

1

# **FY2020/21**

# **MONTHLY FINANCIAL UPDATED**

## **No. 2: October 2020**



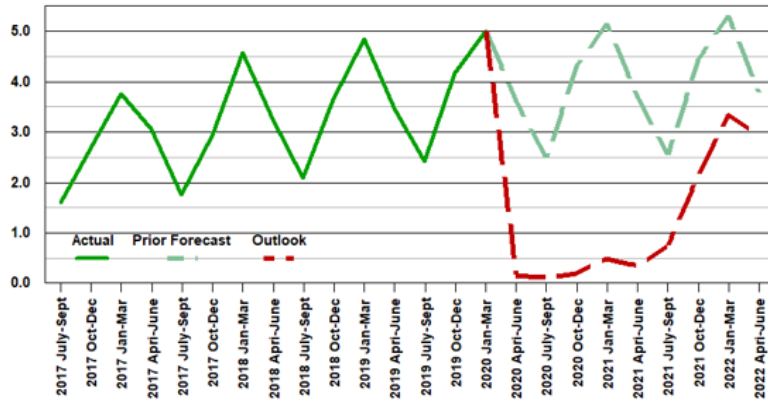
**October 22<sup>nd</sup>, 2020**



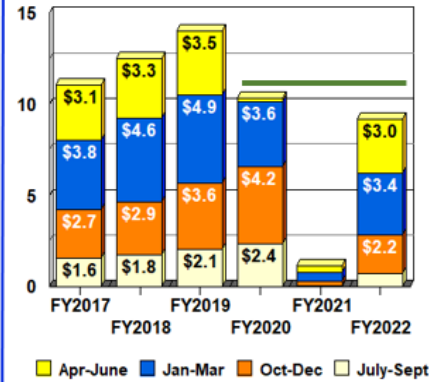
# Hospitality (Retail, Resorts) Revenue

Scenario A: L-curve

## SCENARIO A: REVENUE BY QUARTER L-CURVE



## REVENUE BY FISCAL YEAR

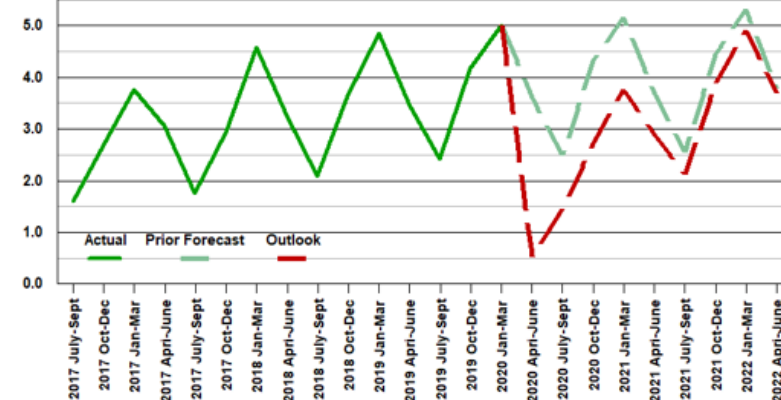


All amounts are in millions

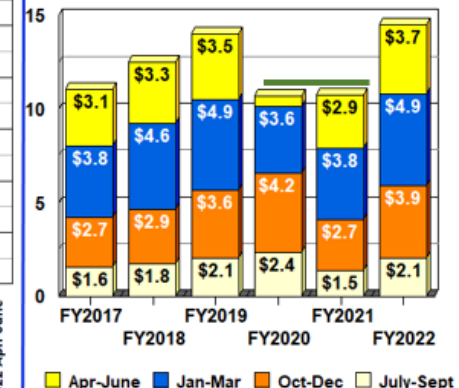
# Hospitality (Retail, Resorts) Revenue

Scenario B: V-curve

## SCENARIO B: REVENUE BY QUARTER V-CURVE



## REVENUE BY FISCAL YEAR

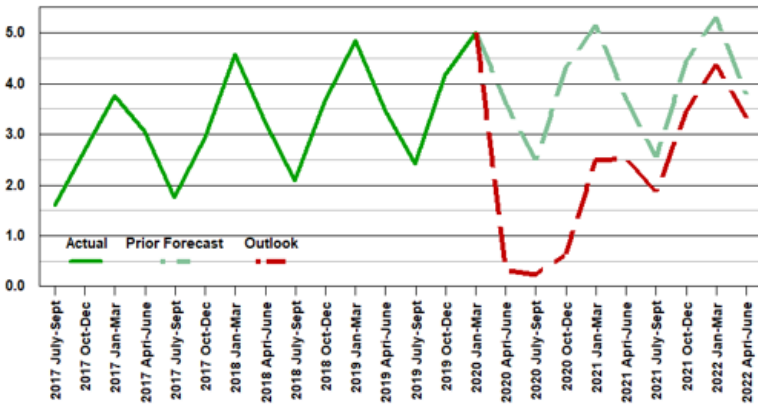


All amounts are in millions

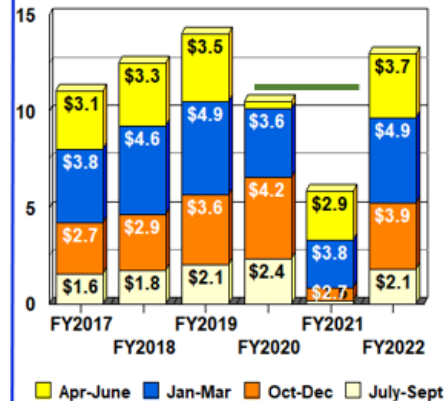
# Hospitality (Retail, Resorts) Revenue

Scenario C: U-curve

## SCENARIO C: REVENUE BY QUARTER U-CURVE



## REVENUE BY FISCAL YEAR



All amounts are in millions



- ▶ April-July = Between the U/V (U+)
- ▶ Outlook Aug-Sept = U/V (U+)
- ▶ Tourism season 2020/21 = ?

2nd, 2020

# REVENUE UPDATE FY2020/21

## SPOTLIGHTED SOURCES



October 22<sup>nd</sup>, 2020

# RETAIL AND HOSPITALITY TRANSACTION PRIVILEGE TAX (TPT)

## INTERNET SALES TPT

Month	FY2019	FY2020	FY2021
July	-	-	\$ 70,445
August	-	-	67,895
September	-	-	-
October	-	\$ 41,088	-
November	-	91,237	-
December	-	68,748	-
January	-	59,513	-
February	-	51,582	-
March	-	65,163	-
April	-	65,923	-
May	-	70,653	-
June	-	68,351	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 582,258</b>	<b>\$ 138,340</b>

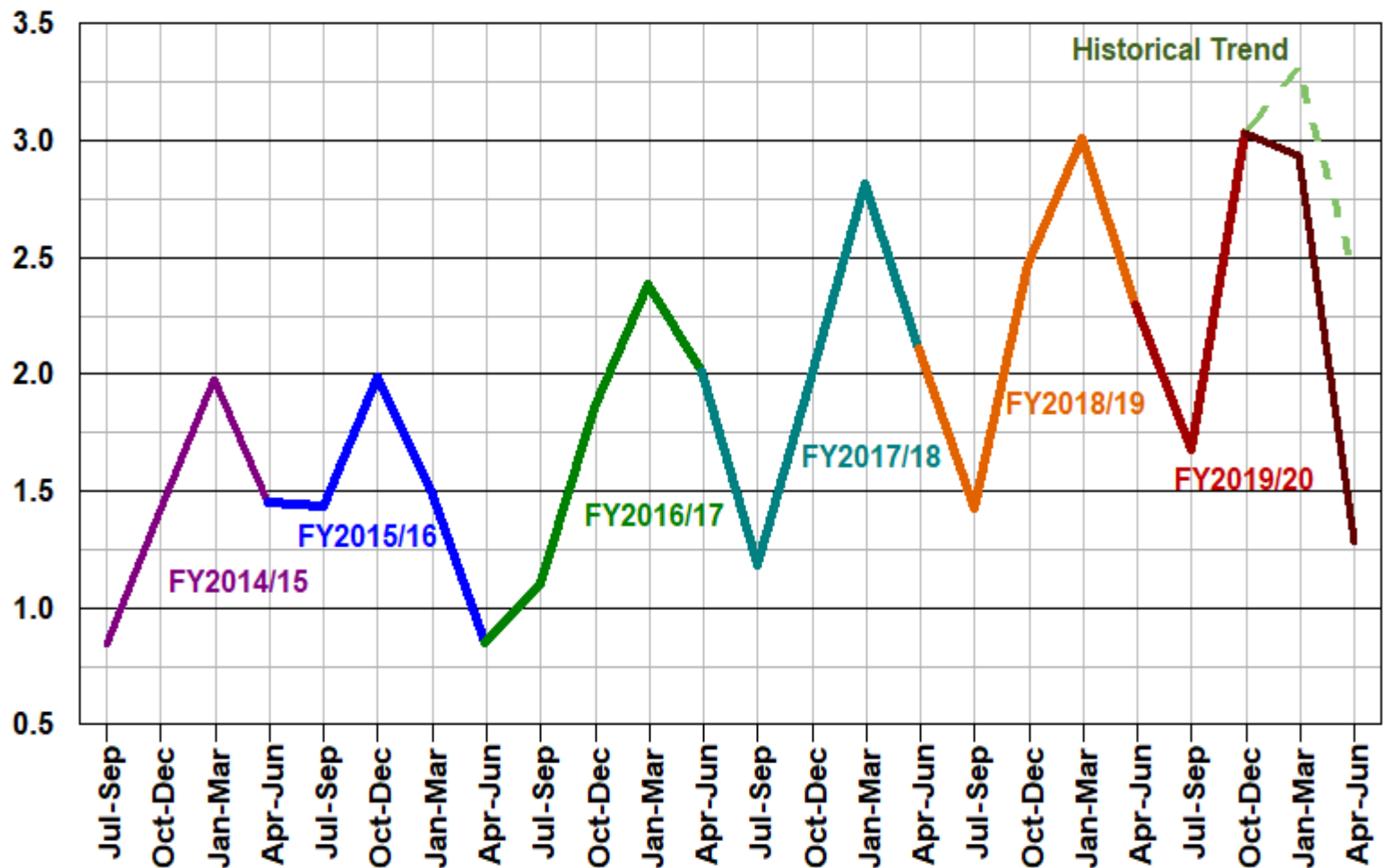


October 22<sup>nd</sup>, 2020

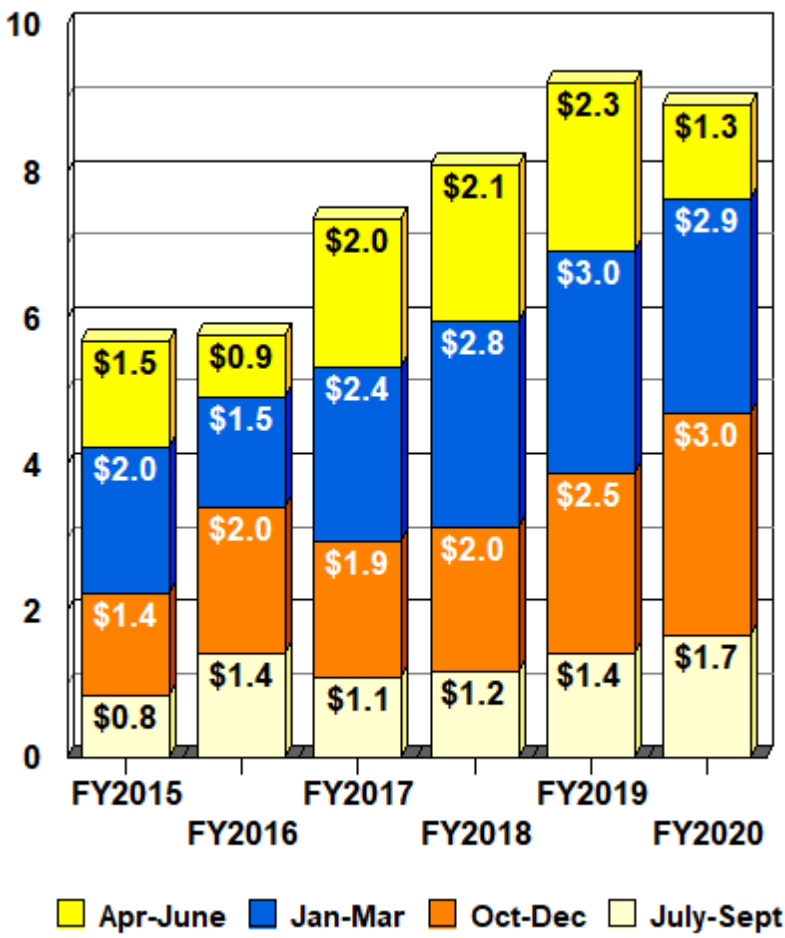
# Retail & Hospitality TPT

# Quarterly Collections

Actual Quarterly Collections



Total and Amount by Quarter



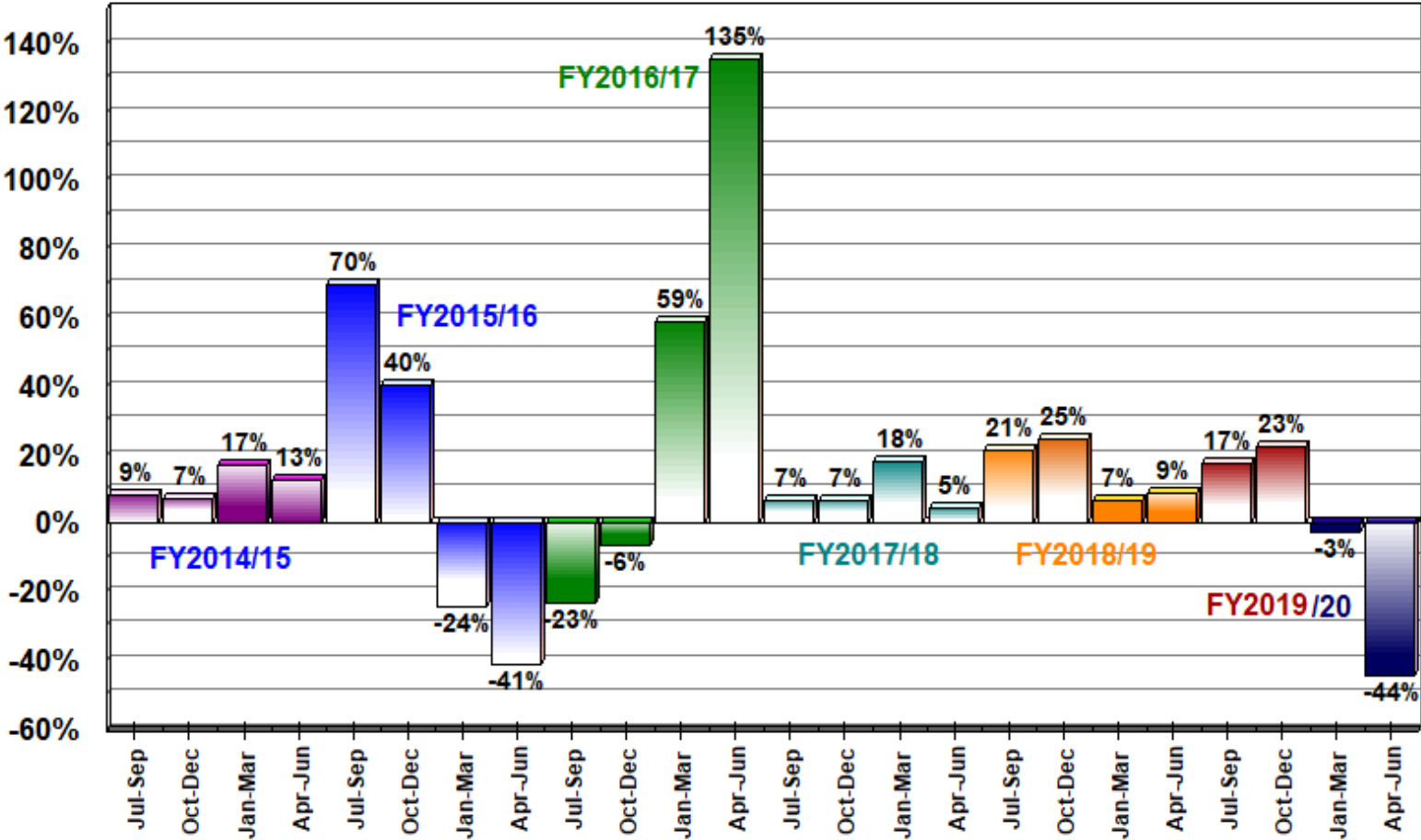
(All amounts are in Millions)



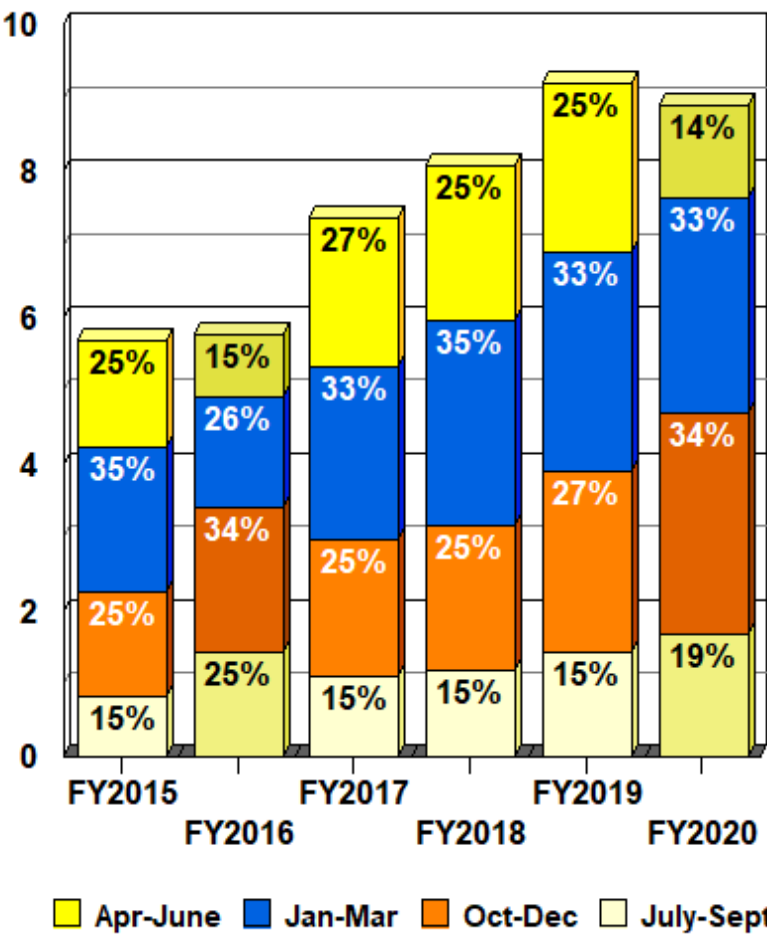
# Retail & Hospitality TPT

# Quarterly Collections

Change in Quarterly Collections from Previous Year



Total and Percentage by Quarter

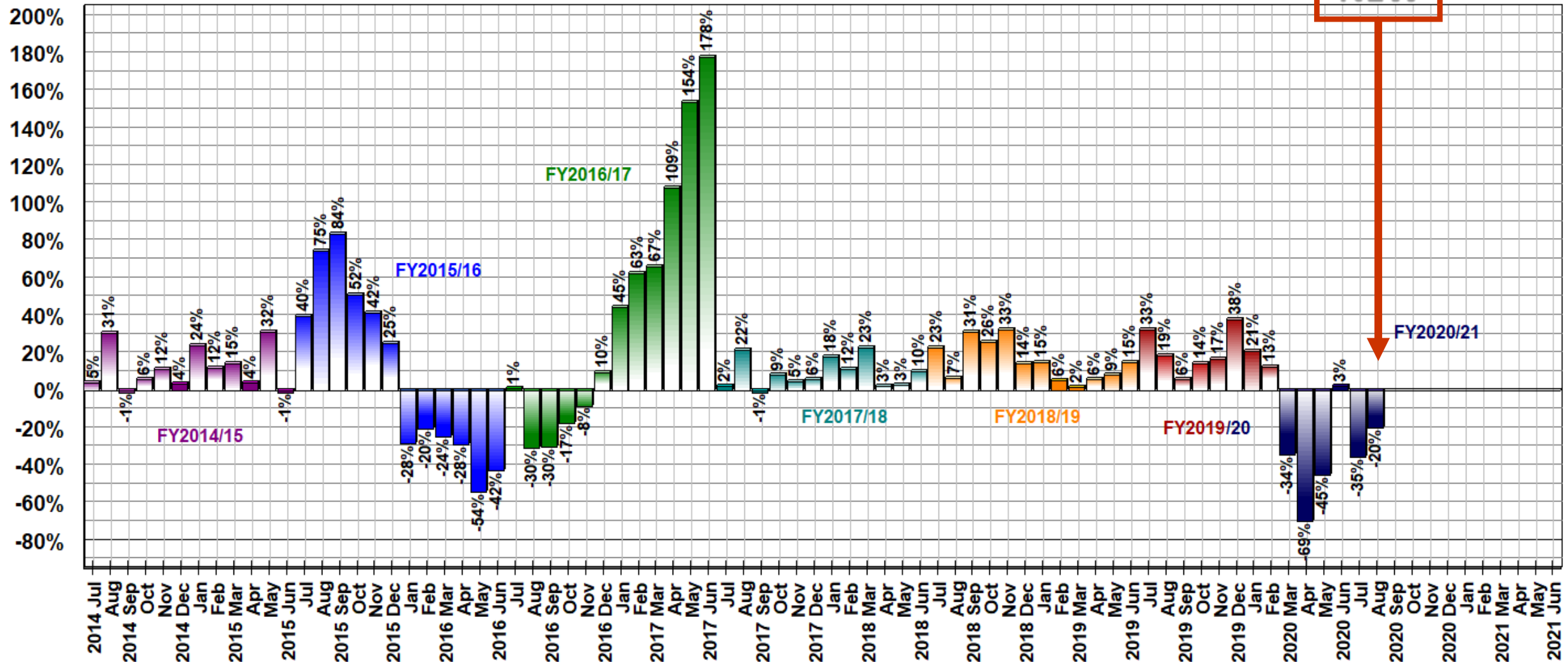


(All amounts are in Millions)

# Retail & Hospitality TPT

## Change in Monthly Collections

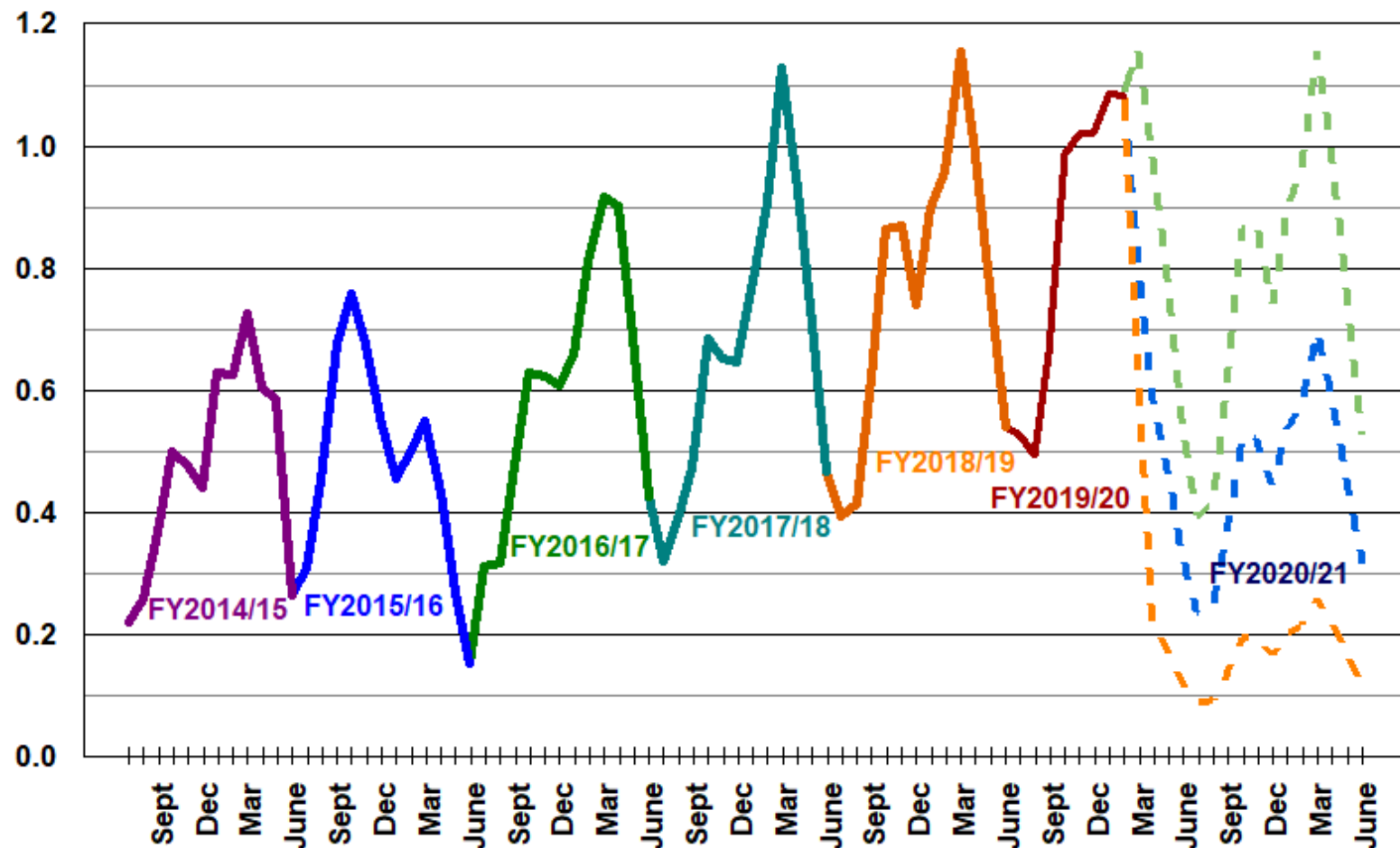
Change in Monthly Collects from Previous Year



