,957)				

Even though 2 years of 5% reduction are followed with 3 years of 5% growth, such an occurrence that negatively affects tourism would be detrimental to the Town's revenue stream.

STATE INCOME TAX

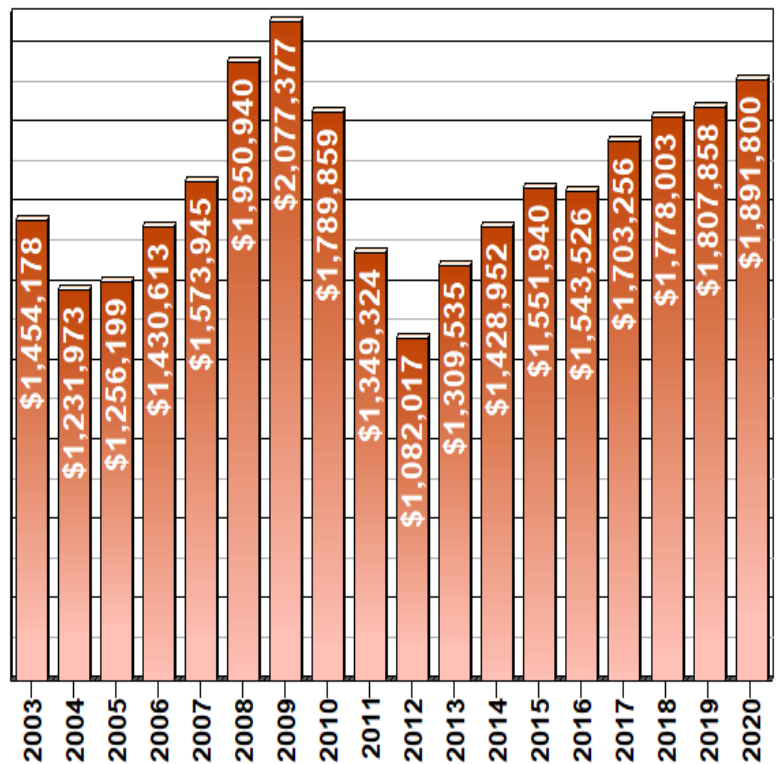
The State of Arizona imposes and collects an income tax.

The income tax is part of the state's revenue sharing program and is distributed to Arizona cities, towns and counties based on their population.

State shared income tax is a recurring revenue and is available to support the Town's governmental operations, including Public Safety.

This revenue is dependent on the state's economic conditions and has ranged from \$2.1 million in 2009 to \$1.1 million in 2012. Since 2012, this revenue has gradually increased each year.

The graph shows the Town's portion of the State's shared income tax from 2003-2020 (in millions).



RISK ASSESSMENT

Significance and Likelihood	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Significantly impact	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Likelihood of occurrence	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L

Assessment is from the "Paradise Valley Revenue Risk Assessment"

The risk assessment shows the nature of the State shared income tax has medium volatility and is highly sensitive to legislative actions, state allocation methods and the Town's stagnant population compared to the rest of the state. Overall, this revenue has a high-risk rating.

RESTRICTIONS ON USE OF REVENUE

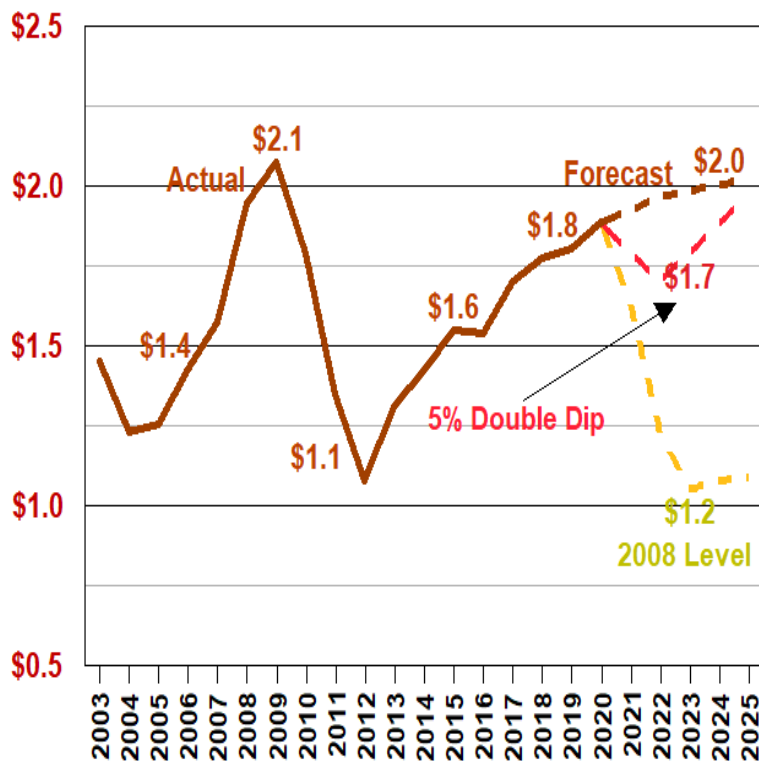
Legal or Legislative	Town Designation	General Use
None	None	All revenue is for general use

A shortfall could impact Town's operations

There are no specific legislative or Town designations imposed on the State shared income tax revenue, other than laws regarding the use of public funds.