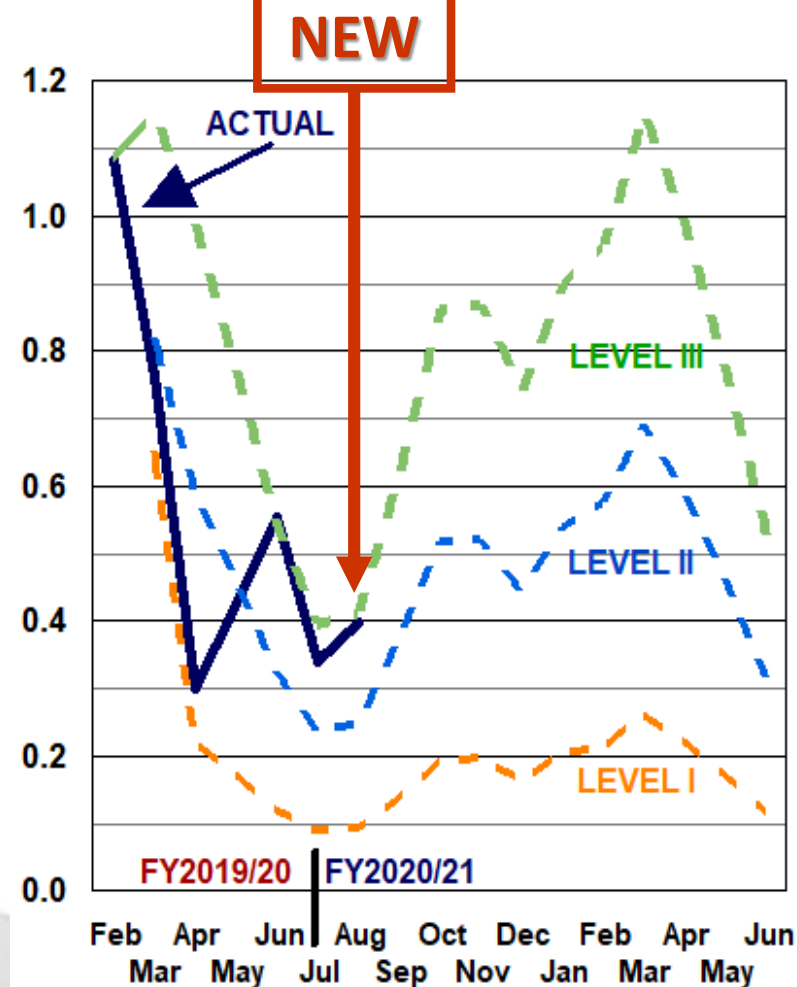
# Retail & Hospitality TPT

## Actual Monthly Collections

Historical FY2015 to FY2020 and FY2021 Revenue Levels



FY2021 Collections To-Date



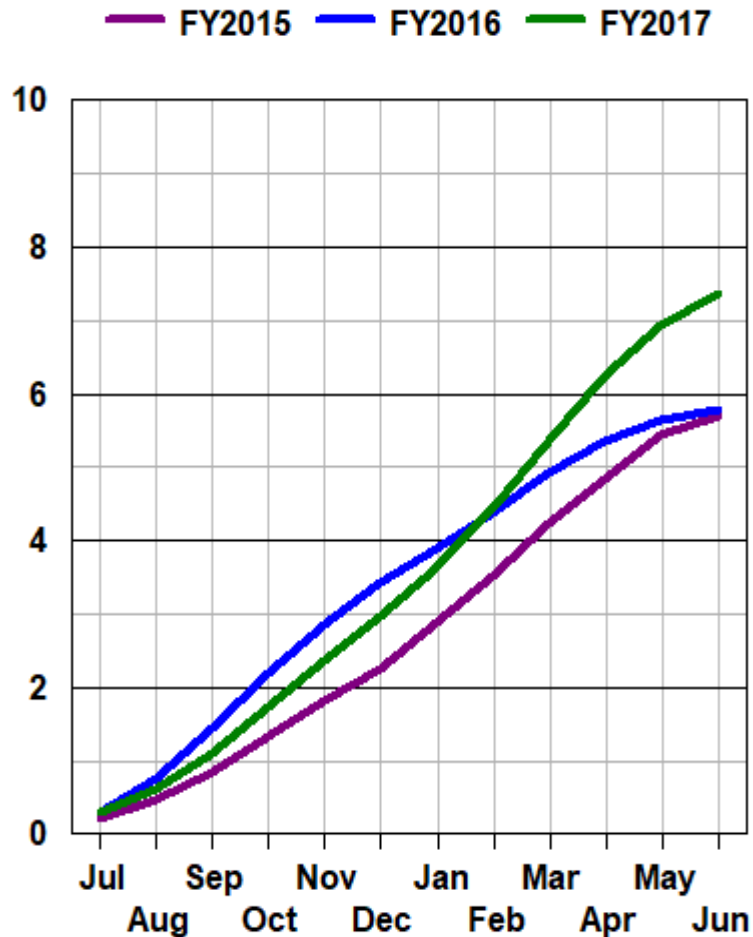
(All amounts are in Millions)



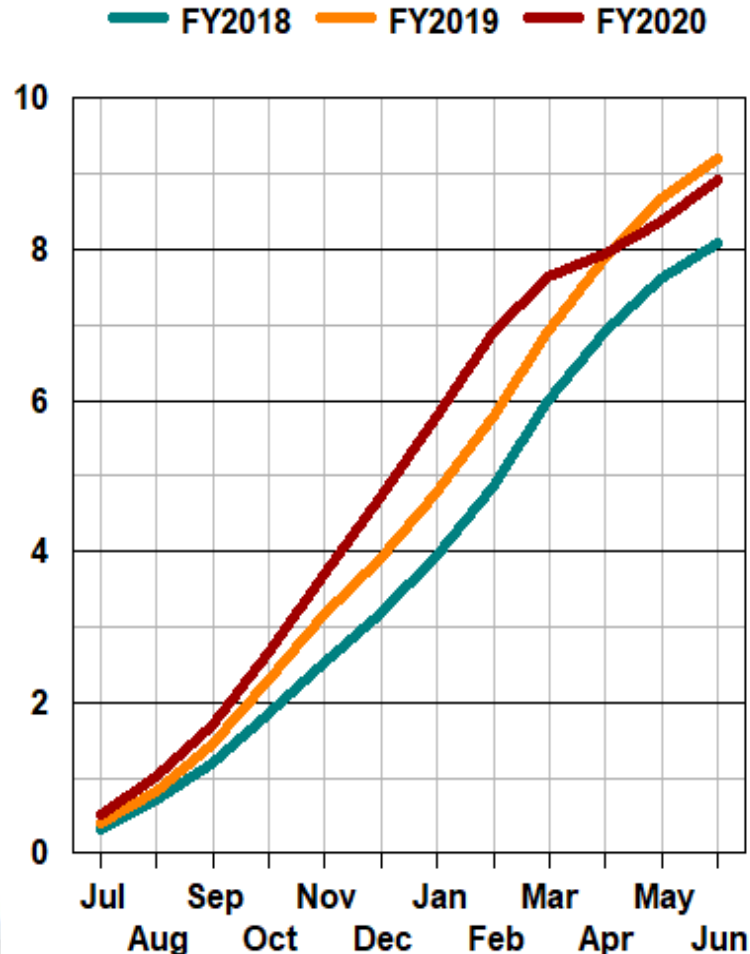
NEW

# Retail & Hospitality TPT Accumulated Collections by Month

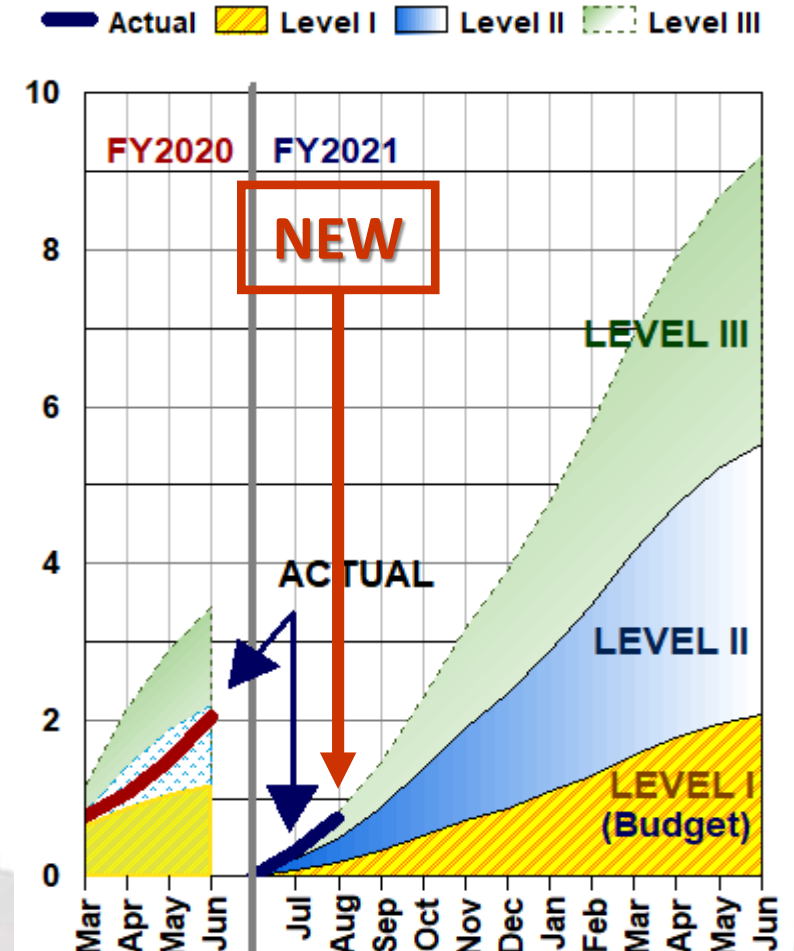
## Historical FY2015 to FY2017



## Historical FY2018 to FY2020



## Current Actual FY2021



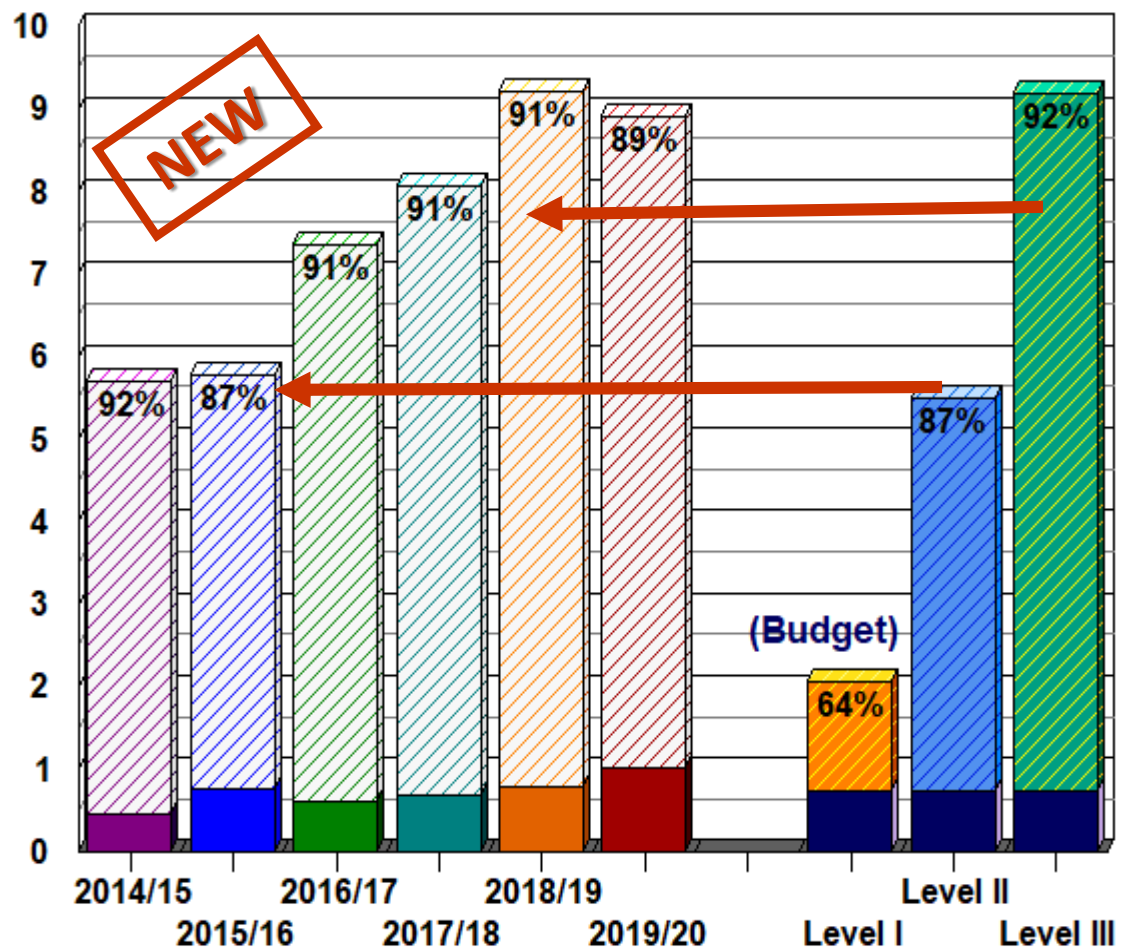
(All amounts are in Millions)

NEW

# Retail & Hospitality TPT

## Conclusion

### INTERPOLATION – PERCENTAGE OF TOTAL



(All amounts are in Millions)

### SUMMARY and FACTORS IMPACTING 2021

- ▶ The Town budgeted Retail and Hospitality TPT at **LEVEL I** to ensure the Town does not over extend recurring expenditures and risk mid-year reductions.
- ▶ As this revenue moves to **LEVEL II** and **LEVEL III**, expenditure priorities can be authorized by the Mayor and Council.
- ▶ Internet sales TPT; effective October 2019. This greatly impacted Paradise Valley through during the State's "stay at-home" executive orders.
- ▶ Tourism and resort activity is the primary factor for this revenue. Partial business reopening, "staycations" and local support have keep this revenue from being the worse case scenario during the "off-season".
- ▶ Though revenue is being collected near **LEVEL III**, it is August with the real test will be the FY2020/21 tourism season.

July, August,

# TRANSIENT LODGING TAX (TLT) “Occupancy Tax”

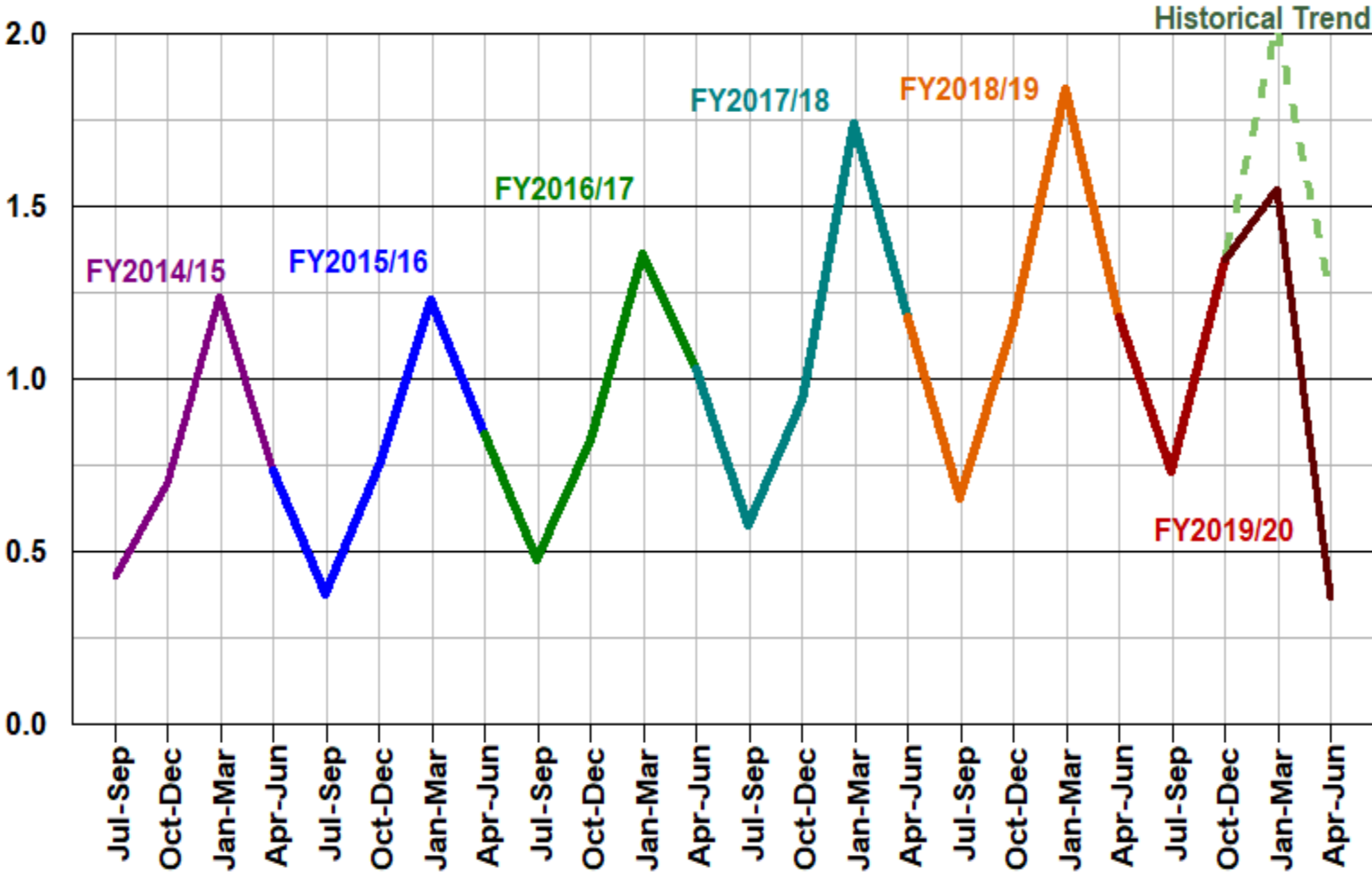


October 22<sup>nd</sup>, 2020

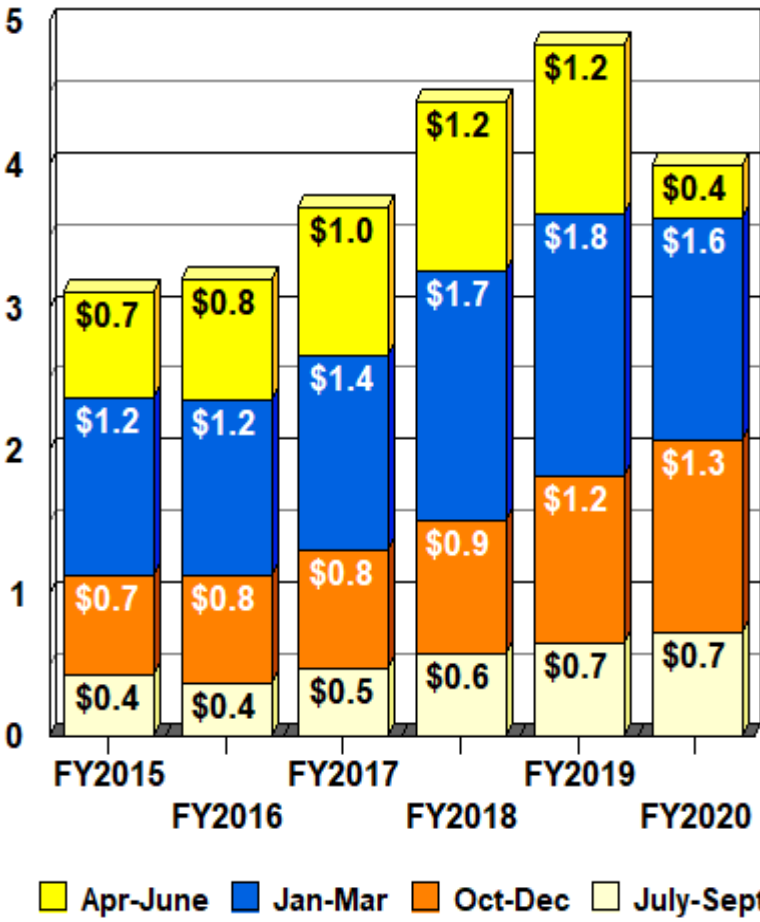
# Occupancy TLT

# Quarterly Collections

Actual Quarterly Collections



Total and Amount by Quarter



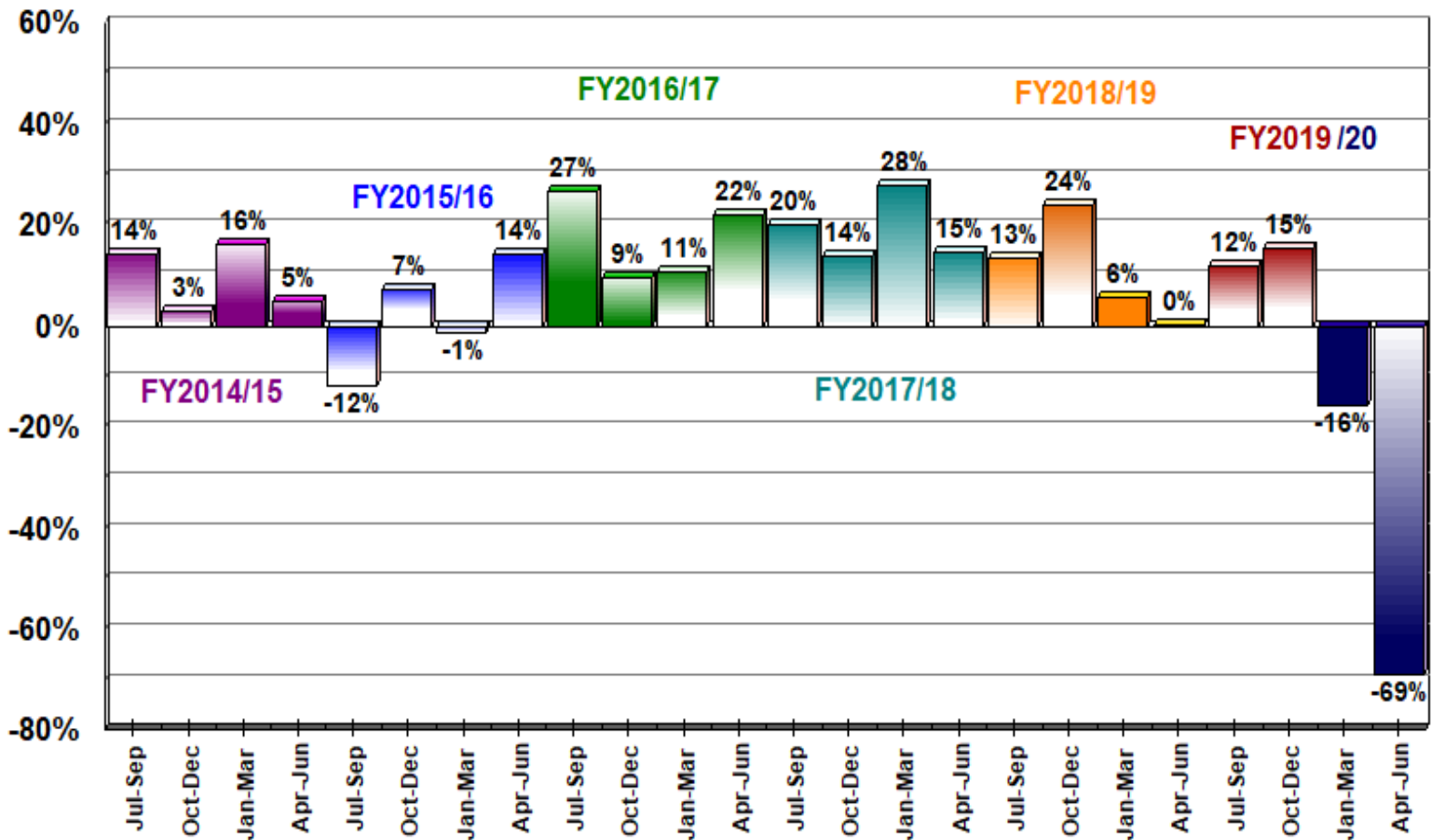
(All amounts are in Millions)



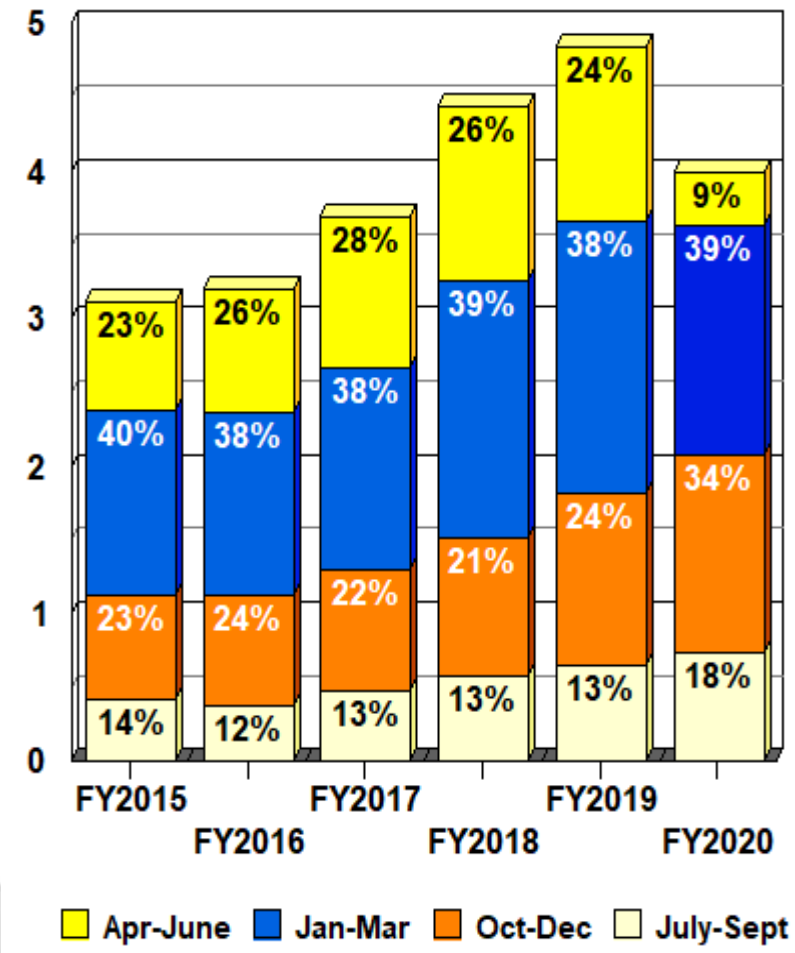
# Occupancy TLT

# Quarterly Collections

Change in Quarterly Collections from Previous Year



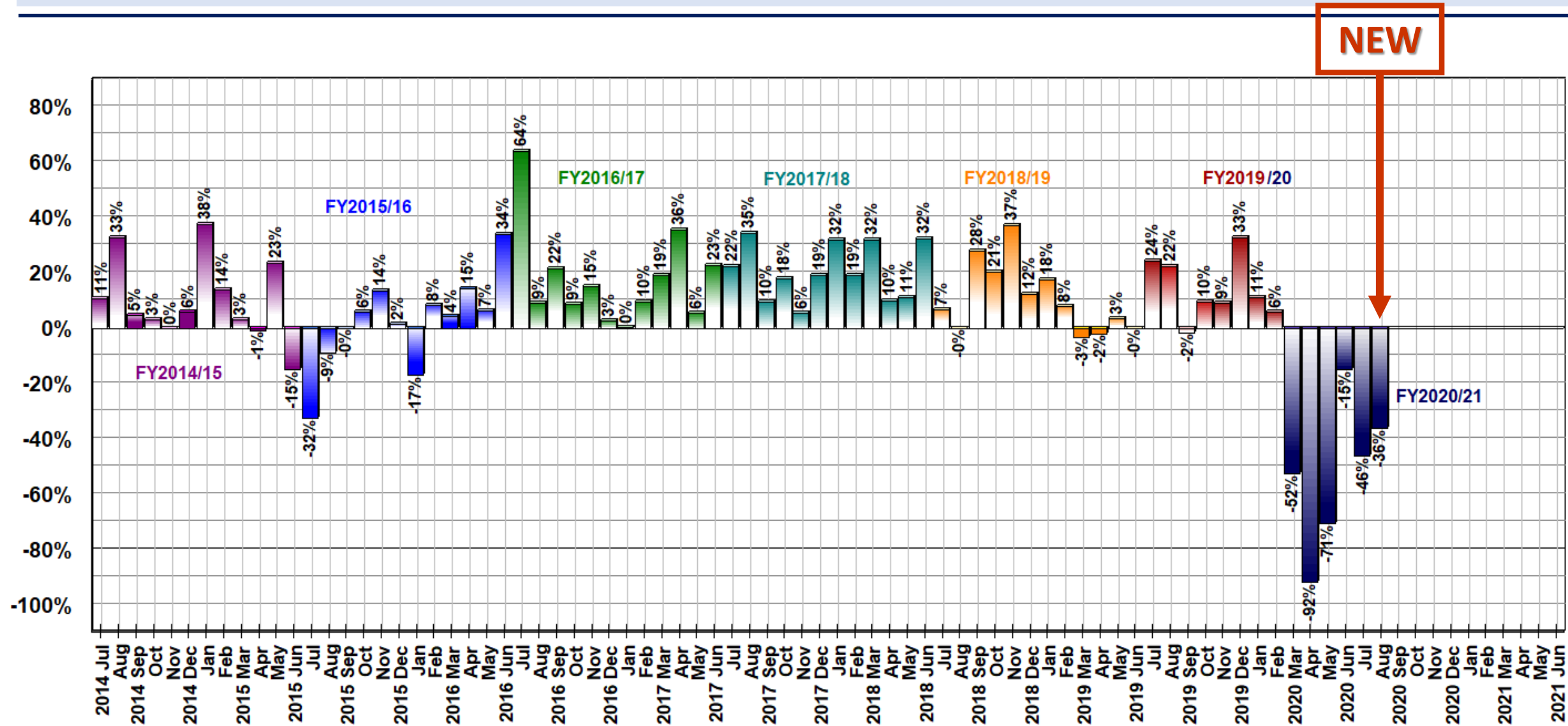
Total and Percentage by Quarter



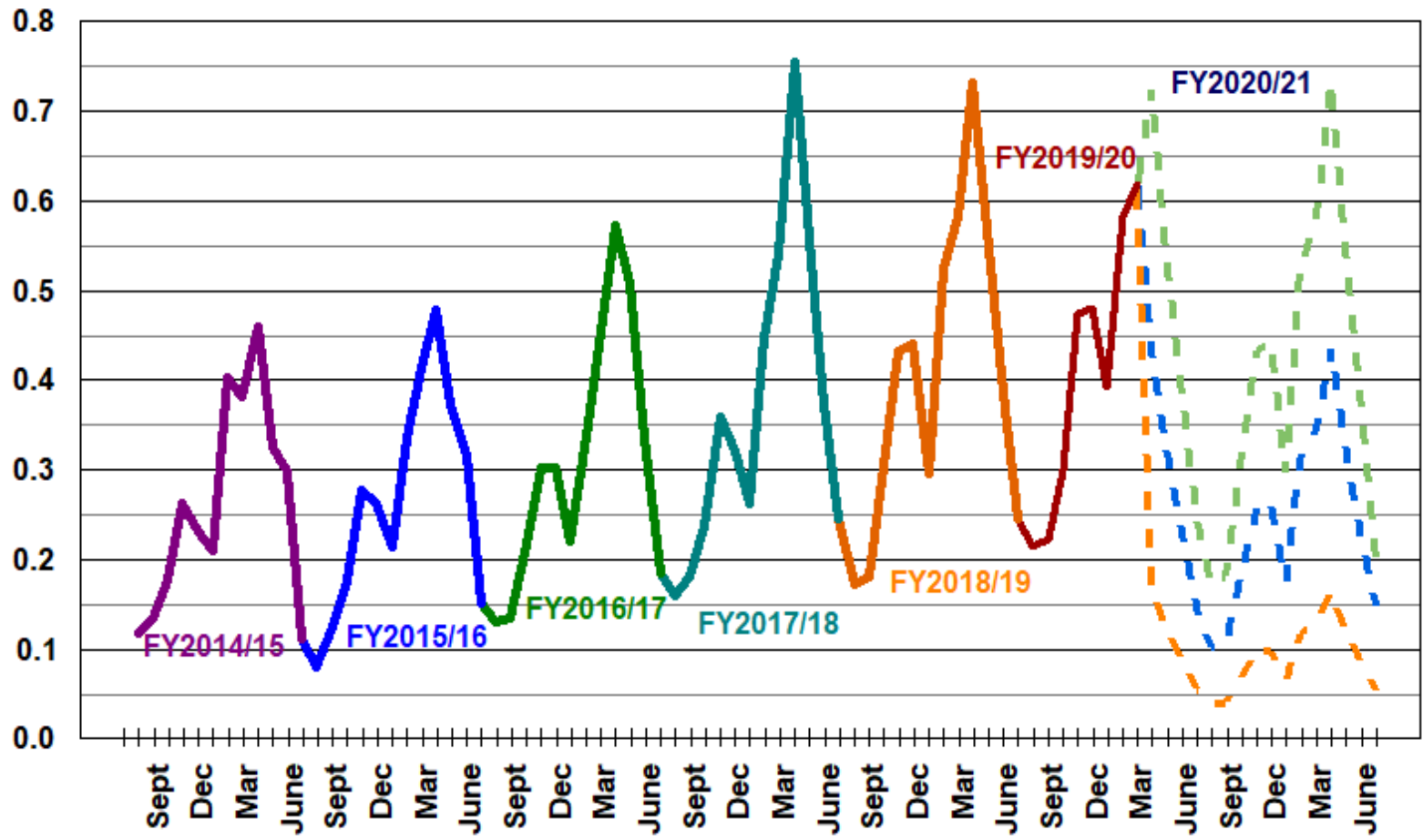
(All amounts are in Millions)

# Change in Monthly Collections

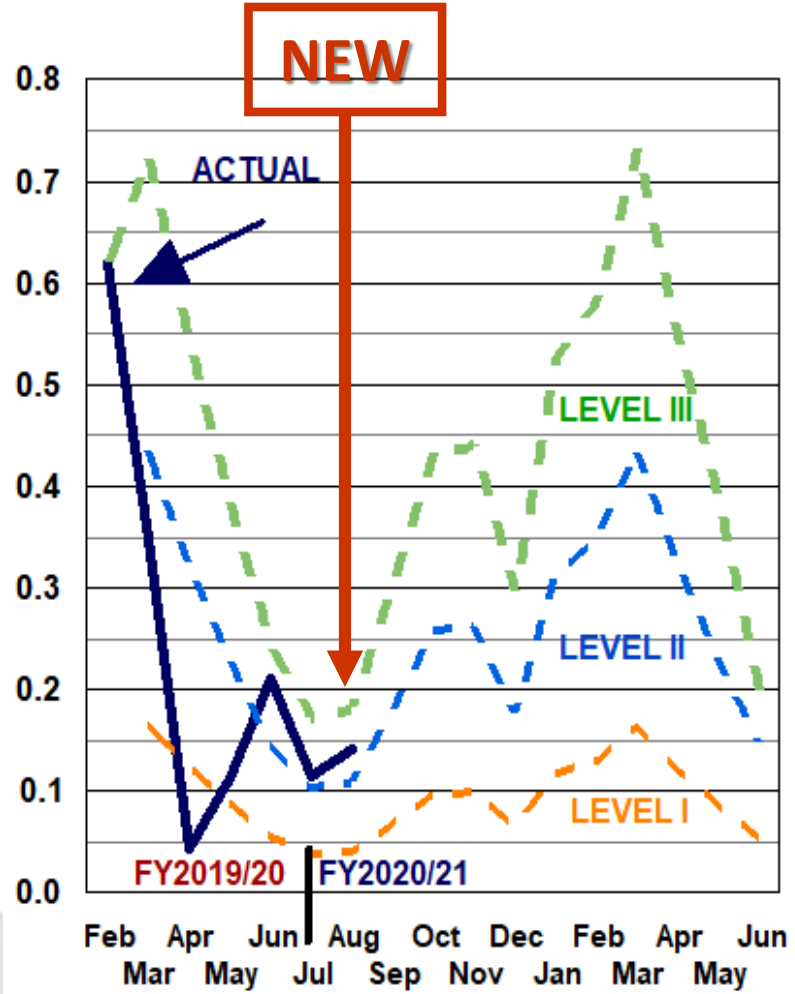
Change in Monthly Collects from Previous Year



Historical FY2015 to FY2020 and FY2021 Revenue Levels



FY2021 Collections To-Date



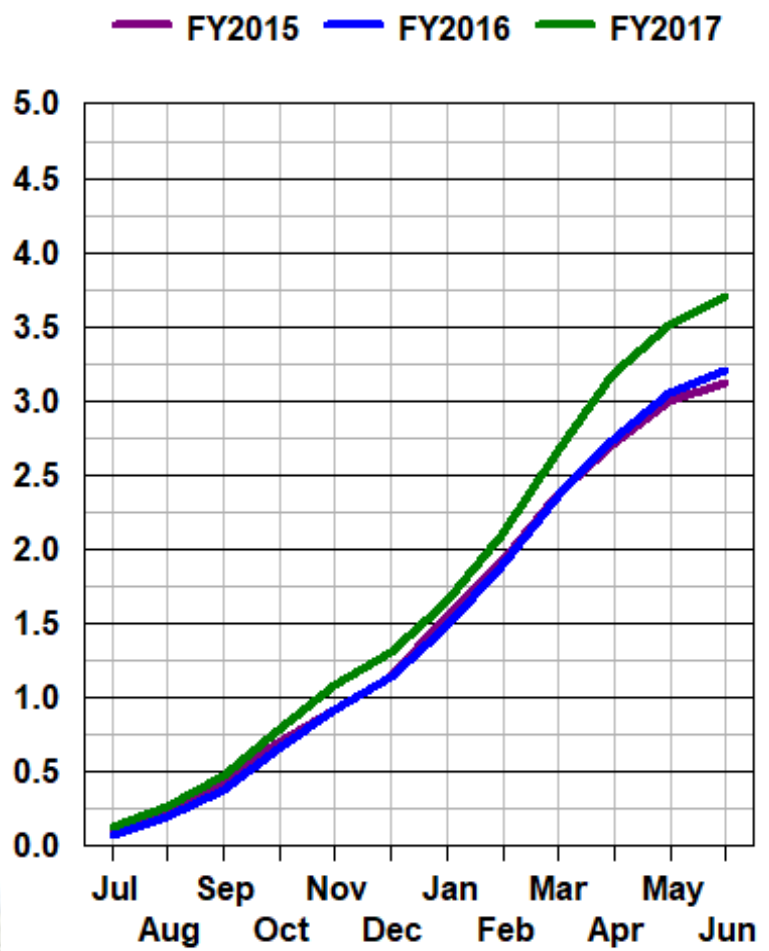
(All amounts are in Millions)

**NEW**

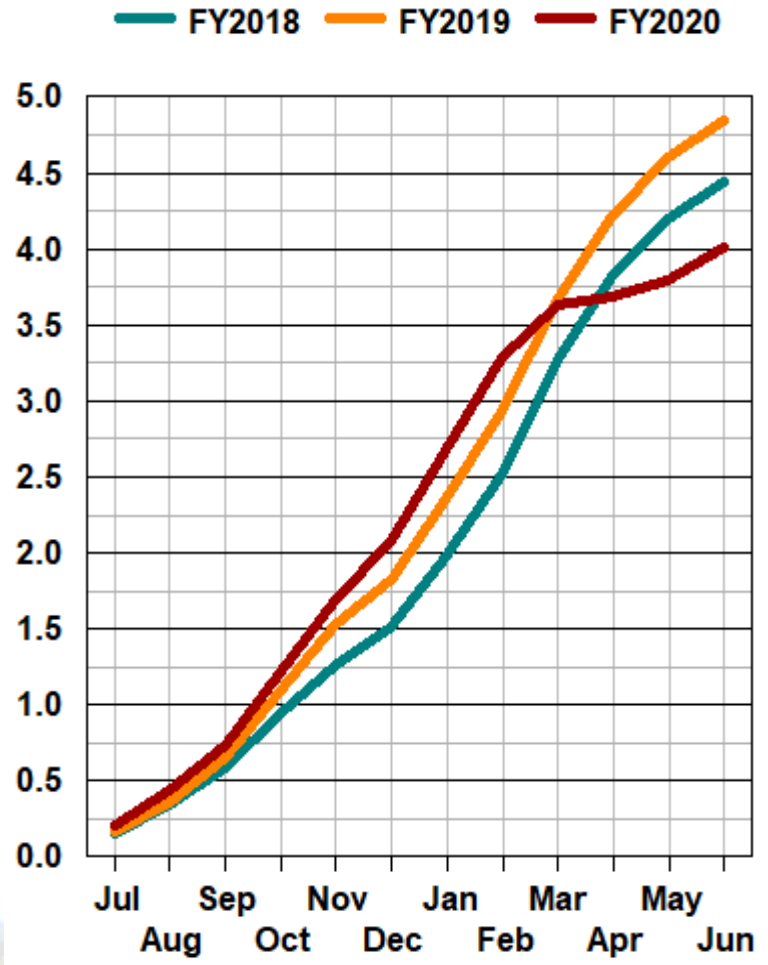
# Occupancy TLT

# Accumulated Collections by Month

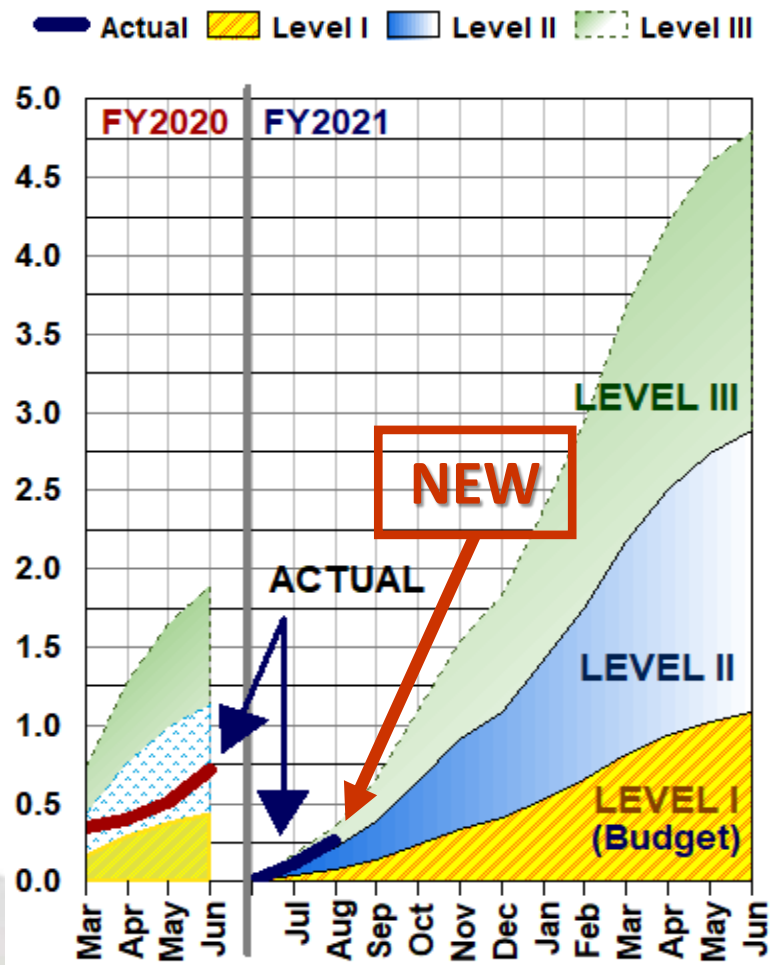
Historical FY2015 to FY2017



Historical FY2018 to FY2020



Current Actual FY2021



(All amounts are in Millions)



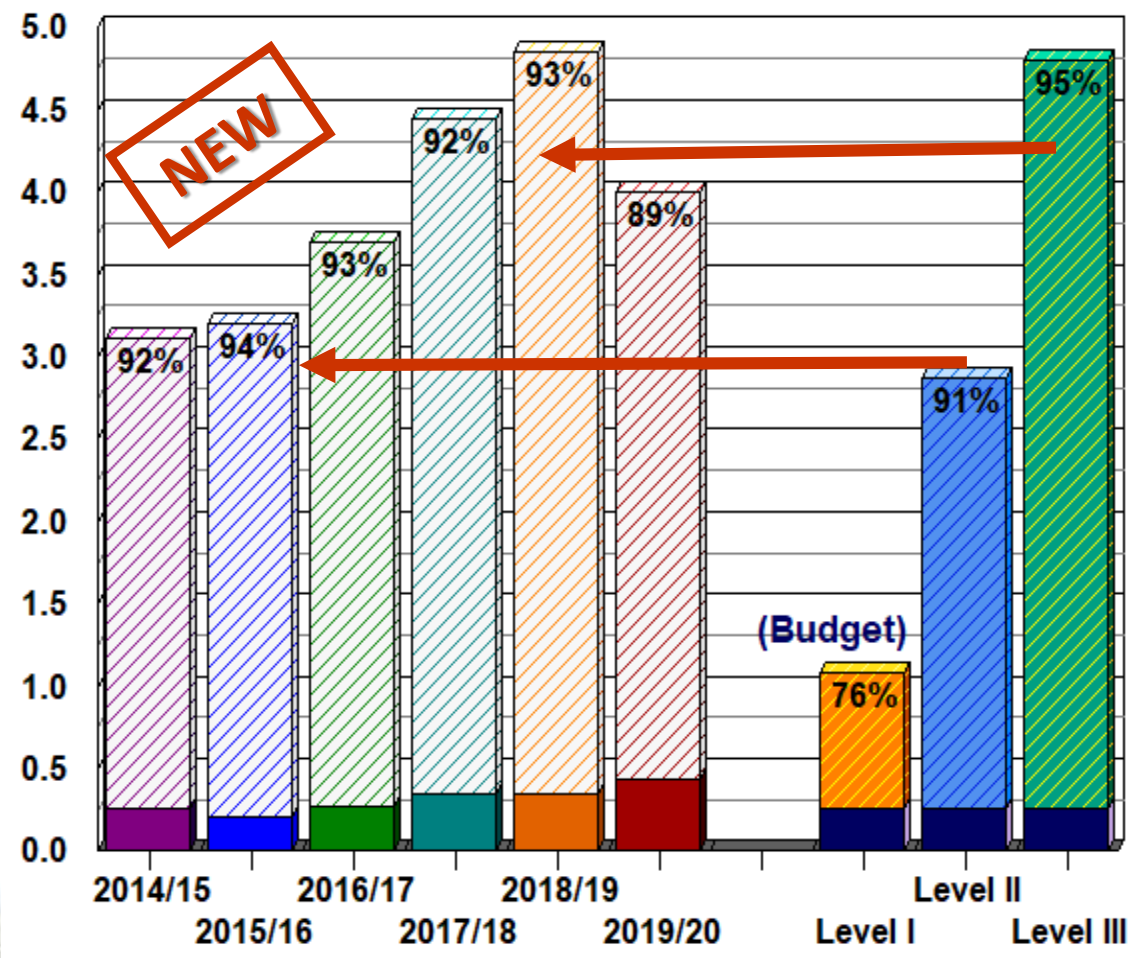
17

NEW

# Occupancy TLT

## Conclusion

INTERPOLATION – PERCENTAGE OF TOTAL



(All amounts are in Millions)

SUMMARY

- ▶ The Town budgeted Retail and Hospitality TPT at **LEVEL I** to ensure the Town does not over extend expenditures.
- ▶ As this revenue moves to **LEVEL II** / **LEVEL III**, expenditure priorities can be authorized by the Mayor and Council. (After the “new calendar year”)

Factors impacting FY2021:

- ▶ Tourism and resort activity is the primary factor for this revenue. Partial business reopening, “staycations” and local support have keep this revenue from being the worse case scenario.
- ▶ Though revenue is being collected in the **LEVEL II** range, this is August and the real test will be the FY2020/21 tourism season.