State shared income tax is for general use. It provides funding for the recurring governmental operations of the Town and is also available to supplement other programs where other funding may temporarily fall short.

STATE INCOME TAX



The **hazelnut line** is the forecast for FY2020 that continues to follow the current trend, but with less of a slope. This revenue is distributed based on population and the Town's population is growing less than the state average. This results in the Town's revenue increase being lower than the state's average. The 2020 census will be important to the Town.

The **yellow line** trends the economic downturn from late 2008-2011. The impact was significant to the Town's portion and the entire state.

The **red line** calculates a two-year decline of 5%. This could occur by a change in rates, revenue basis, legislative action, state allocation, or income levels.

The graph (in millions) and charts show the three forecast scenarios for the next 5 years.

YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

STATE SHARED INCOME TAX	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
State shared income tax:						
Financial forecast 2020	\$ 1,891,800	\$ 1,929,636	\$ 1,968,229	\$ 1,987,911	\$ 2,007,790	\$ 2,027,868
Stress: 2008-2011 model	1,891,800	1,629,967	1,228,786	1,058,717	1,079,891	1,090,690
Shortfall: less than forecast	\$ -	\$ (299,669)	\$ (739,443)	\$ (929,194)	\$ (927,899)	\$ (937,178)
Estimated 5-year accumulated shortfall		\$ (3,833,383)				

The economic downturn of 2008-2011 was significant to State's shared income tax revenue. This stress test shows that this revenue is still vulnerable should this type of incident occur again.

RED LINE - 2 YEARS OF 5% REDUCTION, 5% ANNUAL GROWTH THEREAFTER

STATE SHARED INCOME TAX	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
State shared income tax:						
Financial forecast 2020	\$ 1,891,800	\$ 1,929,636	\$ 1,968,229	\$ 1,987,911	\$ 2,007,790	\$ 2,027,868
Stress: 5% double dip	1,891,800	1,797,210	1,707,350	1,792,717	1,882,353	1,976,470
Shortfall: less than forecast	\$ -	\$ (132,426)	\$ (260,880)	\$ (195,194)	\$ (125,437)	\$ (51,398)
Estimated 5-year accumulated shortfall		\$ (765,334)				

Even though 2 years of 5% reduction are followed with 3 years of 5% growth, such an occurrence of legislative action, state allocation, or an event that effects income levels or recession would be detrimental to the Town's revenue stream.

STATE TPT (SALES TAX)

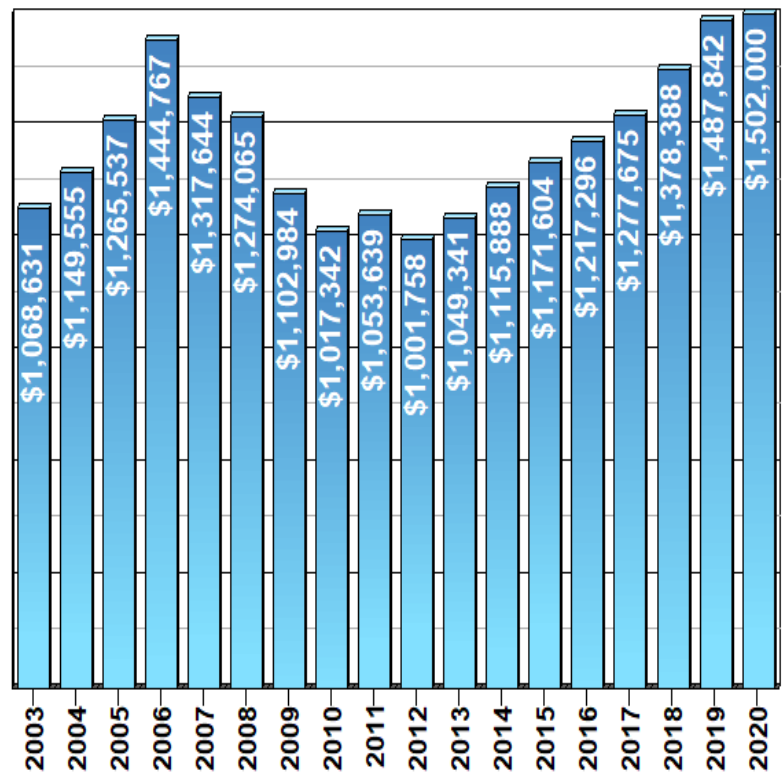
Commonly referred to as a “sales tax”, the State of Arizona levies a Transaction Privilege Tax (TPT) on various business activities. The state rate is 5.60%

State shared TPT is part of the state’s revenue sharing program and is distributed to Arizona cities, towns and counties based on their population.