July, August,

# STATE SHARED REVENUES (Income Tax, TPT, Auto, HURF)

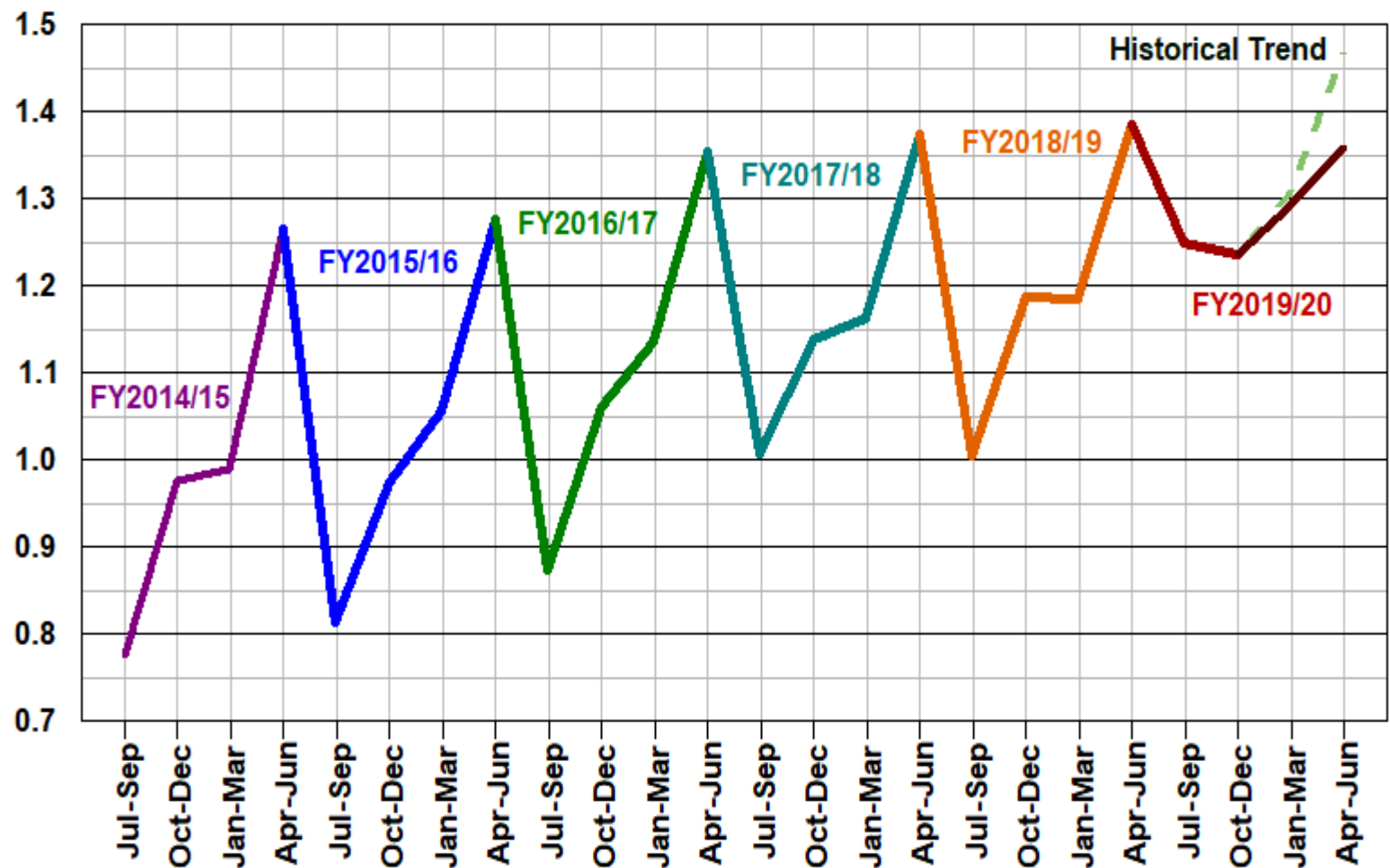


October 22<sup>nd</sup>, 2020

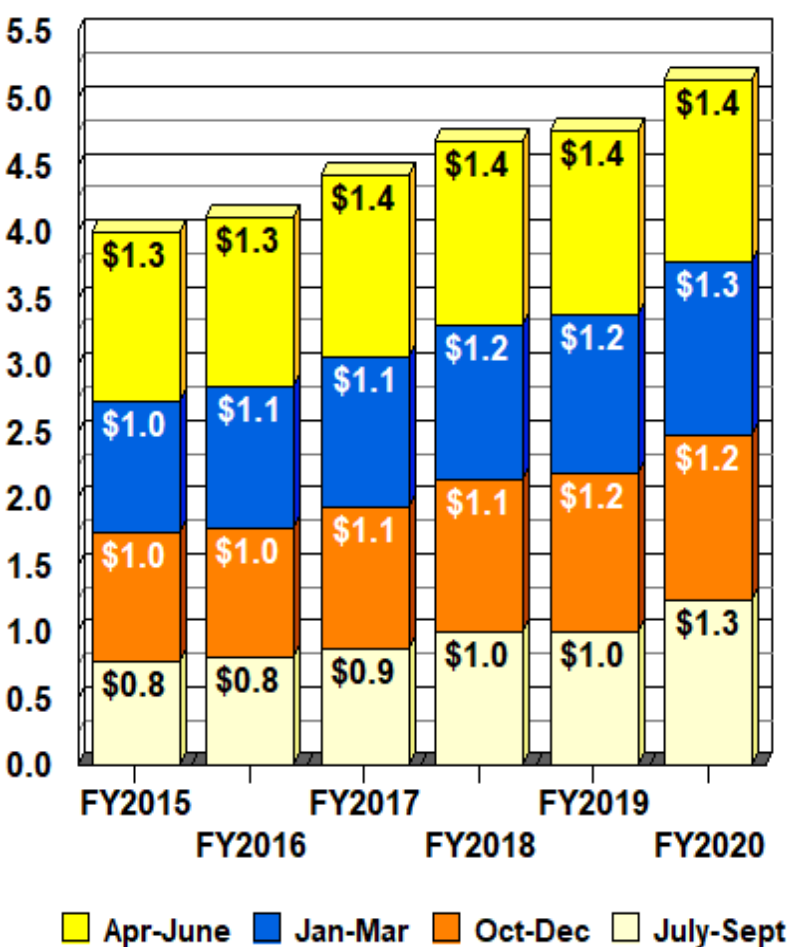
# State Shared Revenues

# Quarterly Collections

Actual Quarterly Collections



Total and Amount by Quarter

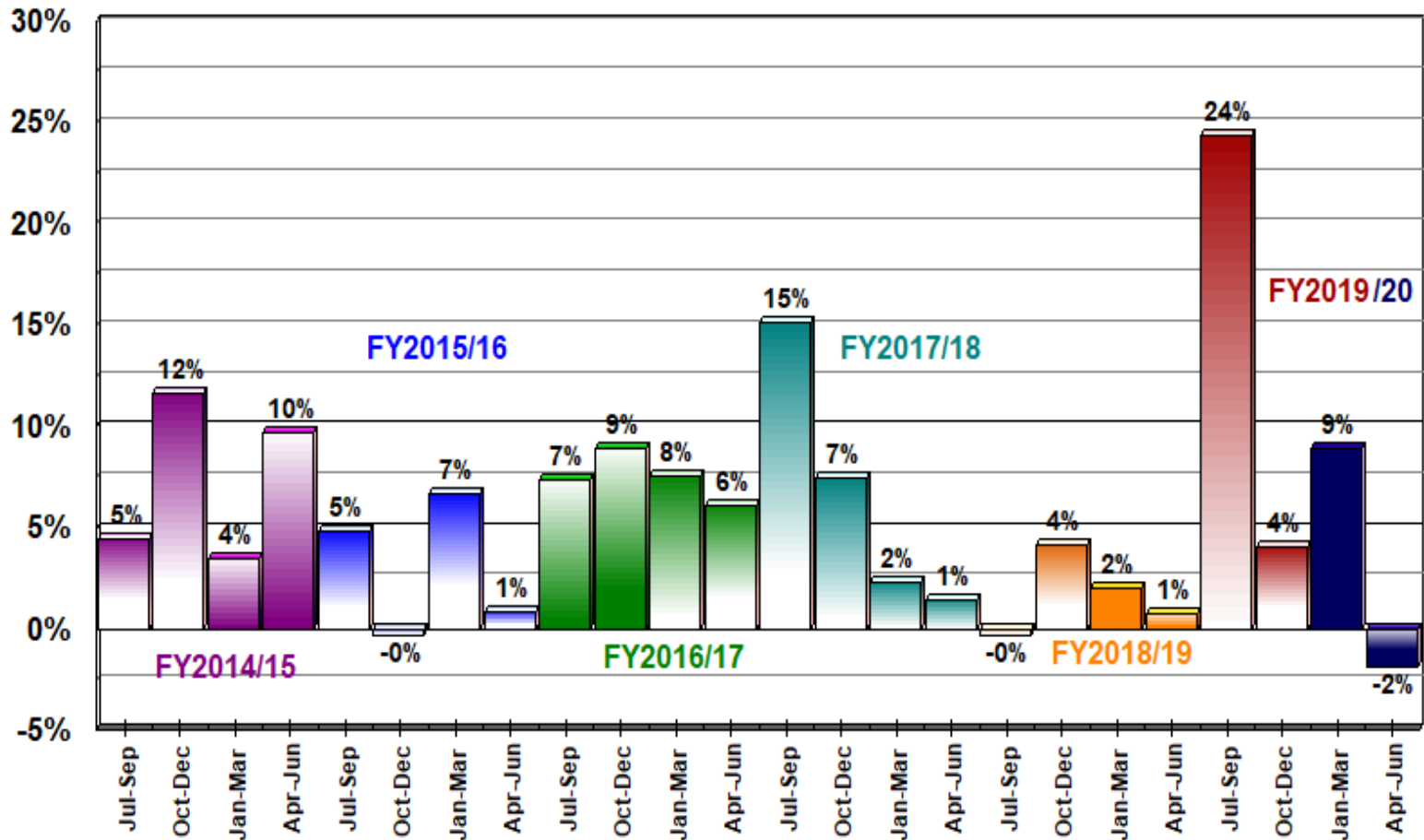


(All amounts are in Millions)

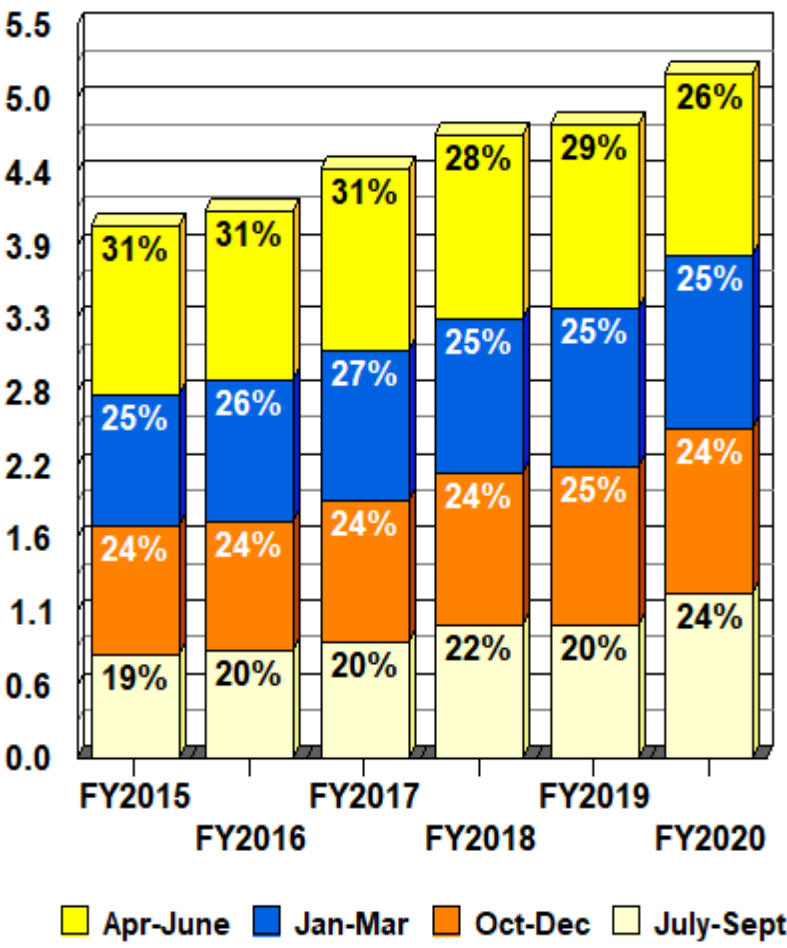
# State Shared Revenues

# Quarterly Collections

Change in Quarterly Collections from Previous Year



Total and Percentage by Quarter



(All amounts are in Millions)

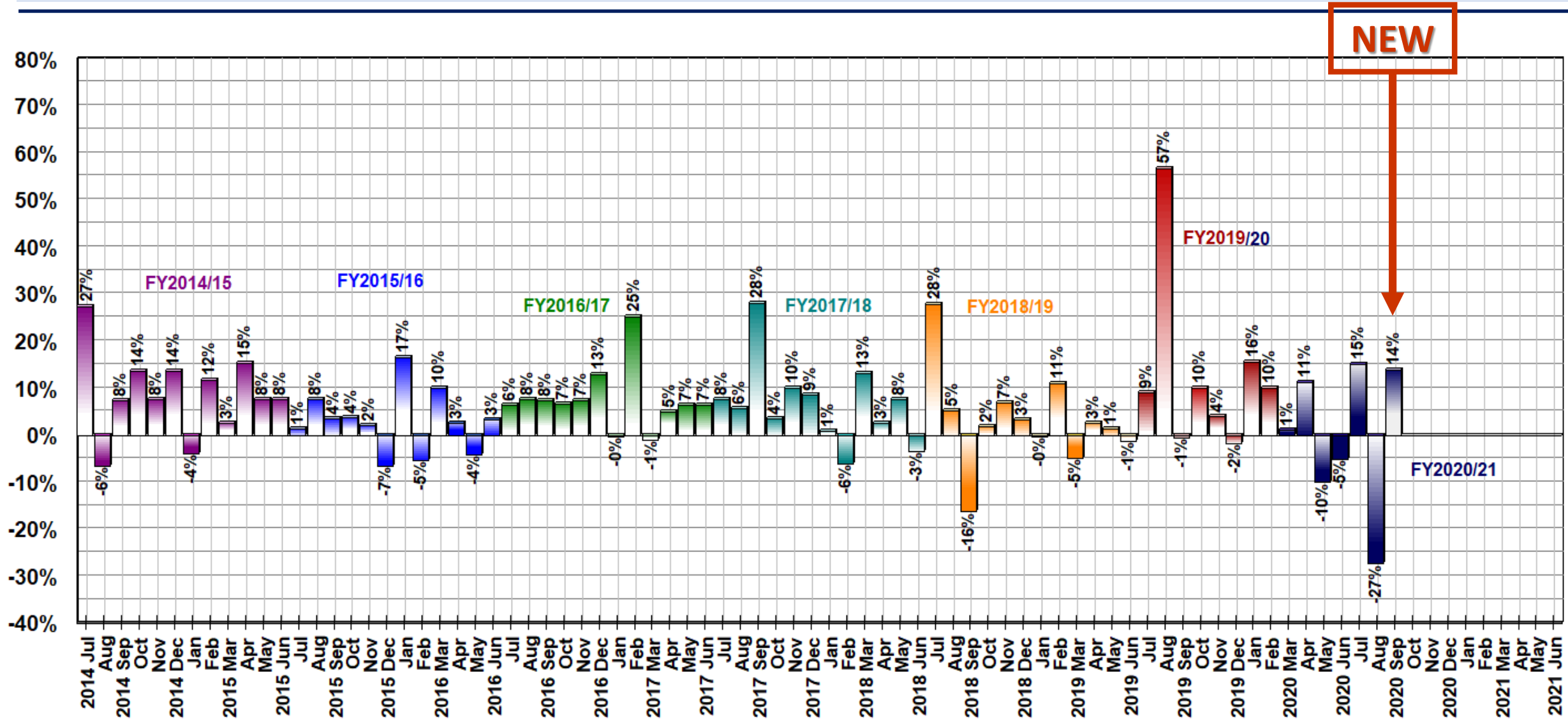


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# State Shared Revenues

## Change in Monthly Collections

Change in Monthly Collects from Previous Year

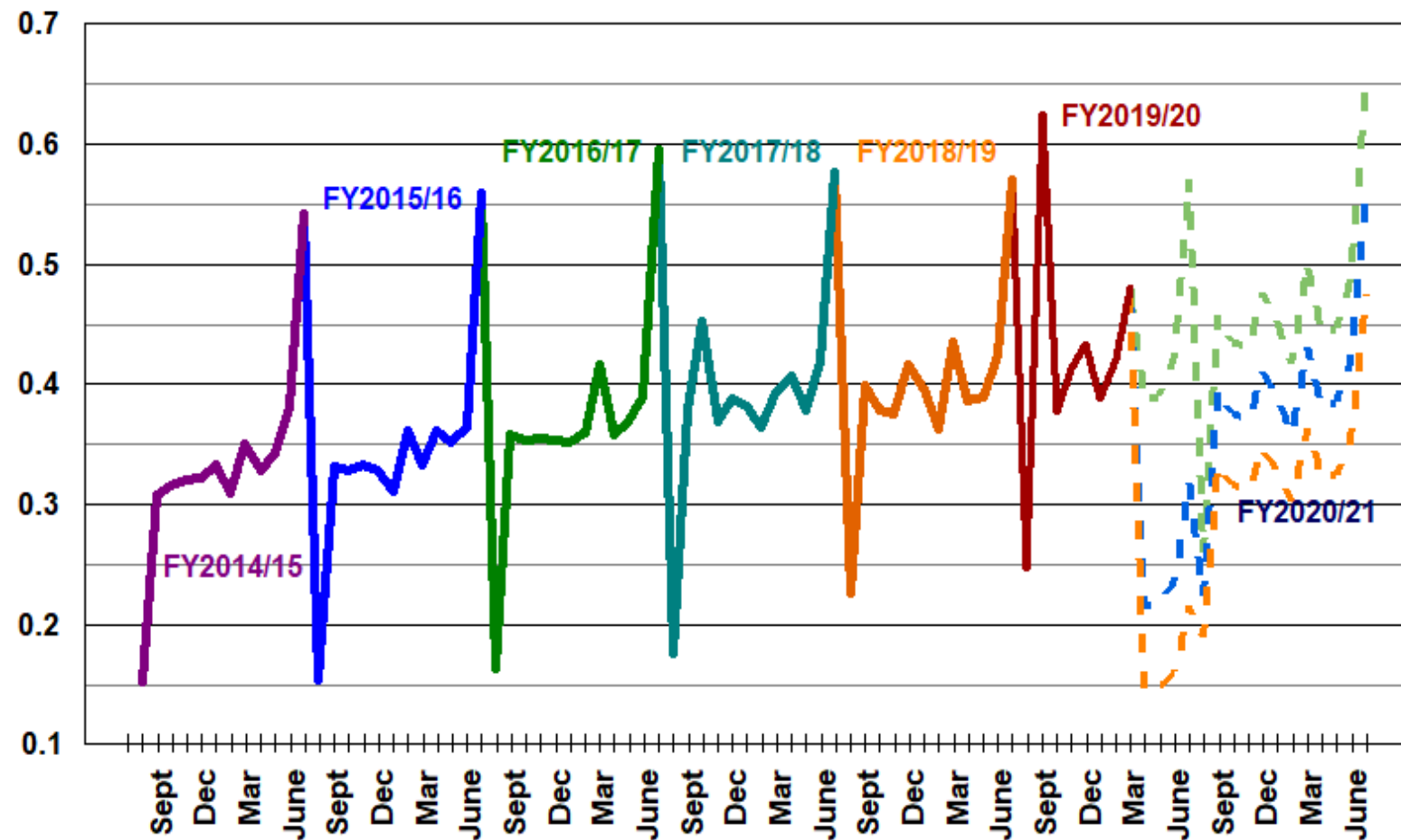


**NEW**

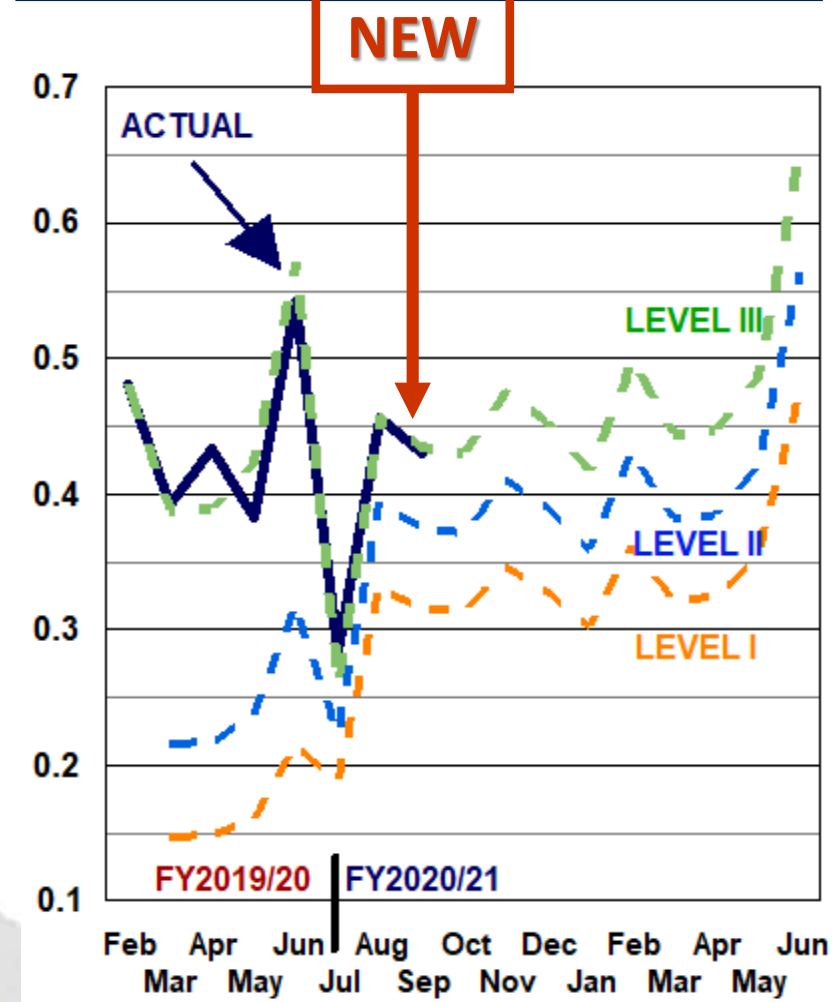
# State Shared Revenues

# Actual Monthly Collections

Historical FY2015 to FY2020 and FY2021 Revenue Levels



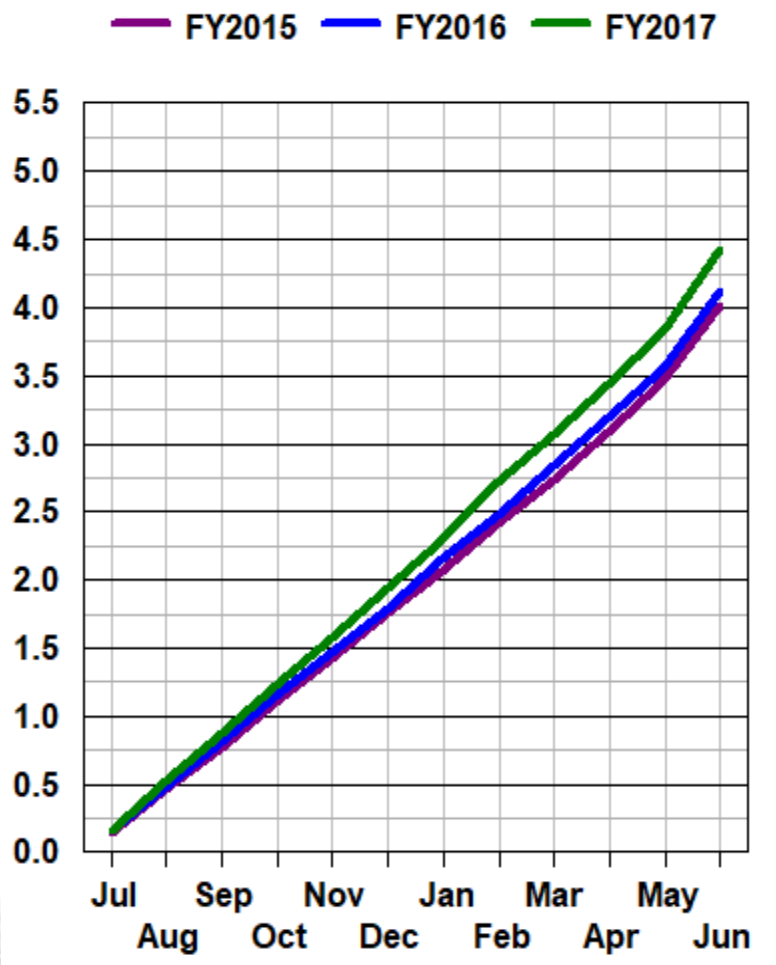
FY2021 Collections To-Date



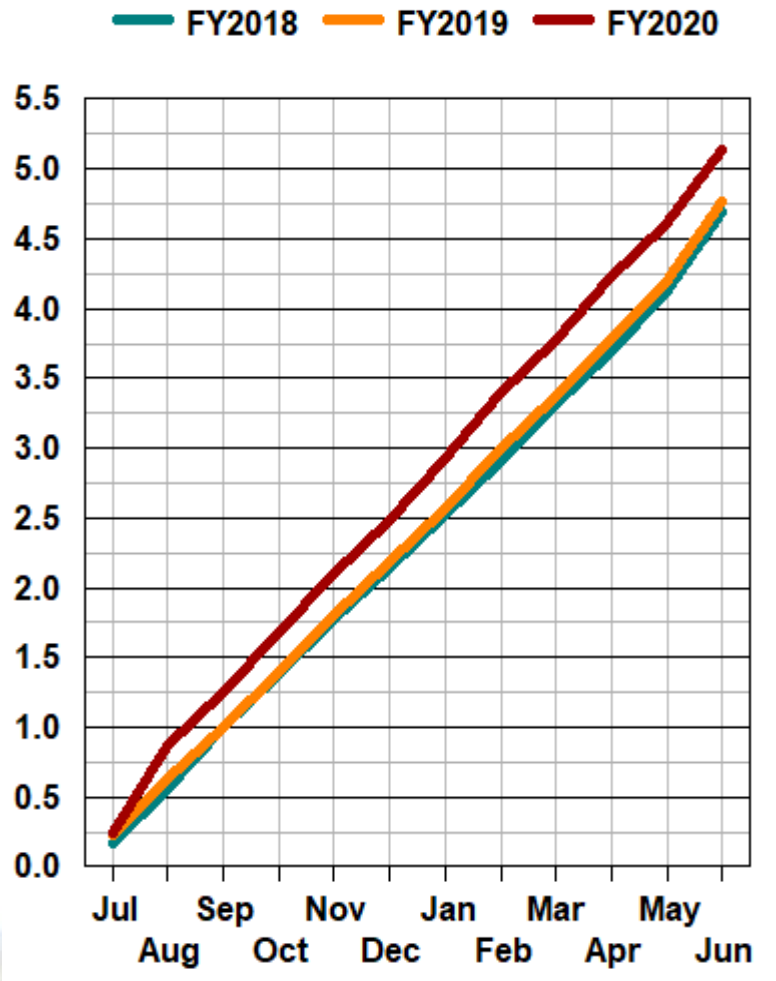
(All amounts are in Millions)

# State Shared Revenues Accumulated Collections by Month

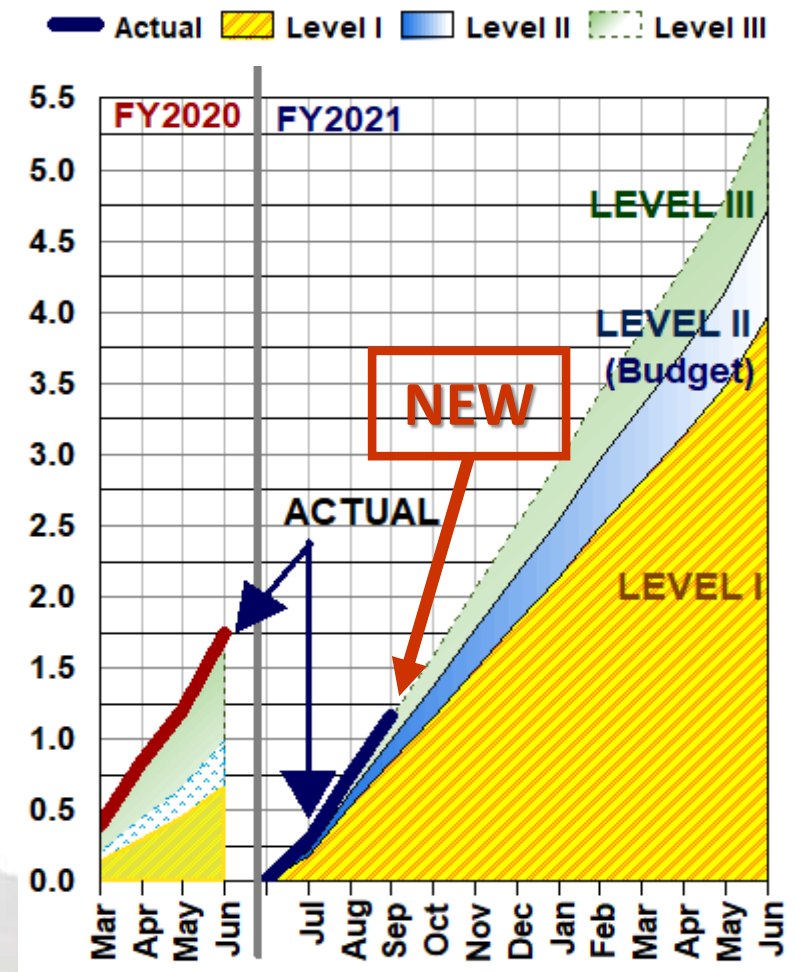
Historical FY2015 to FY2017



Historical FY2018 to FY2020



Current Actual FY2021



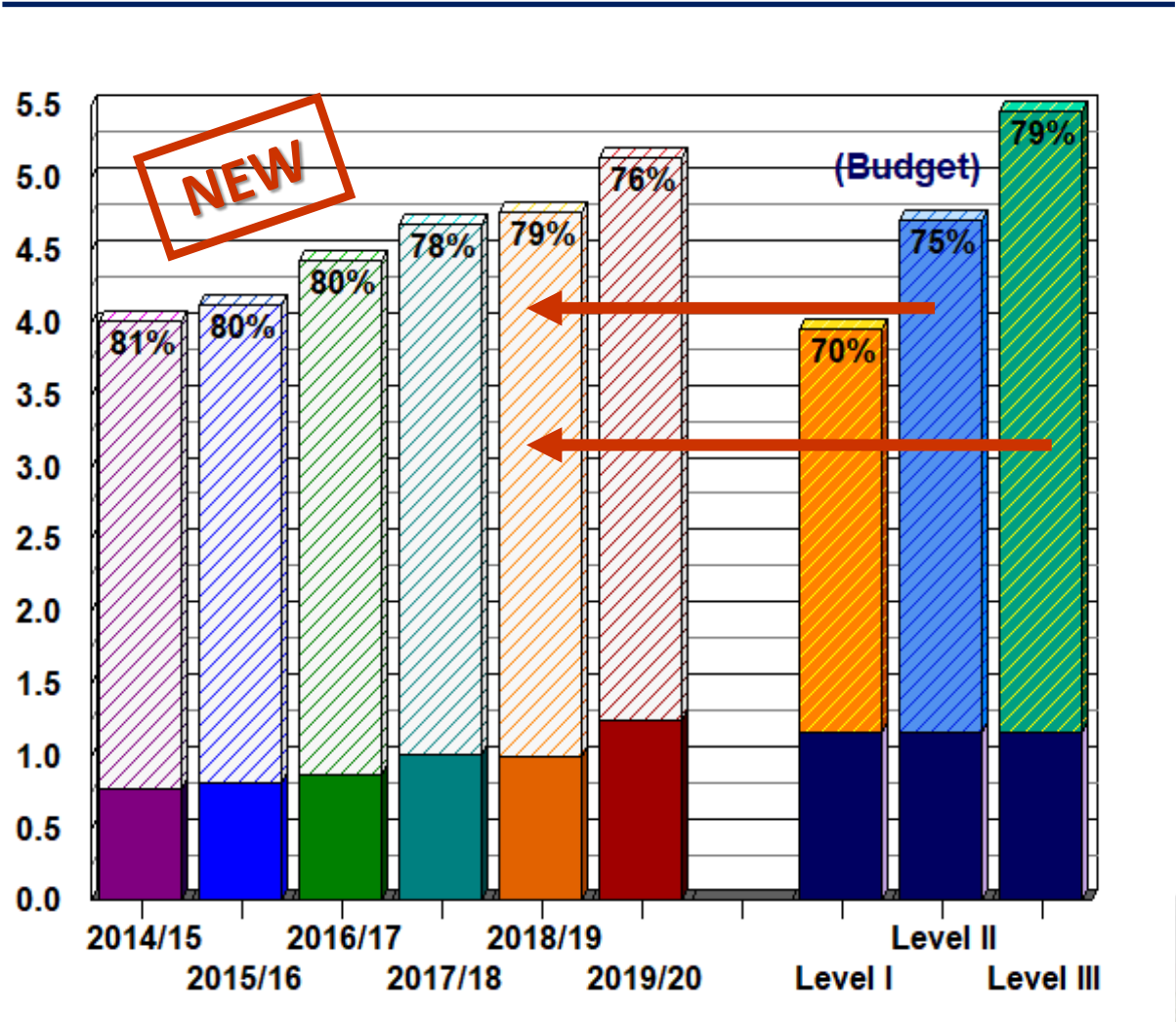
(All amounts are in Millions)

NEW

# State Shared Revenues

## Conclusion

### INTERPOLATION – PERCENTAGE OF TOTAL



(All amounts are in Millions)

### SUMMARY

- ▶ The Town budgeted State Shared Revenues, in aggregate, at **LEVEL II** to ensure the Town does not over extend expenditures and not to over restrict operations.
- ▶ As this revenue sources moves to **LEVEL III**, priorities can be authorized by the Mayor and Council. (Feb-June '21)
- ▶ If this revenue shows signs of moving to **LEVEL I**, the Mayor and Council would be notified and mitigating actions assessed for considerations, if necessary.