State shared TPT is a recurring revenue and is available to support the Town’s on-going governmental operations, which includes Public Safety.

This revenue is dependent on the state’s economic conditions and has ranged from \$1.0 million in 2012 to \$1.5 million estimated in 2020.

The graph shows the Town’s portion of the State shared TPT from 2003-2020 (in millions).



RISK ASSESSMENT																		
Significance and Likelihood	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Significantly impact	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Likelihood of occurrence	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Assessment is from the "Paradise Valley Revenue Risk Assessment"																		

Assessment is from the "Paradise Valley Revenue Risk Assessment"

The risk assessment shows the State shared TPT has low volatility and has medium sensitivity to legislative actions, state allocation methods and the Town’s stagnant population compared to the rest of the state and high sensitivity to income and recession. Overall, the rating is medium-risk.

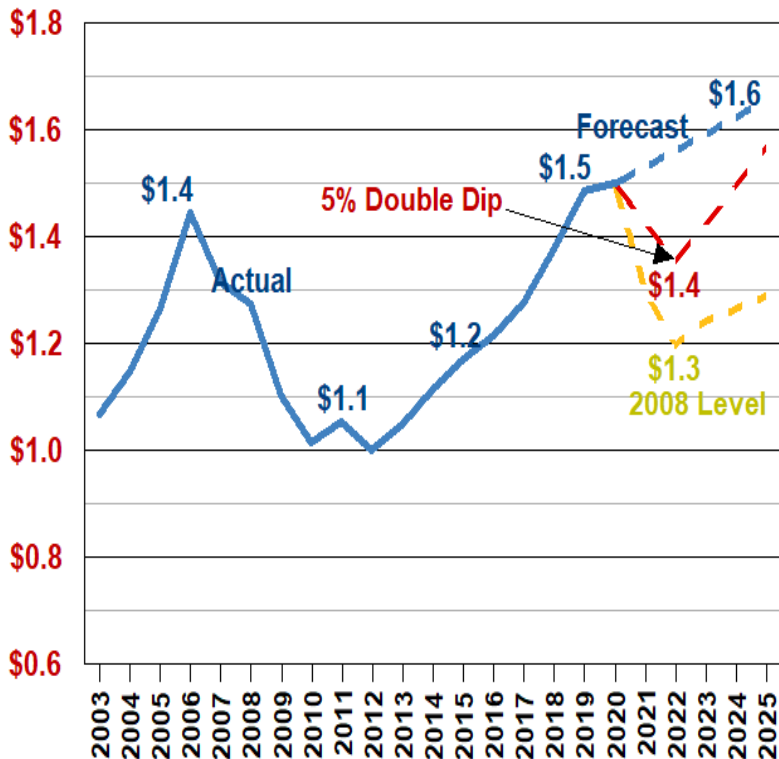
RESTRICTIONS ON USE OF REVENUE		
Legal or Legislative	Town Designation	General Use
None	None	All revenue is for general use

A shortfall could impact Town's operations

There are no specific legislative or Town designations imposed on the State shared TPT revenue, other than laws regarding the use of public funds.

State shared TPT is for general use and provides funding for the recurring governmental operations of the Town. It is also available to supplement other programs where other funding may temporarily fall short.

STATE TPT (SALES TAX)



The blue line is the forecast for FY2020 that continues to show mild year-to-year change in this revenue as compared to other sources. As economic conditions are favorable for commerce, State shared TPT collections are expected to maintain its trend. The Town uses estimates provided by the Arizona League of Cities and Towns for its budget preparation.

The yellow line trends the economic downturn from late 2008-2011. The impacts on this revenue were significant for the Town and the State.

The red line calculates a two-year decline of 5%. The reason for this to occur could be a change in rates, revenue basis, income levels or a natural or other event that effects commerce activities

The graph (in millions) and charts show the three forecast scenarios for the next 5 years.

YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

STATE SHARED TPT (SALES TAX)	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
State Shared TPT (sales tax)						
Financial forecast 2020	\$ 1,502,000	\$ 1,532,040	\$ 1,562,681	\$ 1,593,935	\$ 1,625,814	\$ 1,658,330
Stress: 2008-2011 model	1,502,000	1,300,312	1,199,348	1,242,139	1,266,982	1,292,322
Shortfall: less than forecast	\$ -	\$ (231,728)	\$ (363,333)	\$ (351,796)	\$ (358,832)	\$ (366,008)
Estimated 5-year accumulated shortfall		\$ (1,671,697)				

The economic downturn of 2008-2011 was significant to the State shared TPT. This stress test shows that this revenue is still vulnerable should this type of incident occur again.