#### Factors impacting FY2021:

- ▶ The overall economic condition and activity of the State.
- ▶ The Town's population growth compared to the rest of the State; revenues are distributed based on population
- ▶ Revenue is trending slightly above in the **LEVEL II** range.

#### State Shared Revenues include:

- ▶ State income tax (last year's taxes paid);
- ▶ State transaction privilege tax (steady);
- ▶ Automobile taxes and licensing (strong) ; and
- ▶ "HURF" Highway User Revenue Fund (very strong).

July, August,



# CONSTRUCTION AND CONTRACTING TRANSACTION PRIVILEGE TAX (TPT)

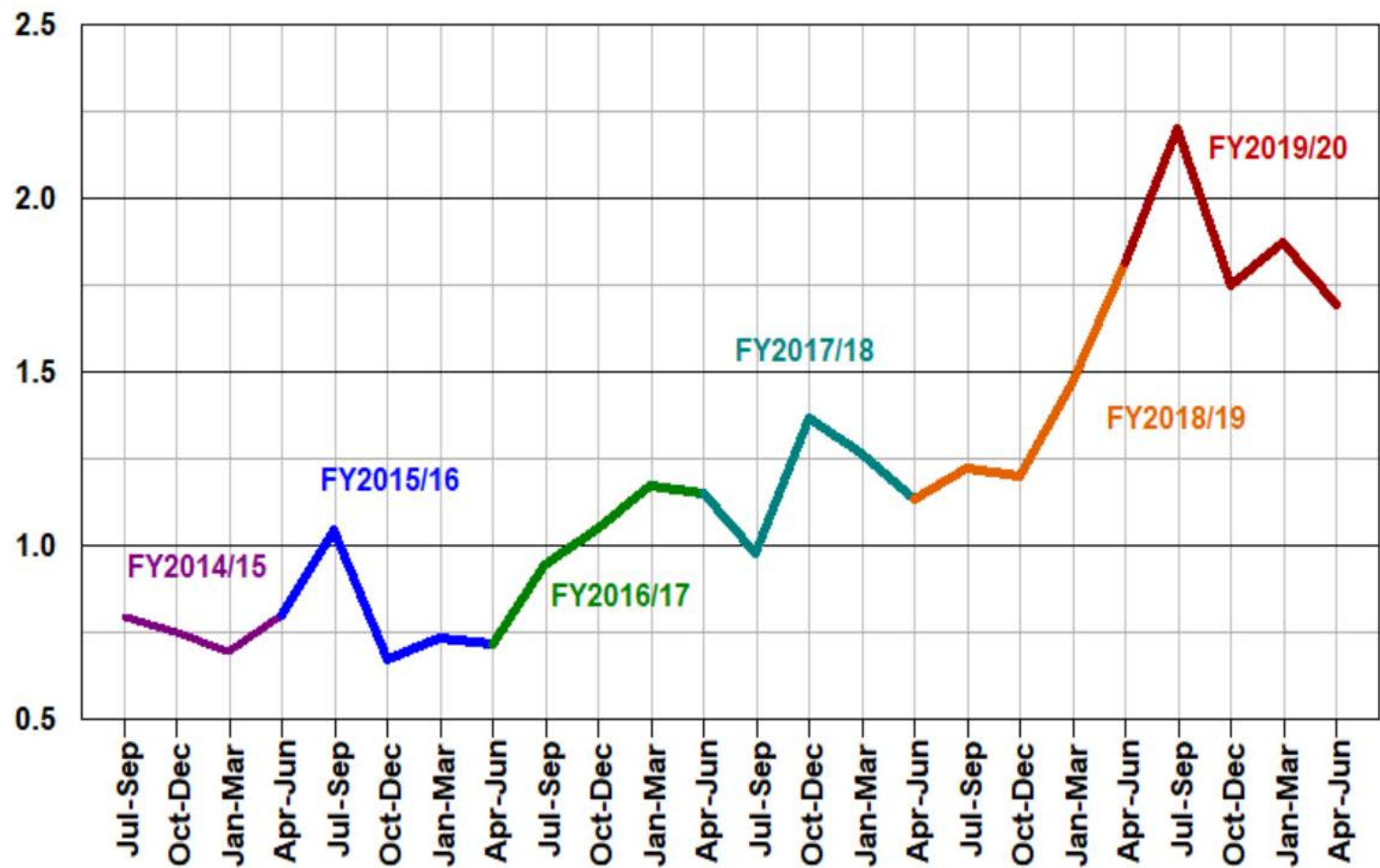


October 22<sup>nd</sup>, 2020

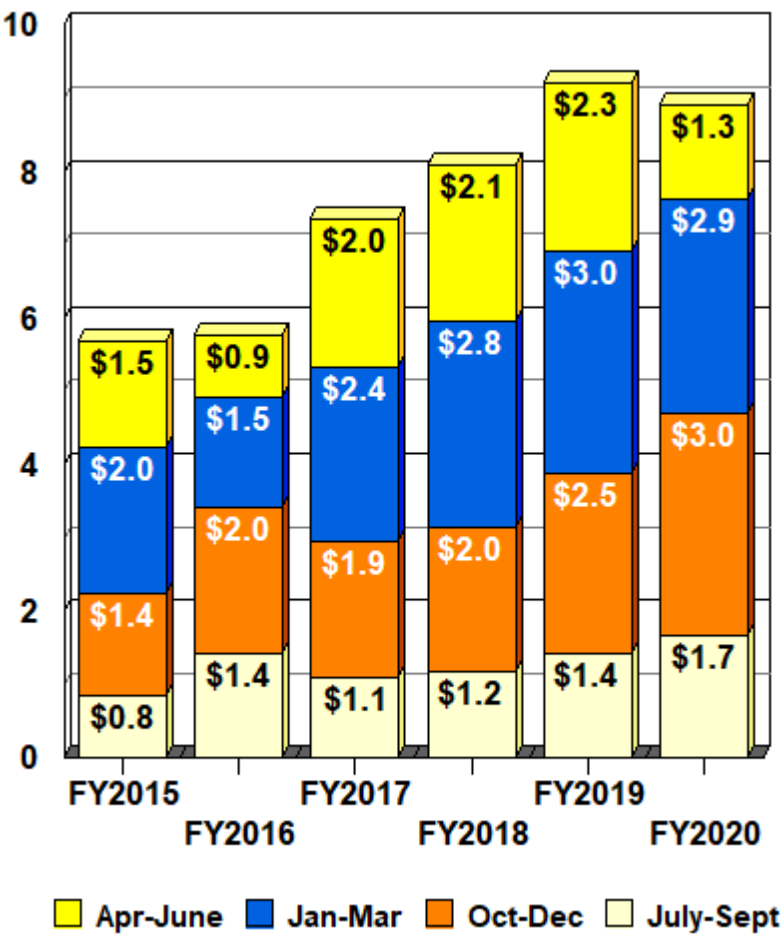
# Construction & Contracting TPT

# Quarterly Collections

Actual Quarterly Collections



Total and Amount by Quarter

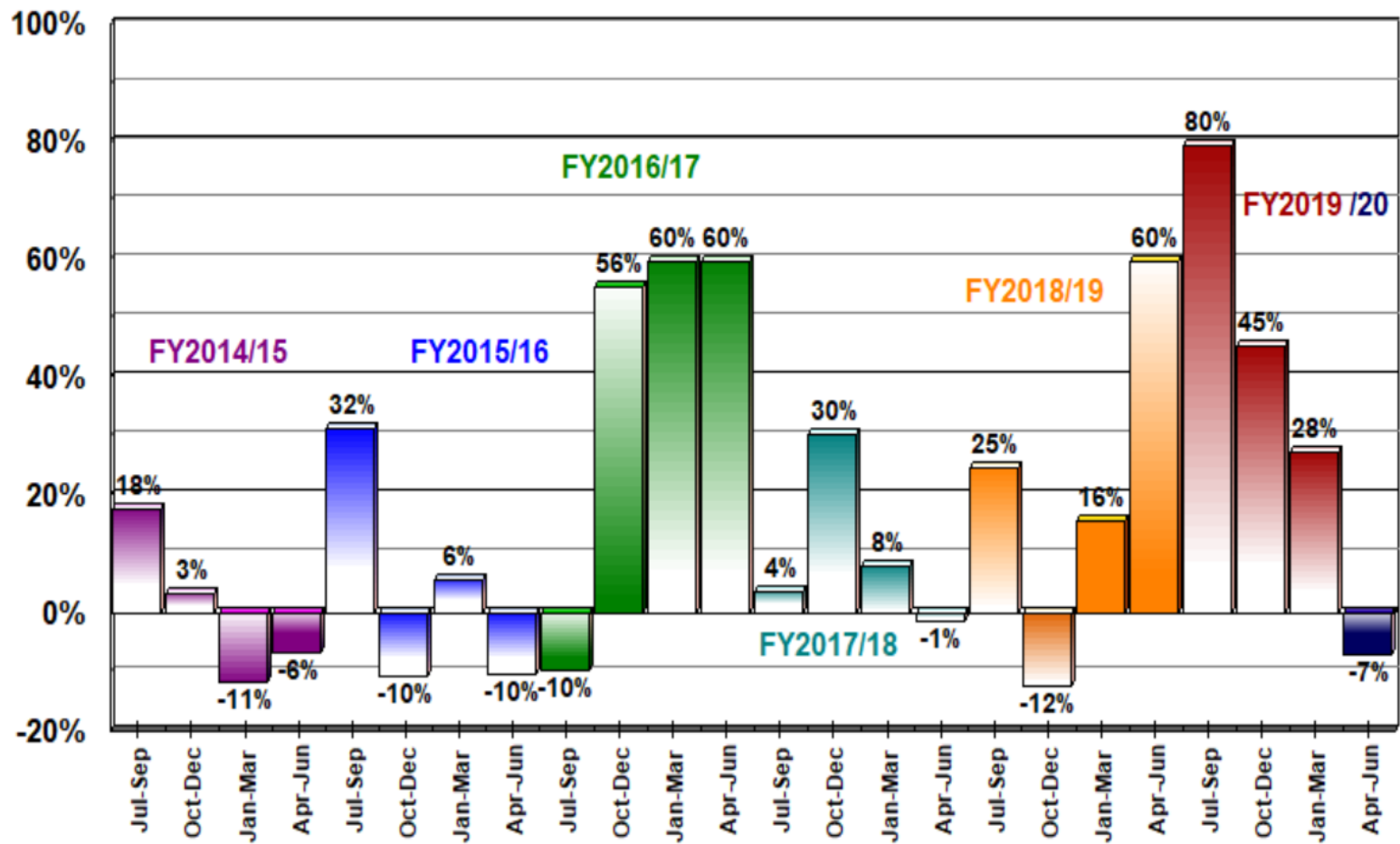


(All amounts are in Millions)

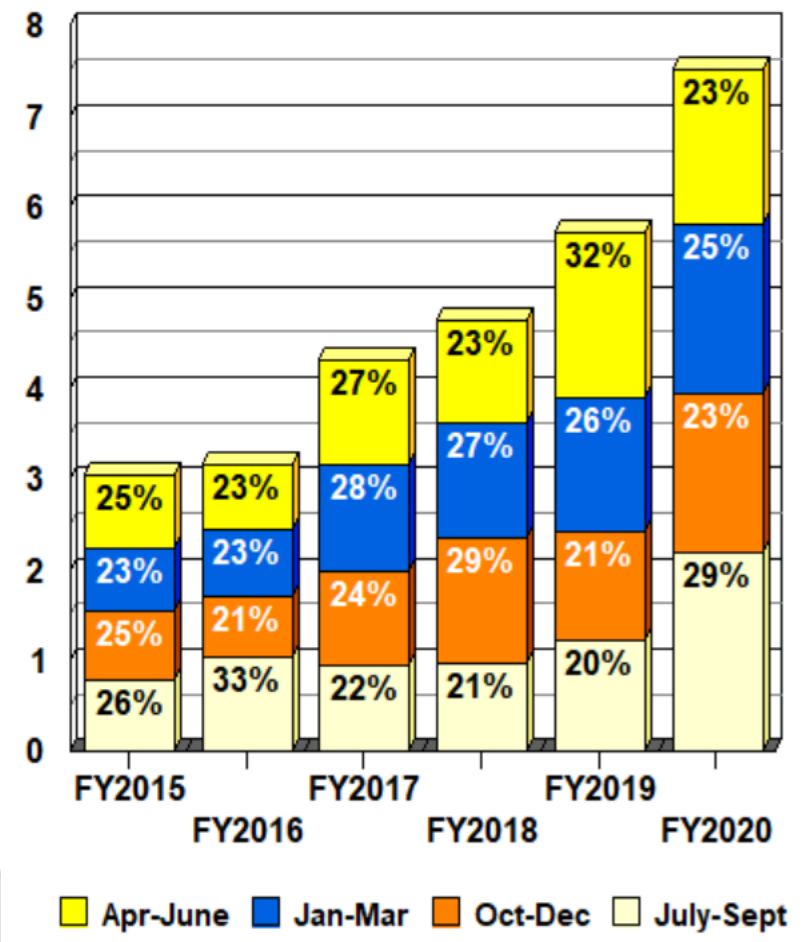
# Construction & Contracting TPT

# Quarterly Collections

Change in Quarterly Collections from Previous Year



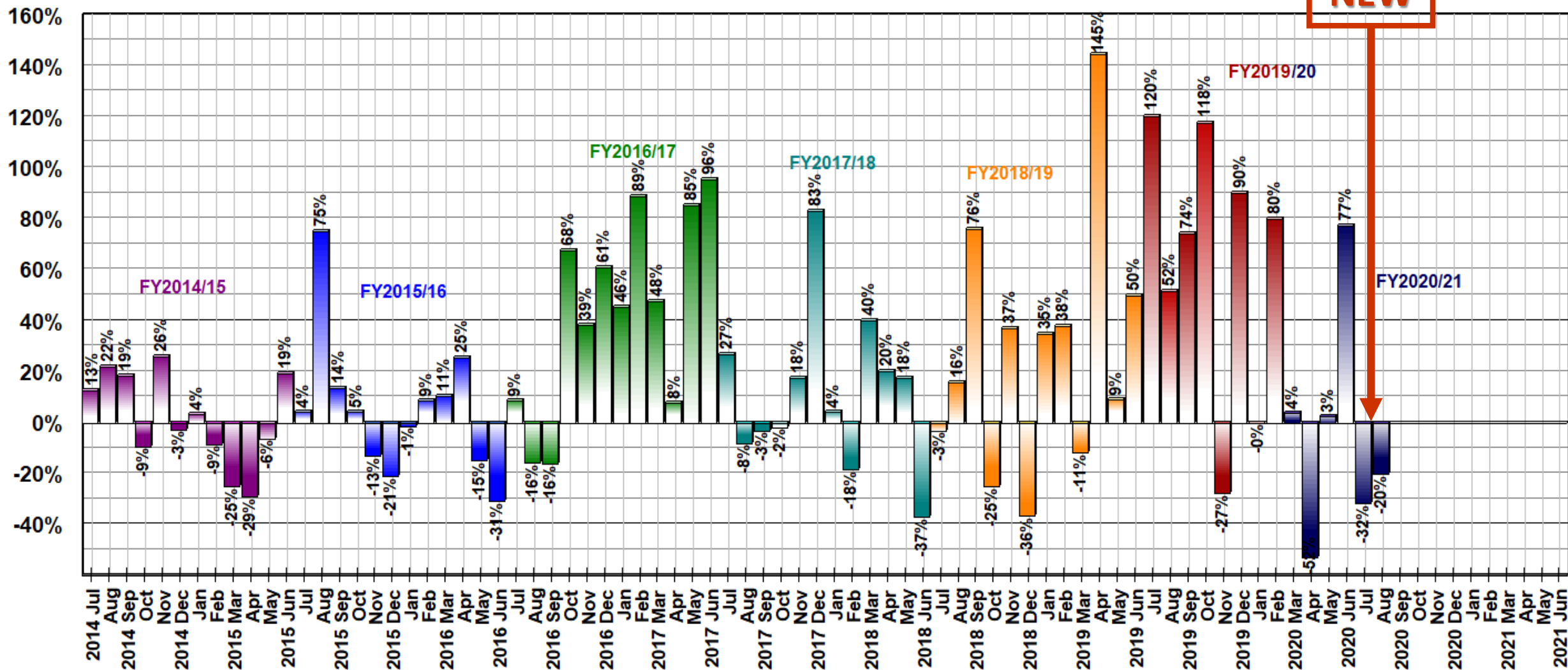
Total and Percentage by Quarter



(All amounts are in Millions)

# Construction & Contracting Change in Monthly Collections

Change in Monthly Collects from Previous Year

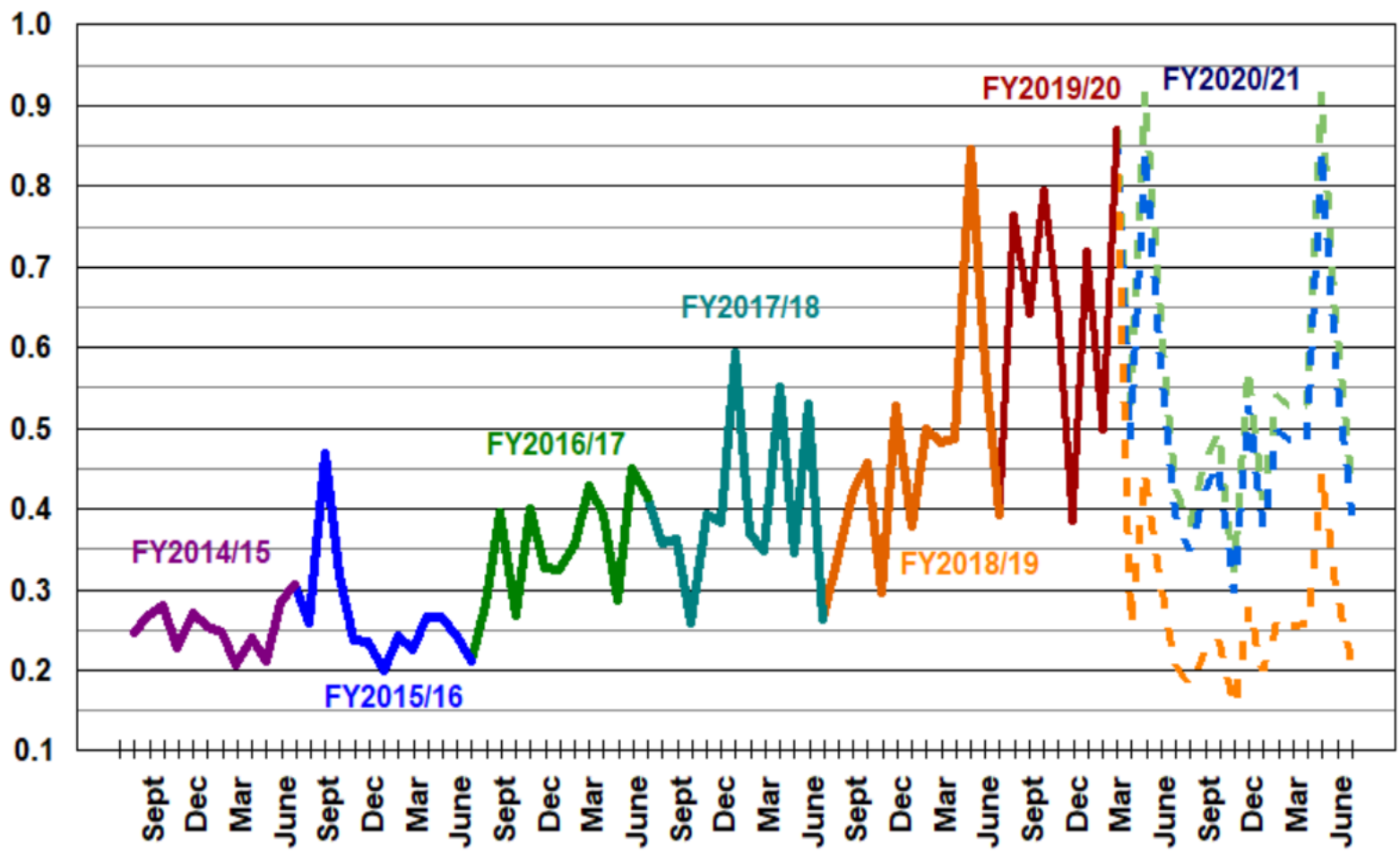




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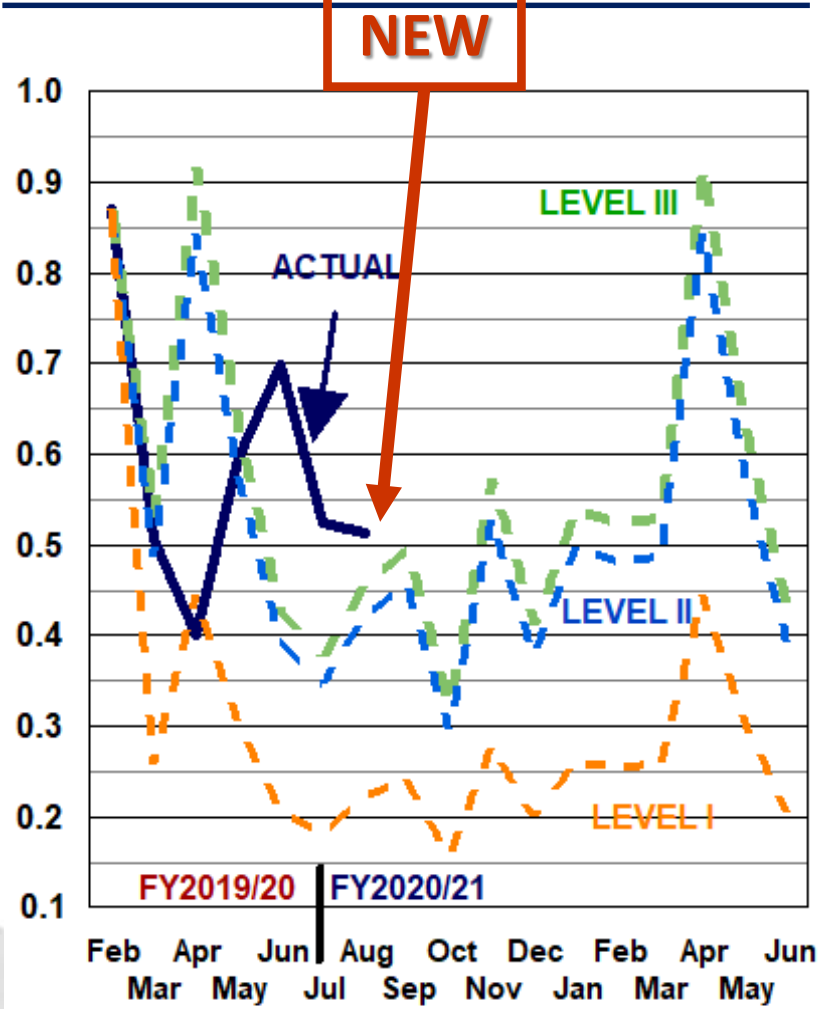
# Construction & Contracting TPT Actual Monthly Collections