RED LINE - 2 YEARS OF 5% REDUCTION, 5% ANNUAL GROWTH THEREAFTER

STATE SHARED TPT (SALES TAX)	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
State Shared TPT (sales tax)						
Financial forecast 2020	\$ 1,502,000	\$ 1,532,040	\$ 1,562,681	\$ 1,593,935	\$ 1,625,814	\$ 1,658,330
Stress: 5% double dip	1,502,000	1,426,900	1,355,555	1,423,333	1,494,499	1,569,224
Shortfall: less than forecast	\$ -	\$ (105,140)	\$ (207,126)	\$ (170,602)	\$ (131,315)	\$ (89,106)
Estimated 5-year accumulated shortfall		\$ (703,289)				

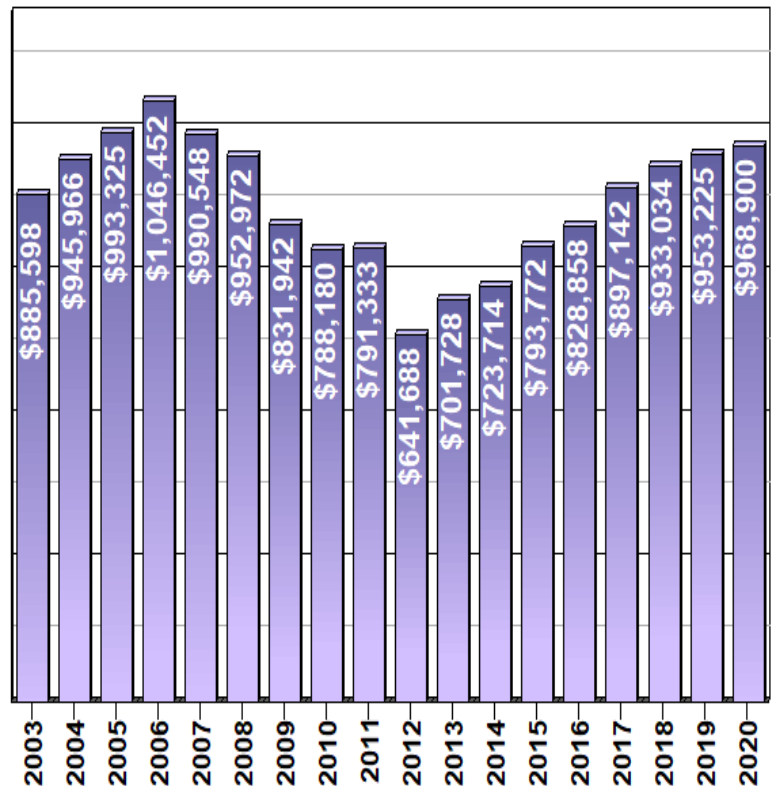
Even though 2 years of 5% reduction are followed with 3 years of 5% growth, such an occurrence of legislative action, state allocation, or an event that effects commerce activities would be detrimental to the Town's revenue stream.

HIGHWAY USER REVENUE

Arizona Department of Transportation explains: "Arizona taxes motor fuels and collects a variety of fees and charges relating to the registration and operation of motor vehicles on the public highways of the state. These collections include gasoline and use-fuel, motor-carrier and vehicle-license taxes, motor vehicle registration fees and other miscellaneous fees. These revenues are deposited in the Arizona Highway User Revenue Fund (HURF) and are then distributed to the cities, towns and counties and to the state highway fund."

These taxes represent a primary source of revenues available state-wide for roadway construction, improvements and other related expenditures.

The graph shows Town HURF revenue from 2003-2020 (in millions).



RISK ASSESSMENT

Significance and Likelihood	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Significantly impact	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Likelihood of occurrence	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L

Assessment is from the "Paradise Valley Revenue Risk Assessment"

The risk assessment shows the HURF has medium volatility and is highly sensitive to legislative actions, state allocation methods and the Town's stagnant population compared to the rest of the state. Overall, this revenue has a high-risk rating.

RESTRICTIONS ON USE OF REVENUE

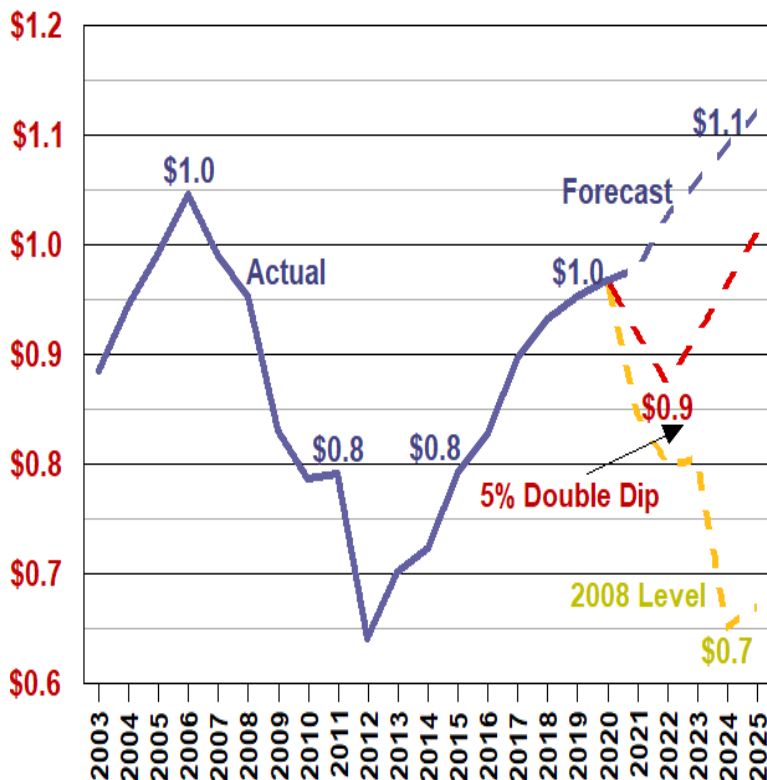
Legal or Legislative	Town Designation	General Use
Street construction, improvements and other related expenditures	Street construction, improvements and other related expenditures	No

Arizona Revised Statutes 28-6533

Legal restrictions on HURF revenue are to be used for street construction, improvements and other related expenditures.

The Town budgets HURF as part of the Town's "operating fund" and dedicates significant general fund resources along with HURF for street construction, improvements and other related expenditures.

HIGHWAY USER REVENUE



The purple line is the forecast for FY2020 that continues an upward trend. As economic conditions are favorable for motor fuels, HURF collections are expected to maintain this trend. The Town uses estimates provided by the Arizona League of Cities and Towns for its budget preparation.

The yellow line trends the economic downturn from late 2008-2011. Due to HURF's sensitivity to economic conditions, the Town's share of was significant impacted.

The red line calculates a two-year decline of 5%. The reason for this to occur could be a change in rates, revenue basis, legislative action or state allocation, income levels or a natural or other event that effects fuel consumption.

The graph (in millions) and charts show the three forecast scenarios for the next 5 years.

YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

STATE SHARED HIGHWAY USER REVENUE FUND	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Highway user revenue fund						
Financial forecast 2020	\$ 968,900	\$ 997,967	\$ 1,027,906	\$ 1,058,743	\$ 1,090,505	\$ 1,123,220
Stress: 2008-2011 model	968,900	845,847	801,354	804,560	652,414	671,986
Shortfall: less than forecast	\$ -	\$ (152,120)	\$ (226,552)	\$ (254,183)	\$ (438,091)	\$ (451,234)
Estimated 5-year accumulated shortfall		\$ (1,522,180)				

The economic downturn of 2008-2011 was significant to HURF. This stress test shows that HURF is still vulnerable should this type of incident occur again.

RED LINE - 2 YEARS OF 5% REDUCTION, 5% ANNUAL GROWTH THEREAFTER

STATE SHARED HIGHWAY USER REVENUE FUND	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Highway user revenue fund						
Financial forecast 2020	\$ 968,900	\$ 997,967	\$ 1,027,906	\$ 1,058,743	\$ 1,090,505	\$ 1,123,220
Stress: 5% double dip	968,900	920,455	874,432	918,154	964,062	1,012,265
Shortfall: less than forecast	\$ -	\$ (77,512)	\$ (153,474)	\$ (140,589)	\$ (126,443)	\$ (110,955)
Estimated 5-year accumulated shortfall		\$ (608,974)				

Even though 2 years of 5% reduction are followed with 3 years of 5% growth, such an occurrence of legislative action, state allocation, or an event that effects fuel consumption would be detrimental to the Town's revenue stream.