Historical FY2015 to FY2020 and FY2021 Revenue Levels



(All amounts are in Millions)

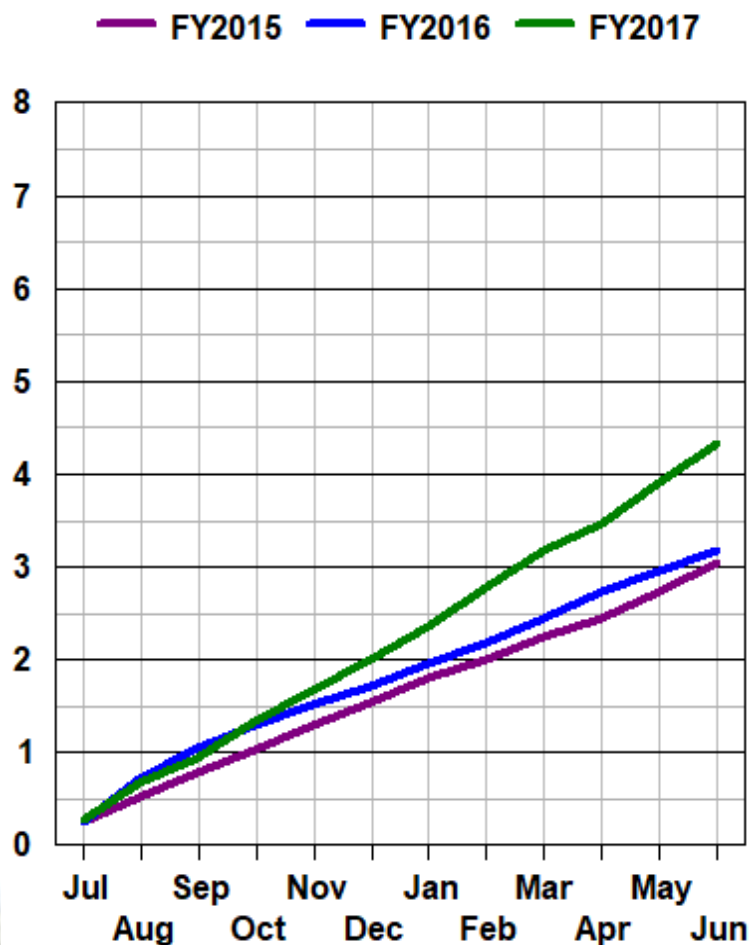
FY2021 Collections To-Date



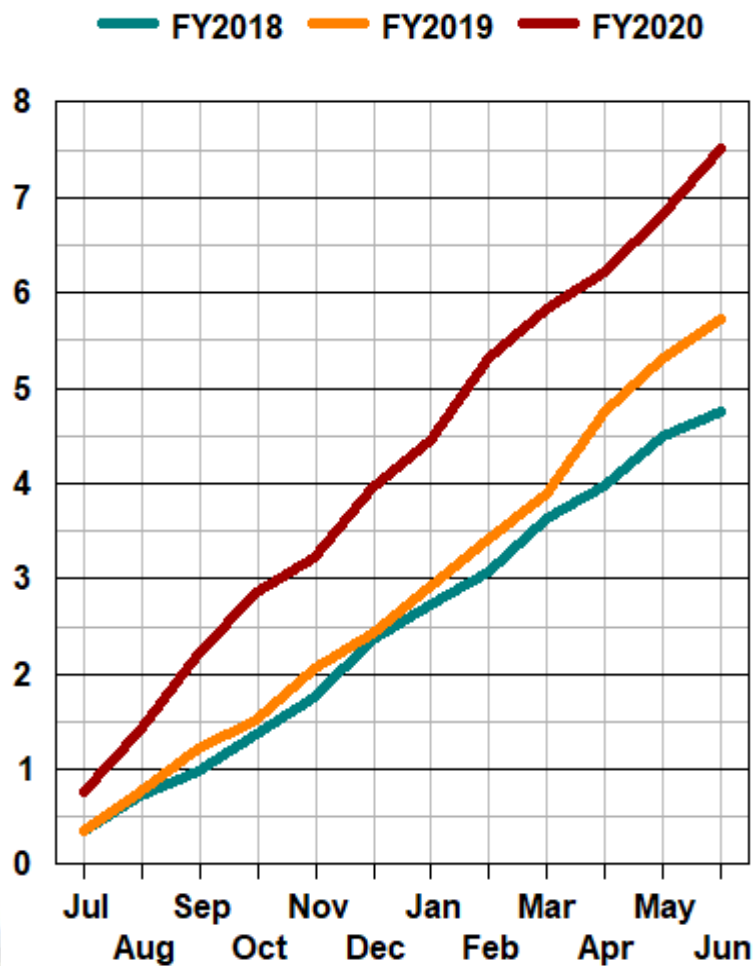
# Construction & Contracting

## Accum. Collections by Month

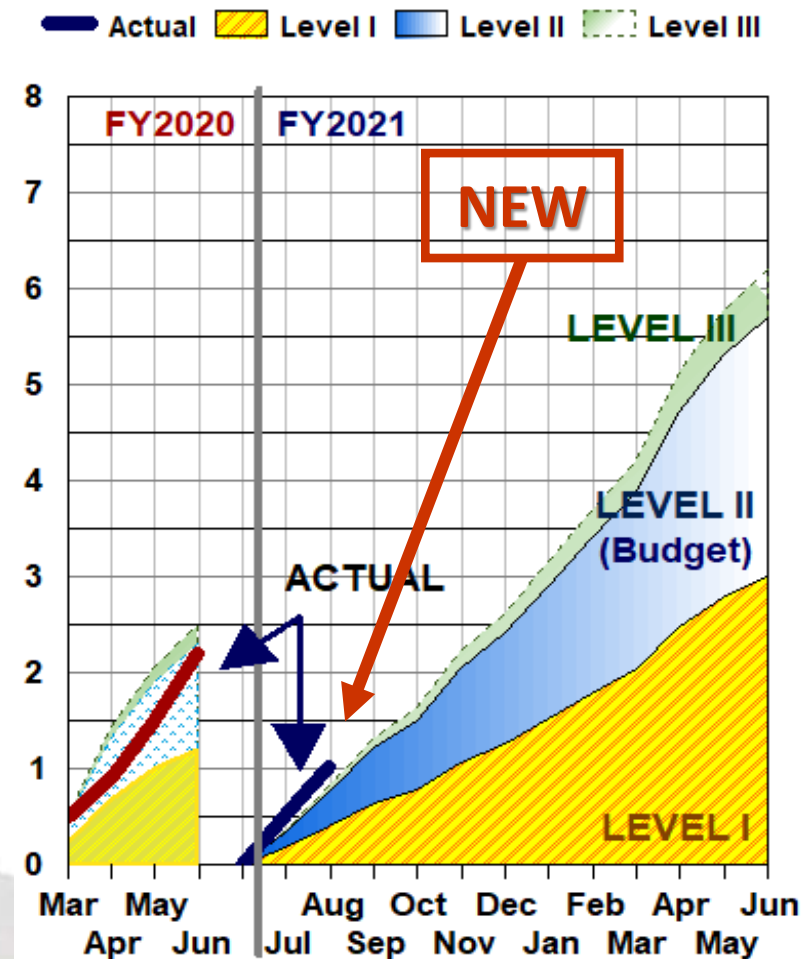
Historical FY2015 to FY2017



Historical FY2018 to FY2020



Current Actual FY2021



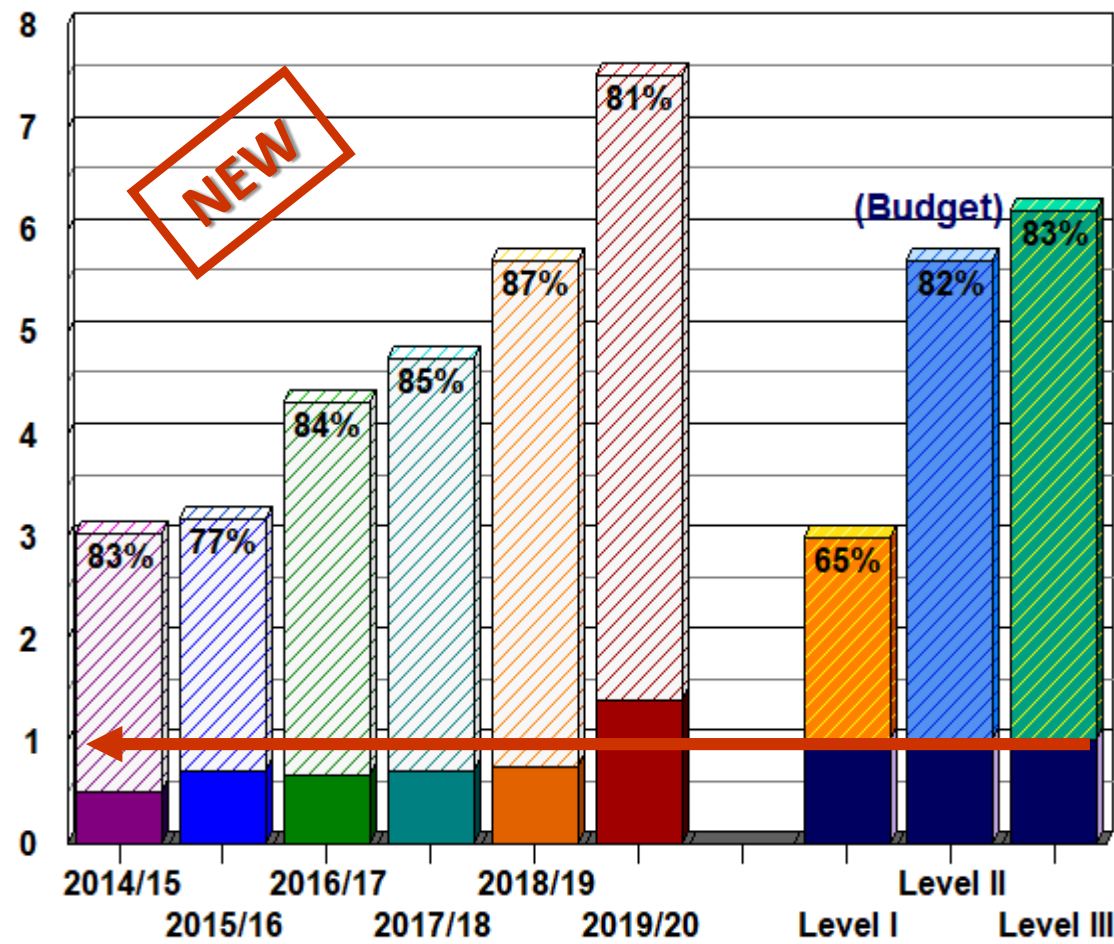
(All amounts are in Millions)

NEW

# Construction & Contracting TPT

## Conclusion

### INTERPOLATION – PERCENTAGE OF TOTAL



(All amounts are in Millions)

### SUMMARY

- ▶ The Town budgeted Construction TPT at **LEVEL II** to ensure the Town does not over extend CIP expenditures.
- ▶ Per Town policy, if this revenue moves to **LEVEL III**, it is transferred to the Capital Improvement Program (CIP), where it will be placed in a contingency account for subsequent budgets and Council considerations.
- ▶ If this revenue shows signs of moving to **LEVEL I**, the Mayor and Council would be notified and mitigating actions assessed for considerations if necessary; this would most likely impact subsequent years' CIP.

#### Factors impacting FY2021:

- ▶ Though some sectors slumped since March 2020, construction in Paradise Valley continued to be strong.
- ▶ Major developments are still on the horizon.
- ▶ The first \$500,000 Construction TPT collected funds general Town operations; all collections in excess of \$500,00 funds the Town's CIP.

# BUILDING PERMITS



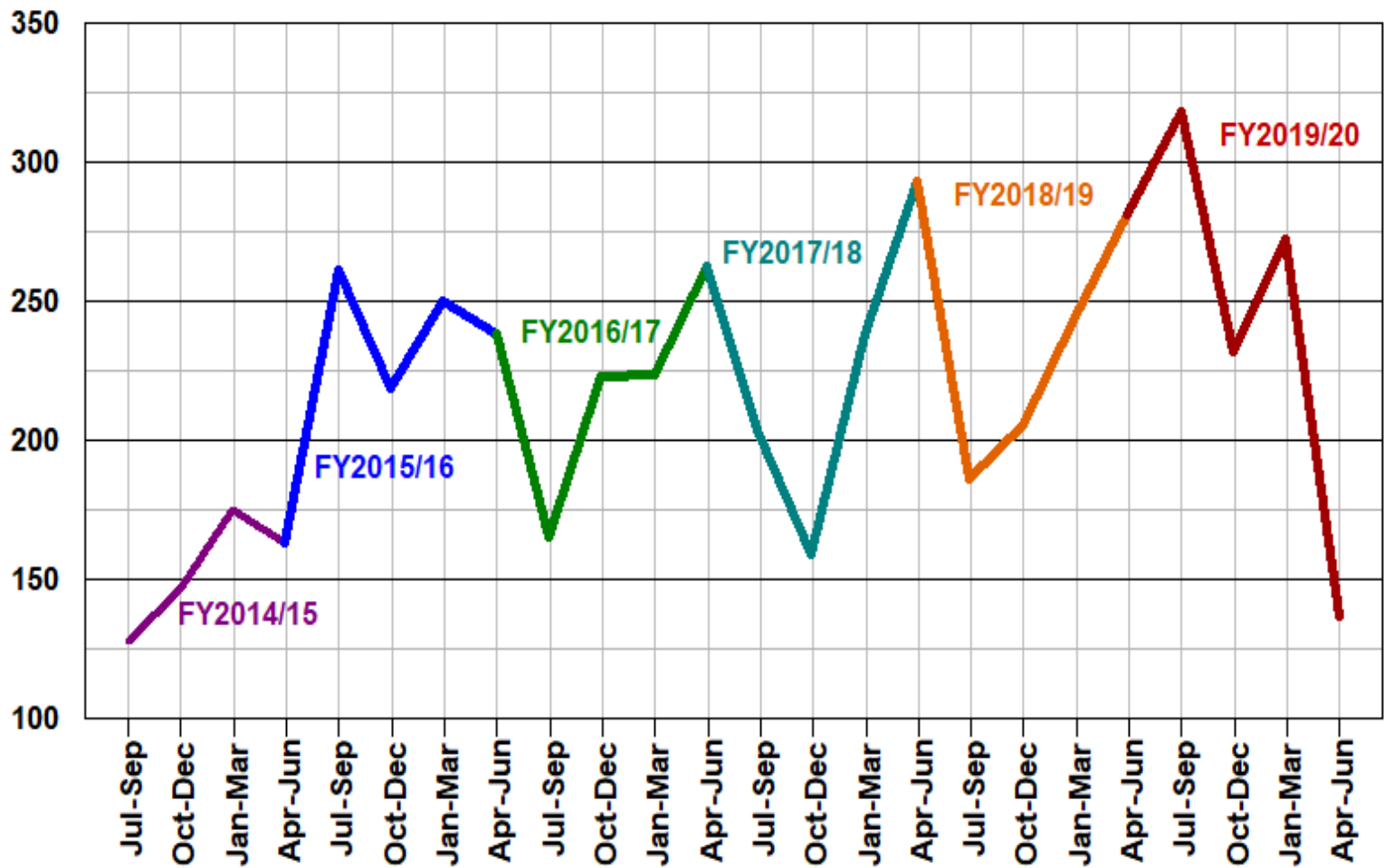
**October 22<sup>nd</sup>, 2020**



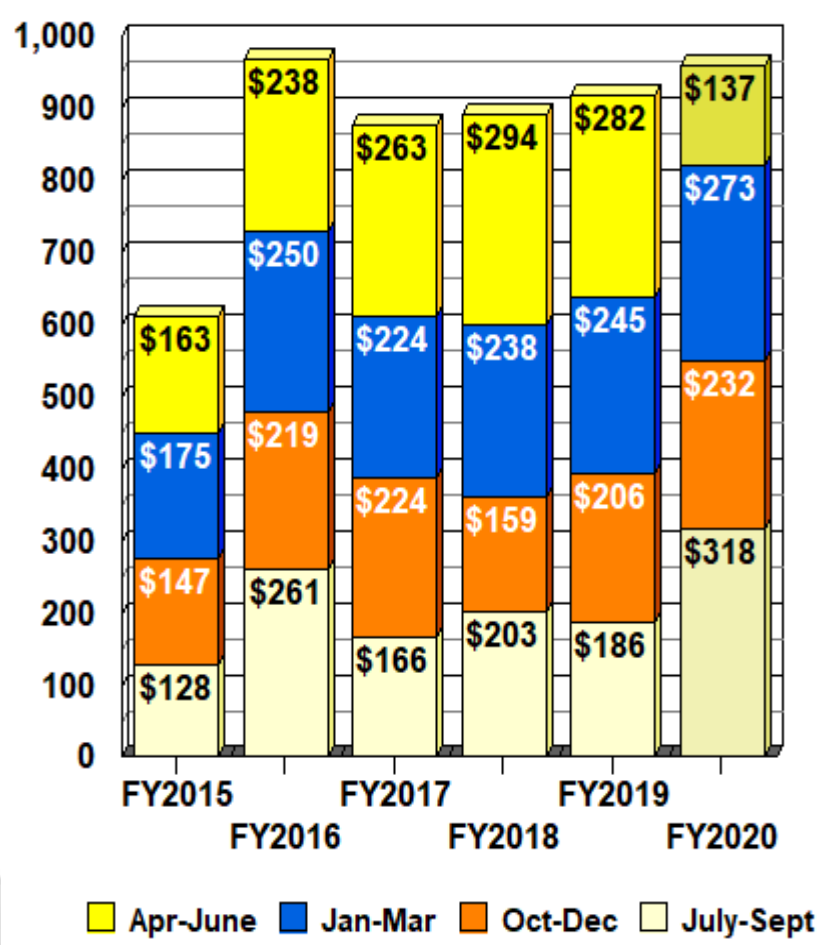
# Building Permits

# Quarterly Collections

Actual Quarterly Collections



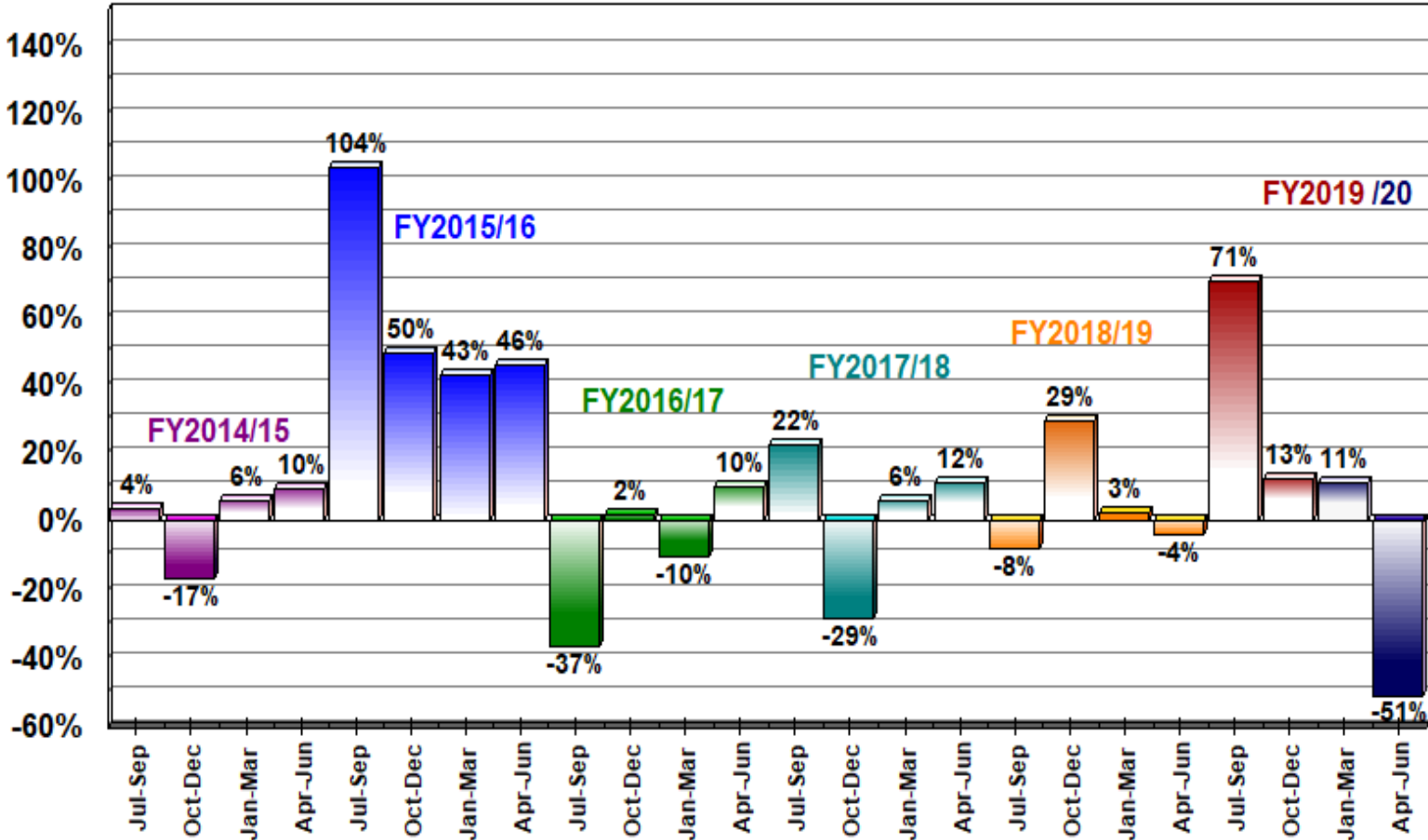
Total and Amount by Quarter



(All amounts are in Thousands)

# Building Permits

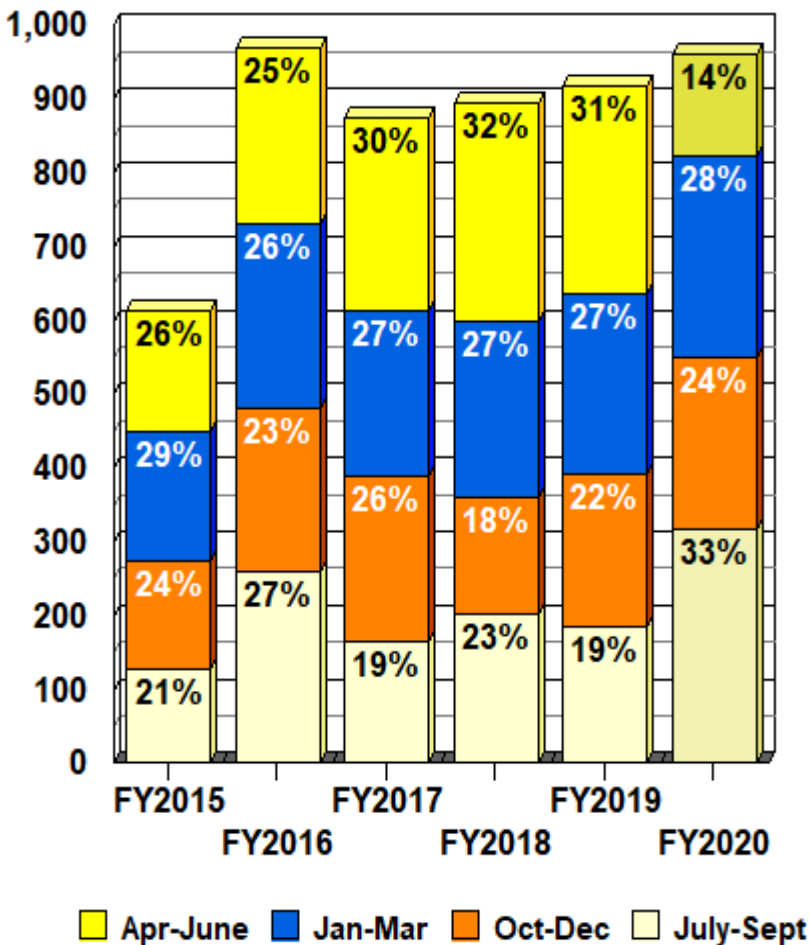
Change in Quarterly Collections from Previous Year



(All amounts are in Thousands)