COURT FINES

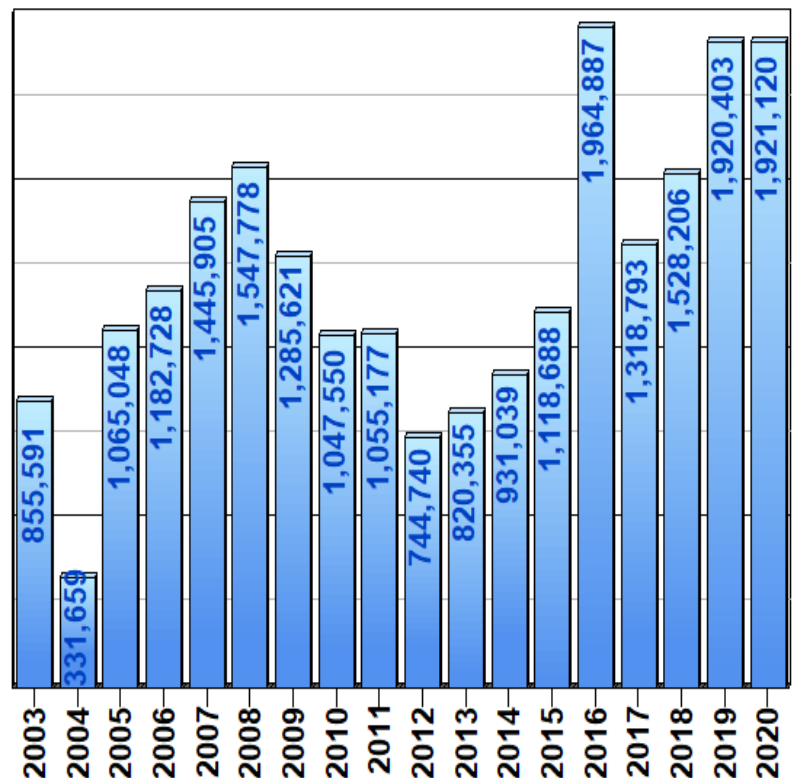
Courts fines is by far the most volatile and unpredictable of the Town's revenues. This revenue is collected by the Town's Municipal Court.

This revenue has ranged from \$331 thousand in 2004 to \$1.9 million in 2016.

Court fines are a recurring revenue and is available matched with Public safety costs, for budget reporting.

Photo radar is included in this account but impacts of that public safety program is not exclusive to revenue. Photo radar also reduces costs and is an integral component of the Town's public safety initiatives.

The graph shows the Court fines revenue from 2003-2020 (in millions).



RISK ASSESSMENT

Significance and Likelihood	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Significantly impact	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Likelihood of occurrence	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L

Assessment is from the "Paradise Valley Revenue Risk Assessment"

The risk assessment shows the nature of the collection of Court fines is highly volatile and has medium sensitivity to legislative actions and recession, with low risks to state allocation methods and the Town's stagnant population. Overall, this revenue has a risk rating of medium.

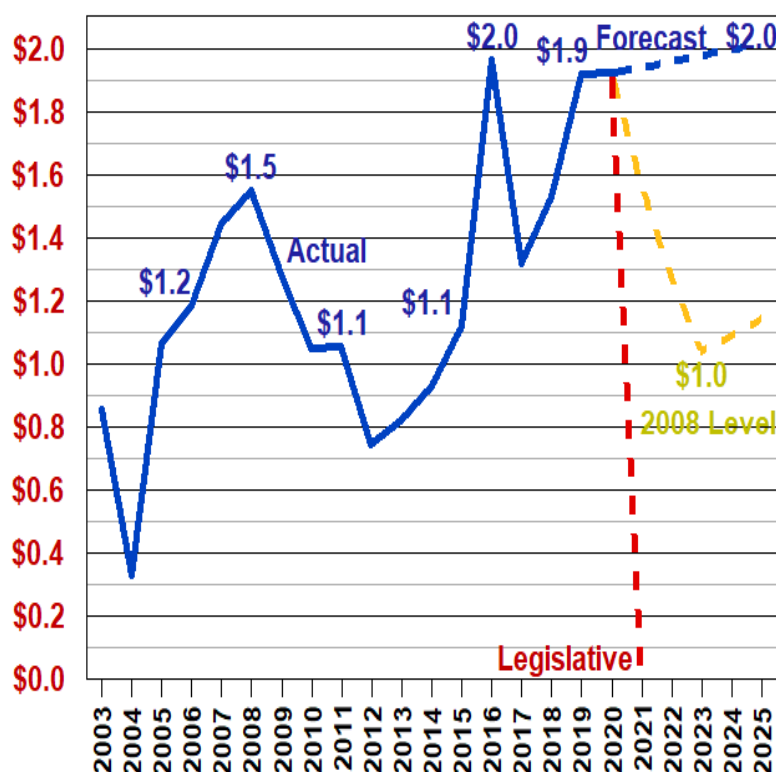
RESTRICTIONS ON USE OF REVENUE

Legal or Legislative	Town Designation	General Use
None	None	All revenue is for general use, but matched with Public Safety for analysis

There are no specific legislative or Town designations imposed on these Court fines.

For budget reporting purposes, Court fines are matched with Public safety expenditures.

COURT FINES



The blue line is the forecast for FY2020 that attempts to find a smoothing average for revenue expectations. The inherited volatility of this revenue is a reminder that there are better methods to balancing a municipal budget than with fines.

The yellow line trends the economic downturn from late 2008-2011. Court fines were dramatically impacted with the events of 2008-2011

The red line simulates a legislative action that bans the use of photo enforcement for Arizona municipalities. Since this document is focused on the revenue side only, the costs for additional patrol officers is not full captured in this scenario.

The graph (in millions) and charts show the three forecast scenarios for the next 5 years.

YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

COURT FINES	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Court fines:						
Financial forecast 2020	\$ 1,921,120	\$ 1,940,331	\$ 1,959,734	\$ 1,979,331	\$ 1,999,124	\$ 2,019,115
Stress: 2008-2011 model	1,921,120	1,565,367	1,275,493	1,039,298	1,091,263	1,145,826
Shortfall: less than forecast	\$ -	\$ (374,964)	\$ (684,241)	\$ (940,033)	\$ (907,861)	\$ (873,289)
Estimated 5-year accumulated shortfall		\$ (3,780,388)				

The economic downturn of 2008-2011 was significant to the State's shared income tax revenue. This stress test shows that this revenue is still vulnerable should this type of incident occur again.

RED LINE - LEGISLATIVE CHANGES

COURT FINES	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Court fines:						
Financial forecast 2020	\$ 1,921,120	\$ 1,940,331	\$ 1,959,734	\$ 1,979,331	\$ 1,999,124	\$ 2,019,115
Stress: Legislative action	1,921,120	-0-	-0-	-0-	-0-	-0-
Shortfall: less than forecast	\$ -	\$ (1,940,331)	\$ (1,959,734)	\$ (1,979,331)	\$ (1,999,124)	\$ (2,019,115)
Estimated 5-year accumulated shortfall		\$ (9,897,635)				

This is not being presented as a solid number as this revenue account contains more than photo radar related collections. The nominal amount not related would be reclassified to a non-major revenue account. Banning of photo radar would affect more than just revenue. There could be more patrol staffing costs and reduced processing costs (staffing and contractual). The total net is estimated near the amount in the forecast below but needs to be fine-tuned.

BUILDING PERMITS

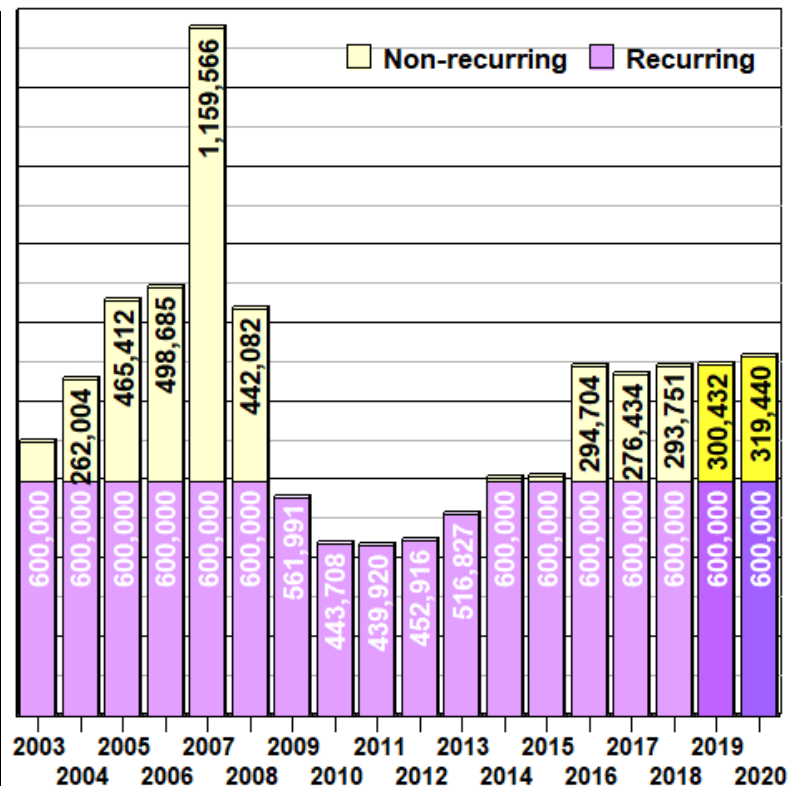
Total Building permit revenue tends to be rather volatile yet has a reliable base.

Building permit revenue over \$600,000 is considered a non-recurring revenue, because once the specific construction project is completed, that activity is done.

Construction is volatile and cyclical in the Town. The majority of the Town's construction is for major projects, such as resort development and renovations.

As the Town's residential areas are being "built out", it is expected that a level of construction will be maintained with remodels and "scrape and build".

The graph shows the Town's Building permit revenue and its allocation for recurring and non-recurring purposes from 2003-2020 (in millions).



RISK ASSESSMENT

Significance and Likelihood	Volatility			Legislative Action			State Allocation			Stagnant Population			Income Recession			Overall Risk Rating		
Significantly impact	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L
Likelihood of occurrence	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L	H	M	L

Assessment is from the "Paradise Valley Revenue Risk Assessment"

The risk assessment shows Building permit revenue being highly volatile, with low risk of being affected from a state allocation or stagnant population; but has a medium risk of legislative action and changes in income levels or recession. The overall risk rating is medium.