# Quarterly Collections

Total and Percentage by Quarter

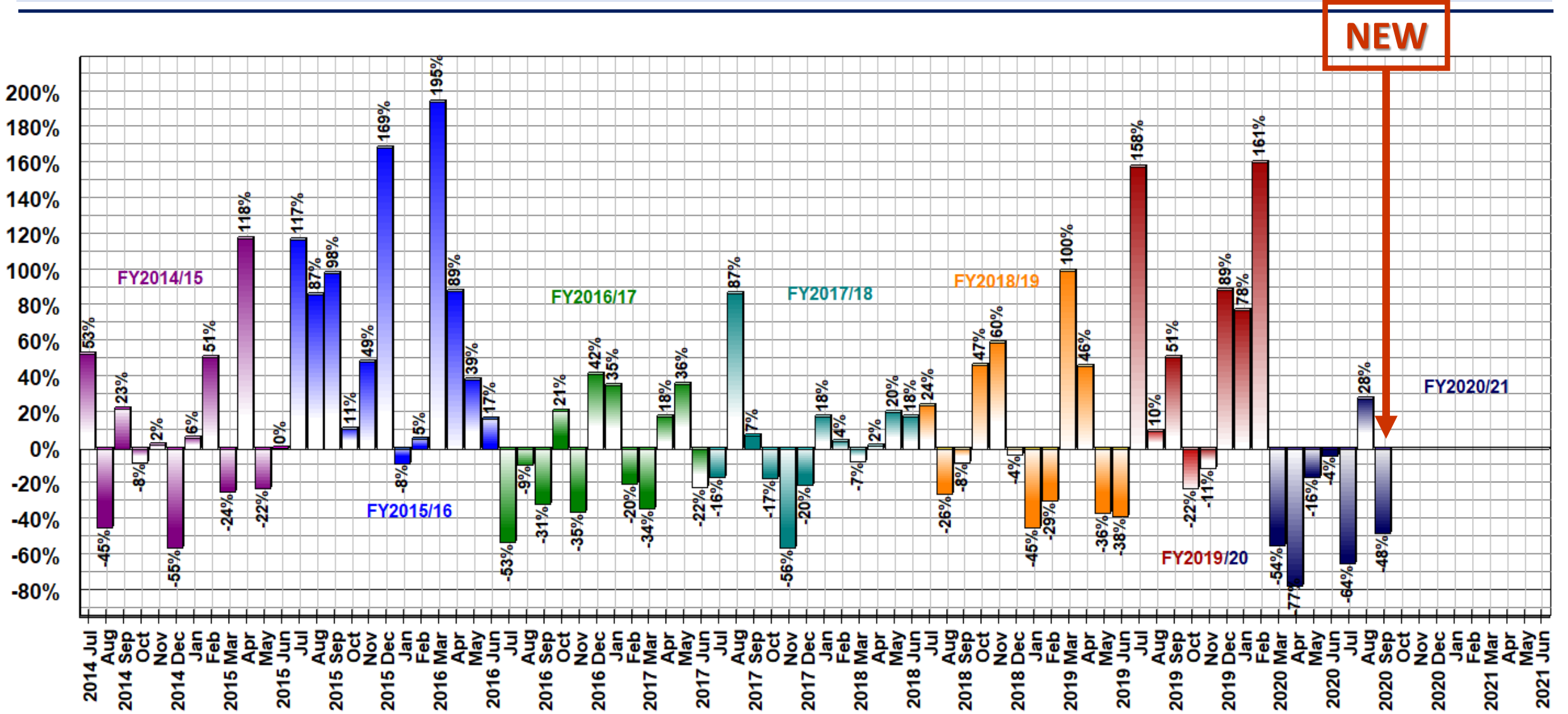


NEW

# Building Permits

# Change in Monthly Collections

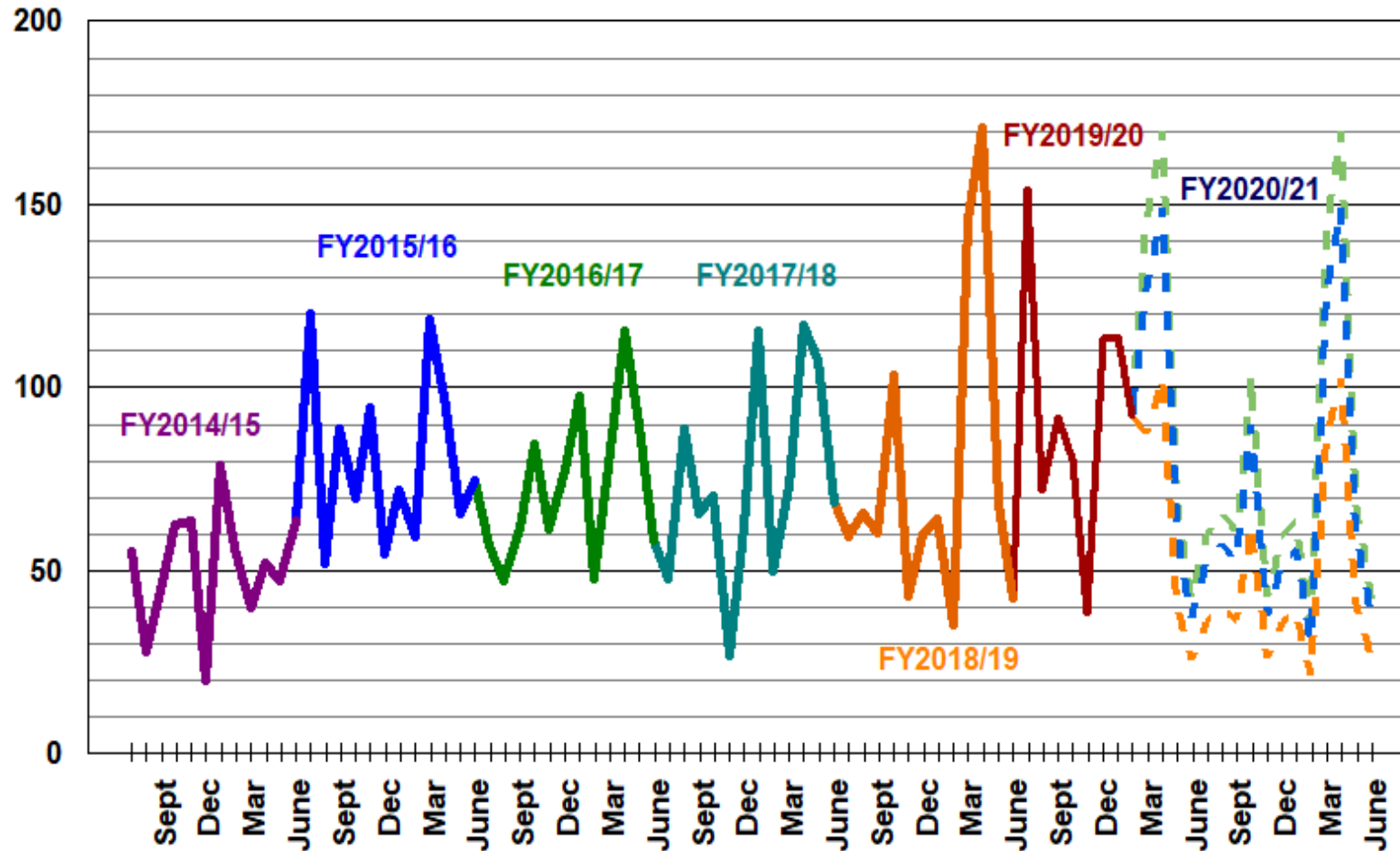
Change in Monthly Collects from Previous Year



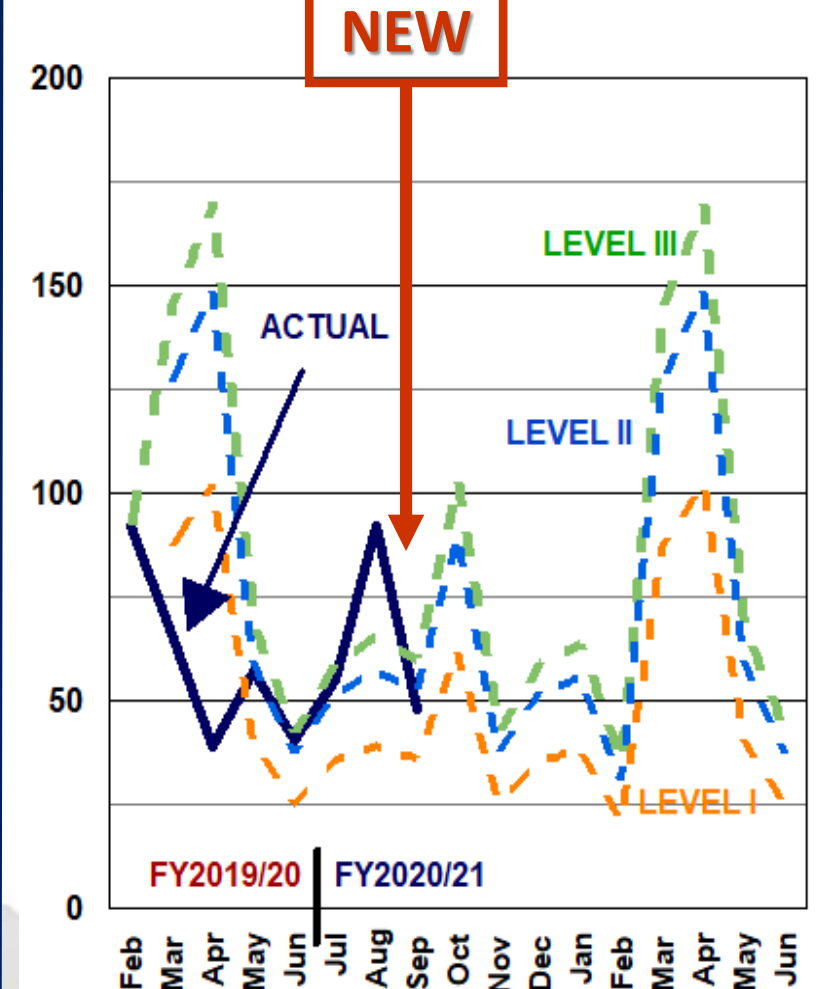
# 36 **NEW** Building Permits

## Actual Monthly Collections

Historical FY2015 to FY2020 and FY2021 Revenue Levels



FY2021 Collections To-Date



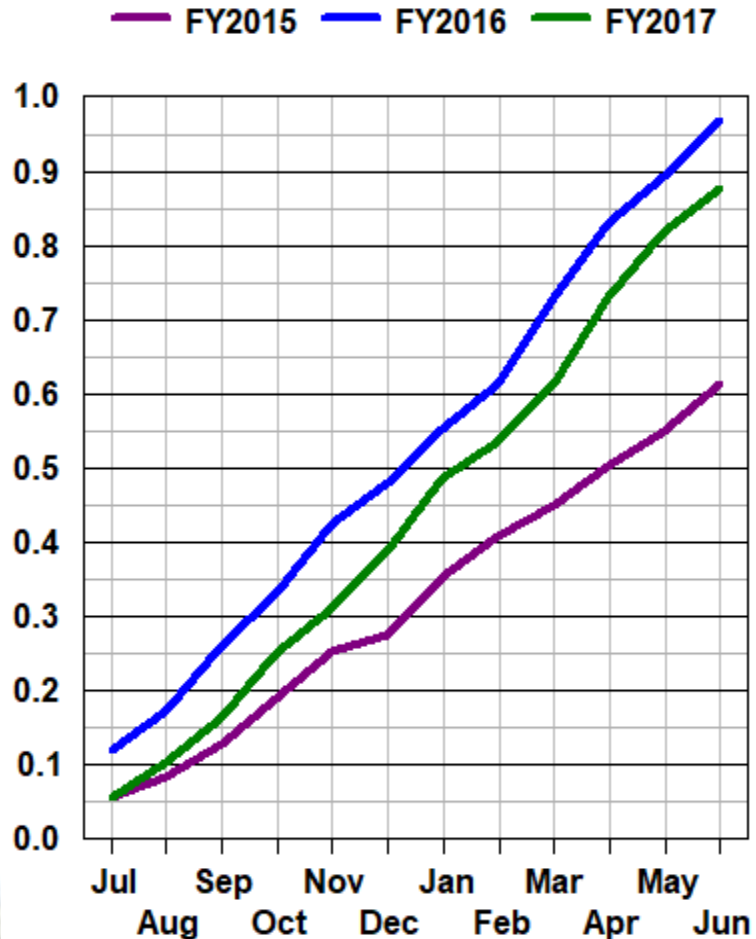
(All amounts are in Thousands)



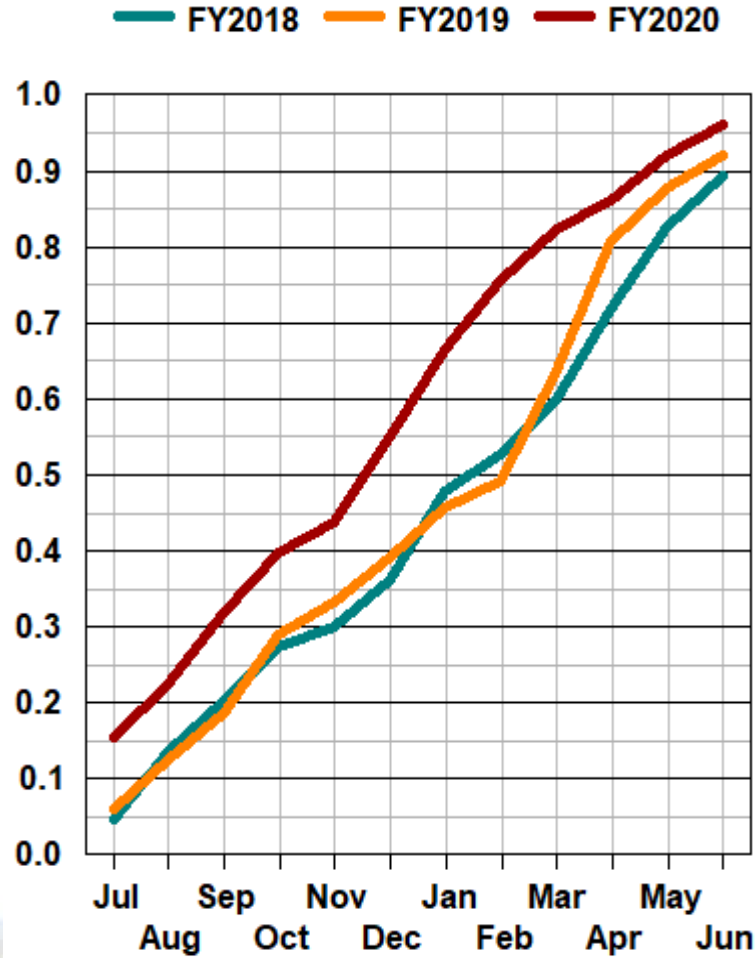
# 37 **NEW** Building Permits

## Accum. Collections by Month

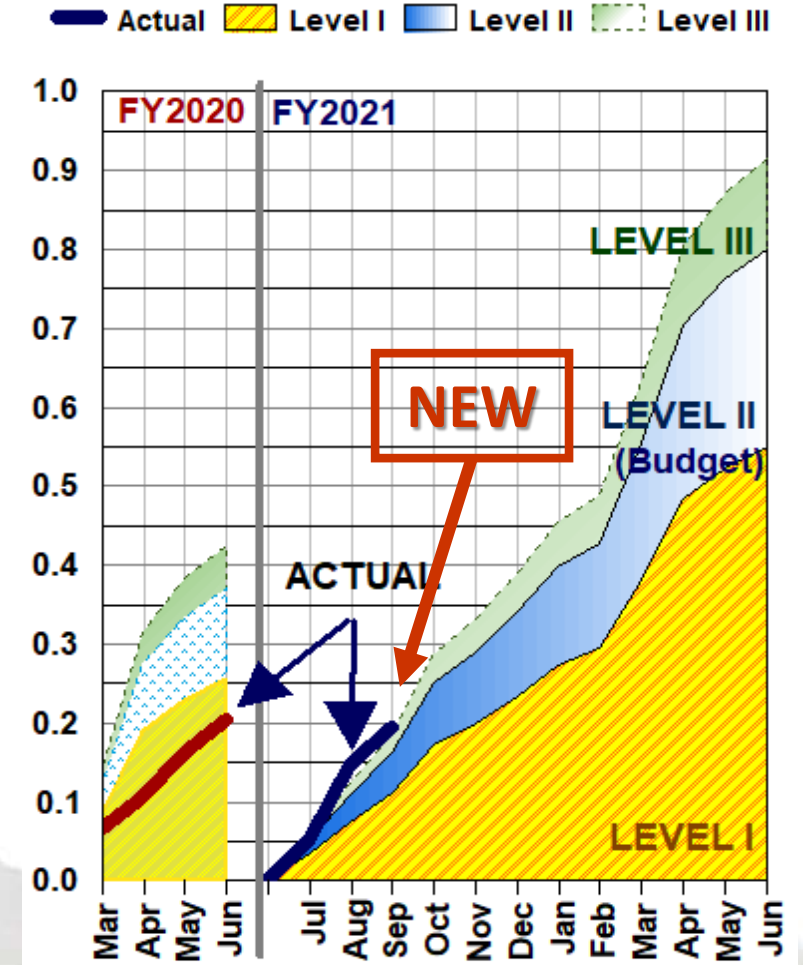
Historical FY2015 to FY2017



Historical FY2018 to FY2020



Current Actual FY2021

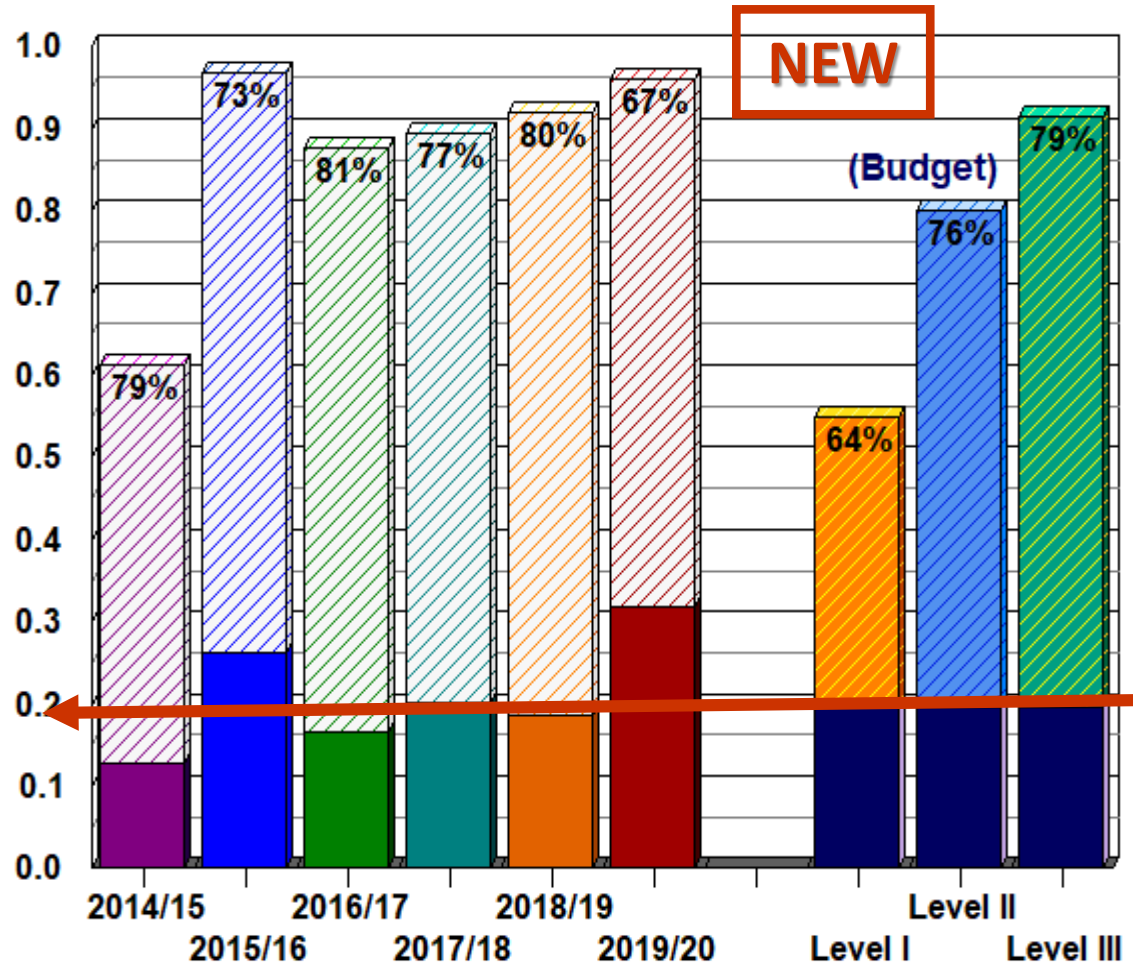


(All amounts are in Millions)

# 38 **NEW** Building Permits

## Summary

### INTERPOLATION – PERCENTAGE OF TOTAL



(All amounts are in Millions)

### SUMMARY

- ▶ The Town budgeted Building permits at **LEVEL II** to ensure the Town does not over extend expenditures, but not under estimate activity.
- ▶ If this revenue shows signs of slowing to **LEVEL I**, the Mayor and Council will be notified and mitigating actions assessed for considerations if necessary.

#### Factors impacting FY2021:

- ▶ Though some sectors slumped since March 2020, construction in Paradise Valley continued to be strong.
- ▶ Major developments are still on the horizon.
- ▶ The first \$550,000 of Building permit revenue collected is considered recurring and funds general Town operations; all collections in excess of \$550,00 is considered non-recurring and funds non-recurring expenditures.