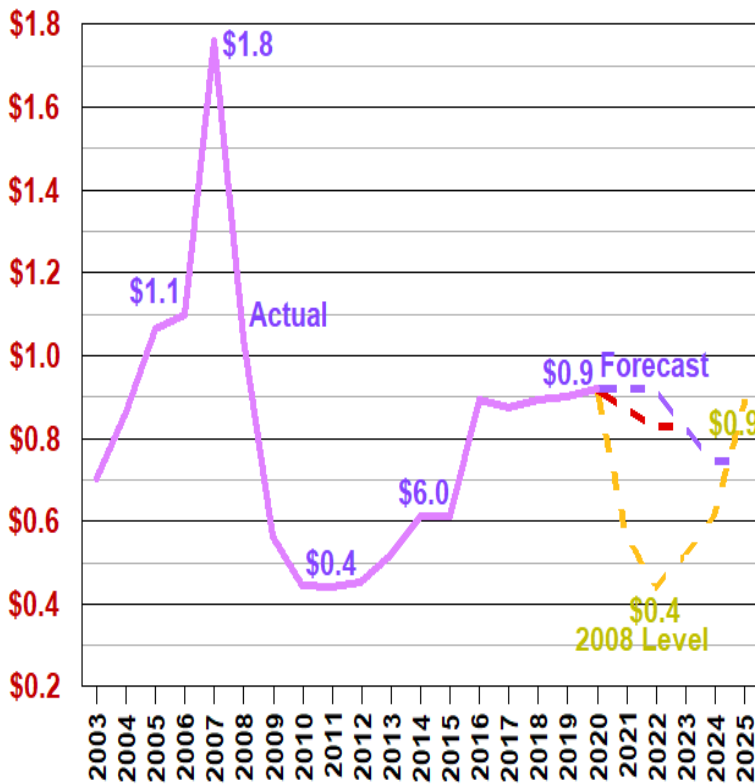
RESTRICTIONS ON USE OF REVENUE

Legal or Legislative	Town Designation	General Use
None	None	Management budgets amounts in excess of \$600,000 to non-recurring expenditures

There are no specific legislative or Town designations imposed on the use of Building permit revenue. All amounts in excess of \$600,000 are matched to non-recurring expenditures each budget year.

Building permit revenues are for general use. Town management budgets the first \$600,000 revenue to be available to provide funding for the recurring governmental operations of the town and available to supplement other programs where other funding may have a temporary short fall, such as the Capital Improvement Program.

BUILDING PERMITS



The purple line represents the financial forecast for FY2020 through FY2025. It projects that construction levels will remain at peak for the next few years. This will level off as major projects are completed. This forecast does not specifically predict the completion in FY2024, but in out years.

The yellow line emulates the trend of Building permit revenue in the nation-wide economic downturn that began in late 2008 with construction resuming three years later.

The red line calculates a two-year decline of 5%. The reason for this to occur could be a change in valuations, legislative action or an event that effects local building.

The graph (in millions) and charts show the three forecast scenarios for Building permit revenue for the next five years.

YELLOW LINE - STRESS TREND PATTERNED ON 2008-2011

BUILDING PERMITS	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Building permits:						
Financial forecast 2020	\$ 919,440	\$ 919,440	\$ 919,440	\$ 827,496	\$ 744,746	\$ 744,746
Stress: 2008-2011 model	919,440	561,991	439,920	516,827	613,269	894,704
Shortfall: less than forecast	\$ -	\$ (357,449)	\$ (479,520)	\$ (310,669)	\$ (131,477)	\$ 149,958
Estimated 5-year accumulated shortfall		\$ (1,129,157)				

The nation-wide economic downturn that began in late 2008, halted most major construction projects in the state. The Town was fortunate that projects within the Town were not canceled but delayed with construction resuming in 2012.

RED LINE - 2 YEARS OF 5% REDUCTION, THEN FOLLOW 2020 FORECAST

BUILDING PERMITS	Estimated 2019/20	Forecast 2020/21	Forecast 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
Building permits:						
Financial forecast 2020	\$ 919,440	\$ 919,440	\$ 919,440	\$ 827,496	\$ 744,746	\$ 744,746
Stress: 5% double dip	919,440	873,468	829,795	827,496	744,746	744,746
Shortfall: less than forecast	\$ -	\$ (45,972)	\$ (89,645)	\$ -	\$ -	\$ -
Estimated 5-year accumulated shortfall		\$ (135,617)				

Even though two years of 5% reduction are followed with three years of 5% growth, such an occurrence of a change in valuations, legislative action or an event that affects local building would slow the Town's revenue stream.

OTHER DATA

The following data is intended to be provided in this document before May 23rd.

Number of building permits

Construction value of permits

Population of PV and AZ

Occupancy rates