# INVESTMENT INCOME



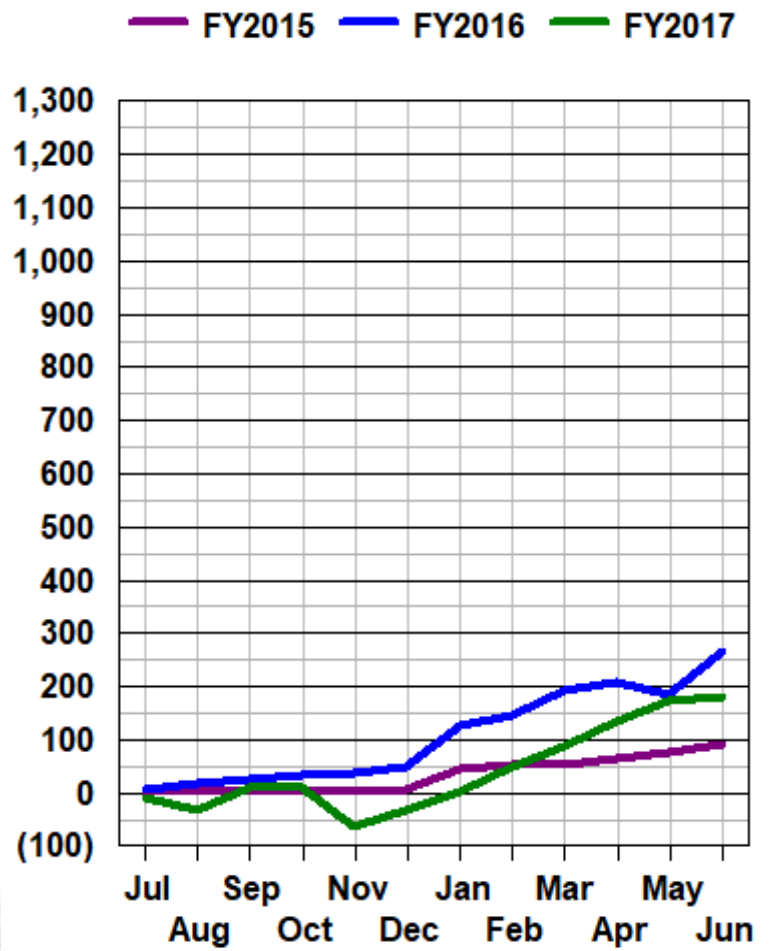
October 22<sup>nd</sup>, 2020

NEW

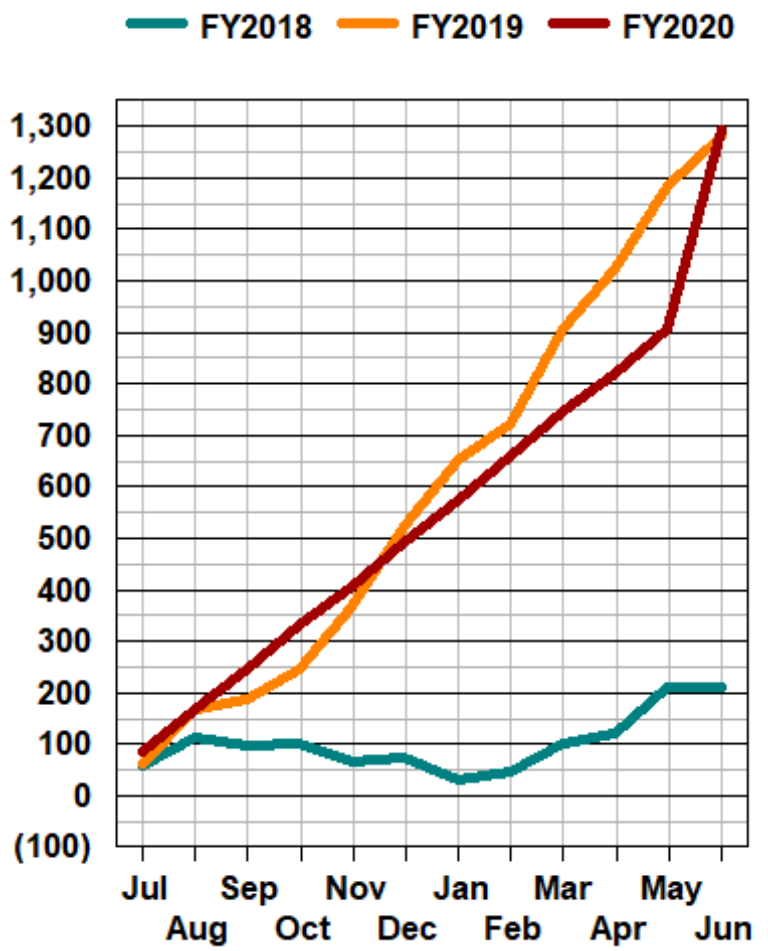
# Investment Income

# Accum. Collections by Month

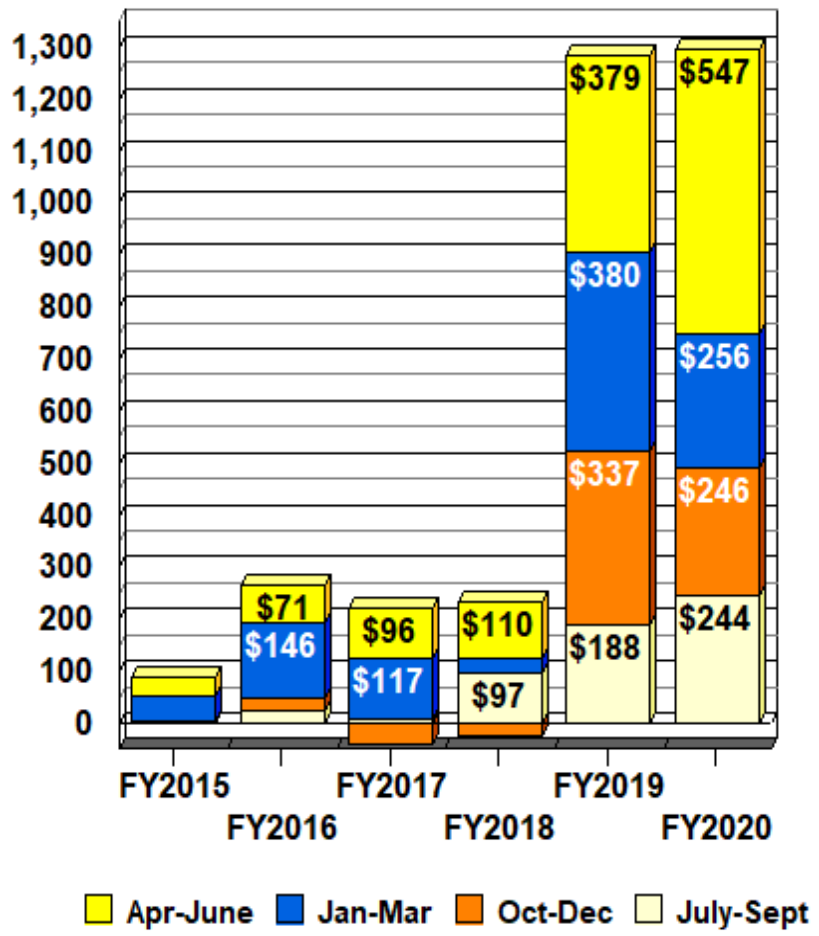
Historical FY2015 to FY2017



Historical FY2018 to FY2020



Total and Amount by Quarter

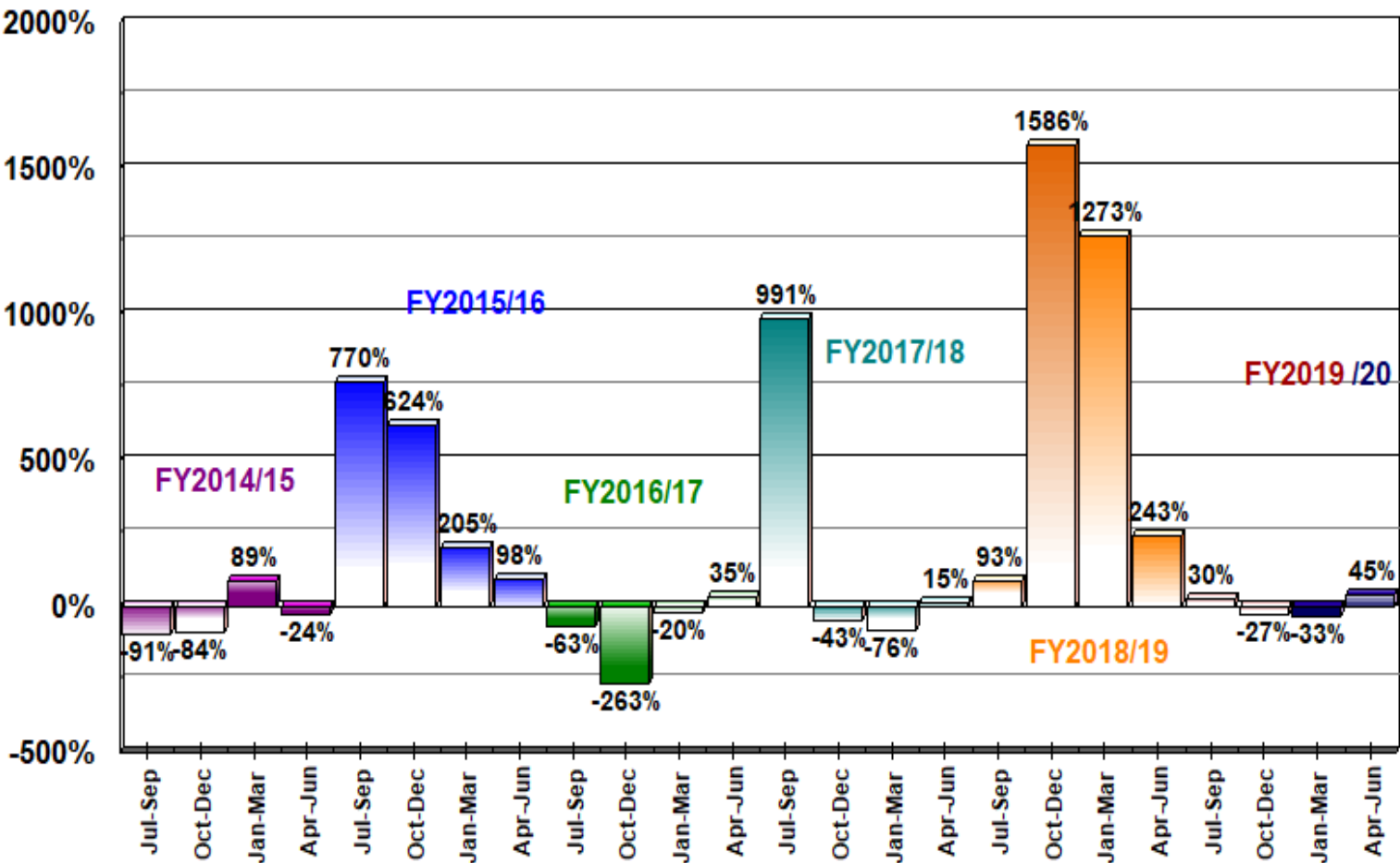


(All amounts are in Thousands)



# Investment Income

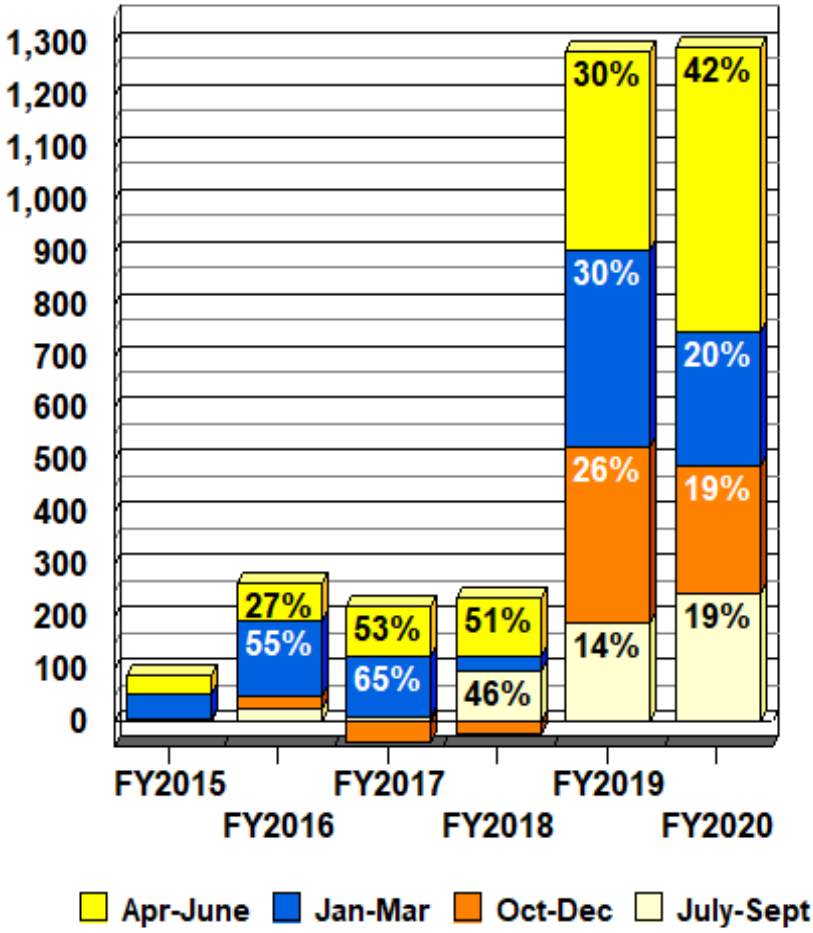
Change in Quarterly Collections from Previous Year



(All amounts are in Thousands)

# Quarterly Collections

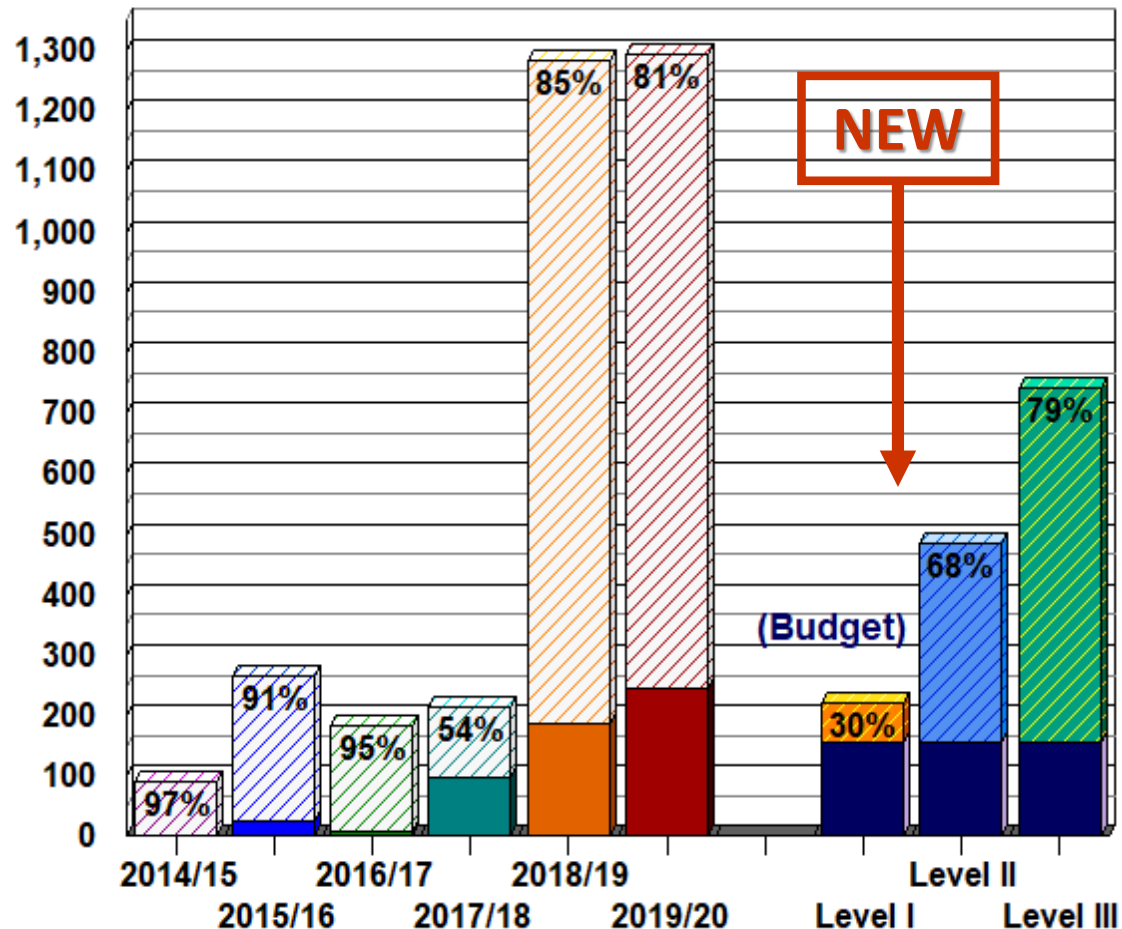
Total and Percentage by Quarter



# 42 **NEW** Investment Income

## Summary

### INTERPOLATION – PERCENTAGE OF TOTAL



(All amounts are in Thousands)

### SUMMARY

- ▶ The Town's budgeted minimum revenue goal for investment incomes is at **LEVEL I**.
  - ▶ The Town does not rely on investment income to support its operations.
  - ▶ Interest earnings are excluded from the Annual Expenditure Limitation AND carries to future years.
  - ▶ Investment objectives are: compliance with state law, security of principal, liquidity, diversity and then yield.
- 
- ▶ The primary factors that effect investment income are:
    - ▶ Interest rates – Currently are Unfavorable
    - ▶ Town's cash position – Favorable
    - ▶ % of idle vs working cash – Very Favorable
  - ▶ With interest rates in the "fixed income market" projected to continue to be low, expectations for investment income is low as well.

# Conclusion

# Next Steps

## RECOMMENDATION

- As outlined with the FY2021 budget:
- ▶ Continue to provide monthly financial updates.
    - ❖ Cycle different revenues, focus on most impactful to the Town’s finances.
    - ❖ Provide notice if any revenue trend or risk indicator signals a materially adverse impact to the Town’s financial condition.
  - ▶ Assess the Town’s financial factors, risk indicators, service levels and operational priorities to bring options for Council’s consideration in October 2020.
  - ▶ Remain flexible, adaptive, patient and ready to transition as needed.

## OPENING BUDGET PRIORITIES

- ▶ Management recommendations to open budget priorities is backed with confidence that the current conditions can financially sustain the program(s) over the short and long term.
- ▶ By using an “easing in” approach, the Town’s budget remains fluid, flexible, adaptable and focused on delivering high quality services that are sustainable.
- ▶ Management is cautious not over extend the Town and risk the need to pull back on programs or service commitments, unless warranted to mitigate an unforeseen economic crisis.

## CONSIDERATION FACTORS FOR PRIORITIES

- ▶ Sustainability and impact of overall Town operations.
- ▶ One-time revenues are not used for recurring programs.
- ▶ Recurring revenues can be used for capital, contractual and other one-time expenditures.
- ▶ Continue to maintain an appropriate level of Emergency Reserves for unforeseen emergencies.

# REVENUE LEVELS AND EXPENDITURE PRIORITIES



October 22<sup>nd</sup>, 2020

# Revenue Levels

# Expenditure Priorities

Revenue levels and expenditure priorities are not directly correlated. **Revenue levels** measure the current economic condition and monitor progress. **Expenditure priorities** are based on services levels and have mechanisms to fluidly transition as revenues rebound and poised to adjust if revenues slump.

## REVENUE REBOUND LEVELS

- LEVEL I:** Based on a worse case scenario based on actual or historical data, like an economic shutdown.
- LEVEL II:** Current crisis has not materially impacted. Revenues remain steady or a slight reduction. Such as a contract or franchise.
- LEVEL III:** Presumes the economic activity driving the revenue has not been impacted or the revenue is resuming to FY2019 trends.

The Town experienced sharp drop in certain revenue that was abrupt and deep. With the duration for rebound still uncertain, revenues yield caution. Monthly updates are being provided.

## EXPENDITURE PRIORITIES

- PRIORITY ONE:** Is the base budget, vital, mandated, or primary service(s) that has a direct impact on residents. But not to keep pace with an increase in demands. July1
- PRIORITY TWO:** Has an impact on Town operations and delivery of service, keeps pace with demands. October
- PRIORITY THREE:** Represents the Town was heading in February '20. Poised to resume, all requests are not likely to materialize. Jan-Mar

Preparations will be made to mitigate if the Town's overall revenue recovery is an elongated "L-shape" curve leading to necessitating further budget and service reductions.



# Revenue Levels

- ▶ Though preparations were made to mitigate the worst case scenario, the Town did not make program cuts going into FY2020/21.
- ▶ The Town's solid financial position from previous Mayor & Council's and Management foresight; and
- ▶ Supportive residents, adaptive staff, self-sufficient enterprises, low debt, good road and fleet conditions and strong construction; supported
- ▶ The Town's emergency reserve to provide the safety net to secure the Town's vital services until revenues rebounded.

# Expenditure Priorities

- ▶ For the FY2020/21 Adopted Budget, the Town paused and matched "stress test level revenues" with expenditures by:
- ▶ Freezing hiring, limiting spending, prioritizing programs and deferring major projects & programs.
- ▶ This left the Town in position to be flexible, adaptive, patient and ready to transition back to those deferred programs or continue adjusting operations as economic conditions require.
- ▶ Expenditure Priorities are held in contingency for the Mayor and Council's considerations and approval before resuming those programs.

# CRITICAL QUESTION



October 22<sup>nd</sup>, 2020

# Critical Question ?

# Mayor & Council

After the next few slides: What priorities, **if any**, would the Mayor and Council like to see moved up and programmed in **November's** Budget Amendment Resolution ?

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Total Sources and Uses

III. Contingencies (Expenditures)

RECOMMENDED CONTINGENCIES					ALL FUNDS (EXPENDITURE / EXPENSE)					
Purpose	Total Budget 2020/21	Operating Fund (General + HURF)			Court Grants	Capital Projects	Grants and Donations	Enterprises		
		Priority One	Priority Two	Priority Three				Alarm	Fire	Waste-water
Operating contingency	\$ 1,616,173	\$ 600,000	\$ 68,000	\$ 136,058	\$ 20,000	\$ 554,000	\$ 100,115	\$ 20,000	\$ 90,000	\$ 28,000
PSPRS unfunded liability	5,400,002	-	2,400,000	3,000,002	-	-	-	-	-	-
Employee sick payout (policy)	55,000	55,000	-	-	-	-	-	-	-	-
Merit/appreciation (base/lump)	460,000	-	230,000	230,000	-	-	-	-	-	-
Attorney	250,000	250,000	-	-	-	-	-	-	-	-
Department priorities 2 & 3	3,816,948	-	595,906	3,221,042	-	-	-	-	-	-
Tourism				1,087,741						
Carried from 2020:										
Town-wide fee study	28,000	-	28,000	-	-	-	-	-	-	-
HR studies	35,000	-	-	35,000	-	-	-	-	-	-
CIP contingency	-	-	-	-	-	-	-	-	-	-
AEL excluded	9,003,600	-	-	-	-	8,003,600	1,000,000	-	-	-
<b>Total Expenditures</b>	<b>\$ 20,664,723</b>	<b>\$ 905,000</b>	<b>\$ 3,321,906</b>	<b>\$ 7,709,843</b>	<b>\$ 20,000</b>	<b>\$ 8,557,600</b>	<b>\$ 1,100,115</b>	<b>\$ 20,000</b>	<b>\$ 90,000</b>	<b>\$ 28,000</b>
Blue figures are excluded from the Annual Expenditure Limitation (AEL)										

Slide 23 is from prior FY2021 Budget sessions



# BUDGET AMENDEMENT NOVEMBER

## EASING INTO BUDGET PRIORITIES



- ▶ Management is confident current conditions can sustain the following recommendations.
- ▶ Using an “easing in” approach to remain cautious, flexible, adaptable and focused on delivering high quality services that are sustainable;
- ▶ While not over extending the Town’s commitments; or restrict the ability to pause or pull back on programs or service in the event of an unforeseen economic crisis.

**October 22<sup>nd</sup>, 2020**

# Summary: Sources & Uses

## Recurring & Non-recurring

BUDGET AMENDMENT ("BA") FOR NOVEMBER 2020		
RECOMMENDED BUDGET AMENDMENTS FOR:	FY2021 Source	BA for November
NON-RECURRING SOURCES AND USES		
Sources	Levels I, II, III	\$ 4,056,968
Uses	Priorities 1, 2, 3	3,785,919
NON-RECURRING SOURCES OVER (UNDER) USES		\$ 271,049
RECURRING SOURCES AND USES		
Sources	Levels I, II, III	422,798
Uses	Priorities 1, 2, 3	338,438
RECURRING SOURCES OVER (UNDER) USES		\$ 84,360
TOTAL SOURCES OVER (UNDER) USES		\$ 355,409

FUTURE BAs		
Future Review BA(s)		BA Total
Jan-Mar	Apr-June	
\$ 1,500,000	\$ 2,900,000	\$ 8,456,968
1,152,774	3,000,000	7,938,693
\$ 347,226	\$ (100,000)	\$ 518,275
196,399	196,399	815,596
230,000	-	568,438
\$ (33,601)	\$ 196,399	\$ 247,158
\$ 313,625	\$ 96,399	\$ 765,433

DESCRIPTION

Per Town Policy and sound financial practice:

Recurring expenditures are to be supported by recurring revenues.

However, recurring revenues can support **non-recurring expenditures**.

Non-recurring is sometimes referred to as "one-time".

With an "easing in" approach, the Town can start opening impactful budgeted priorities and resume deferred programs. Using caution and monitoring sustainability reduces risk of over extending resources in the event of further crisis.



# Sources

## Recurring & Non-recurring

BUDGET AMENDMENT ("BA") FOR NOVEMBER 2020			FUTURE BAs			DESCRIPTION
RECOMMENDED BUDGET AMENDMENTS ("BA")	FY2021 Source	BA for November	Future Review BA(s)		BA Total	Brief Description
			Jan-Mar	Apr-June		
<b>SOURCES: NON-RECURRING</b>		<b>\$ 4,056,968</b>			<b>\$ 8,456,968</b>	
Revenue over minimum goal FY2020	YE 2020	2,101,789	-	-	\$ 2,101,789	9/24 Council meeting (in appendix)
Expenditures under maximum FY2020	YE 2020	234,510	-	-	234,510	9/24 Council meeting (in appendix)
AZ Cares used for public safety staffing FY2021	Grants	1,680,424	-	-	1,680,424	Announced after budget adopted
Assigned balance for fleet replacement program	Assigned Bal	40,245	-	-	40,245	Solid balance & healthy fleet
CIP Reconciliation transfer, net	Transfers		\$1,500,000	\$ 1,000,000	2,500,000	Prior years excess moved back to GF
Private placement 2020 for CIP up to reimbursed	AEL Excluded	-	TBD	1,900,000	1,900,000	Hedged DA, Opens CIP AEL Capacity
<b>SOURCES: RECURRING</b>		<b>\$ 422,798</b>			<b>\$ 815,596</b>	
Retail TPT (Internet Sales Boost)	Level II	392,798	196,399	196,399	785,596	Ease in with caution; BM 2019
Tourism related revenue rebound	Level II	-	TBD	TBD	-	Monitor rebound; Tourism
HR policies contingency (net paid in FY2020)	Priority 1	30,000	-	TBD	30,000	Timing of payment and policy
<b>TOTAL SOURCES: NON-RECURRING &amp; RECURRING</b>		<b>\$ 4,479,766</b>	<b>\$ 1,696,399</b>	<b>\$ 3,096,399</b>	<b>\$ 9,272,564</b>	1/2 of adopted contingencies
<b>TOTAL SOURCES OVER (UNDER) USES</b>		<b>\$ 355,409</b>	<b>\$ 313,625</b>	<b>\$ 96,399</b>	<b>\$ 765,433</b>	Predominately non-recurring

# Uses

## Recurring & Non-recurring

BUDGET AMENDMENT ("BA") FOR NOVEMBER 2020		
RECOMMENDED BUDGET AMENDMENTS FOR:	FY2021 Source	BA for November
<b>USES: NON-RECURRING</b>		<b>\$ 3,785,919</b>
General Plan Consultant (\$4,900 new)	Priority 2	104,900
PSPRS Unfunded Liability	Priority 2	2,400,000
PSPRS Unfunded Liability	Priority 3	-
Lincoln mill and overlay (Move up July '21 to May '21)	Priority 3	1,152,774
Post office seasonal overtime	Priority 2	3,000
Zoom in the Community room (in-house)	IT CIP 2021	2,000
Board room technical upgrades (RFP)	IT CIP 2021	55,000
Town-wide direct service fee study	Priority 2	28,000
Replace sign truck	Priority 2	40,245
<b>USES: RECURRING</b>		<b>\$ 338,438</b>
Operating contingency	Priority 2	68,000
Expanded hours PT: Asst. Attorney & Procurement	Priority 2	34,438
TM special performance awards	Priority 2	2,500
Town reporter	Priority 2	3,500
Employee merit (LUMP) - Potentially recurring	Priority 2	230,000
Employee merit (BASE)	Priority 3	-
All other Department Budgeted Priorities 2 & 3	Priorities 2& 3	-
<b>TOTAL USES: NON-RECURRING &amp; RECURRING</b>		<b>\$ 4,124,357</b>
<b>TOTAL SOURCES OVER (UNDER) USES</b>		<b>\$ 355,409</b>

FUTURE BAs			DESCRIPTION
Future Review BA(s)		BA Total	Brief Description
Jan-Mar	Apr-June		
		<b>\$ 7,938,693</b>	
-	-	104,900	Apr. 10/8 Council meeting
-	-	2,400,000	4 monthly payments; <b>See options</b>
-	3,000,000	3,000,000	Consider AEL, Cash, Outlook
\$1,152,774	-	2,305,548	Timing of cash and AEL; <b>See options</b>
-	-	3,000	Traditionally busy over holidays
-	-	2,000	Vital upgrade
-	-	55,000	Correct hardware failures, virtual
-	-	28,000	Eng, CDD, Clerk, Other (VHS tapes)
-	-	40,245	Beyond life cycle; 1998 no salvage
		<b>\$ 568,438</b>	
TBD	TBD	68,000	Town policy of 1-3% GF
-	-	34,438	Defined Priority 2 Services
-	-	2,500	Was temporarily on hold
-	-	3,500	Was temporarily on hold
-	-	230,000	Non-base 1/2 merit; <b>See options</b>
230,000	-	230,000	Resumes merit program; <b>See options</b>
TBD	TBD	-	Consensus: hold for rev. rebound
<b>\$ 1,382,774</b>	<b>\$ 3,000,000</b>	<b>\$ 8,507,131</b>	<b>1/2 of adopted contingencies</b>
<b>\$ 313,625</b>	<b>\$ 96,399</b>	<b>\$ 765,433</b>	<b>Predominately non-recurring</b>

# Options - Easing in, pause as needed

# PSPRS; Street Project

## PSPRS Unfunded Liability

### Timing of Unfunded Liability Payments & Options:

- ▶ Payments can be annually, quarterly, monthly, etc.
- ▶ Participation in the investment pool starts payment is received; any time during the year.
- ▶ Payments received before June 30, 2021 will be reflective in the minimum contribution rates for FY2023.

### Recommendation for November's BA:

- ▶ Approve \$2,400,000 for four monthly payments of \$600,000 in December-March. Can resume below.

### Recommendation for a future BA (Similar to FY2019):

- ▶ Review FY2020 Actuarial (March); *anticipate increase*.
- ▶ Authorize continuation of monthly payments; or
- ▶ Before mid-June:
  - ▶ Authorize payment of up to \$3,000,000; +/- as determined appropriate by June 30, but
  - ▶ Contingent on available cash, expenditure limitation and meets fund balance policies.

## Lincoln Mill and Overlay

- ▶ Originally planned for after July 2021, the date can be moved up as early as May 2021.
- ▶ Recommendation for half in November's BA and the other half in March.
- ▶ Impact on the Annual Expenditure Limitation ("AEL") could be a concern with CIP & PSPRS.
- ▶ AEL could be mitigated with properly timed use of the Private Placement Series 2020 to pay for CIP.

## Private Placement Series 2020

- ▶ Purpose to hedge cash flows to front cash and be reimbursed via development agreement
- ▶ Pledge revenues for CIP low interest financing
- ▶ Being repaid with Construction TPT
- ▶ Use of proceeds are excluded from AEL
- ▶ Savings in AEL capacity can used for PSPRS and / or street projects
- ▶ Financial Planning: use to extent repaid and need for AEL capacity

# Options - Easing in, pause as needed

# Compensation Plan

(TM & TA not included)

## Compensation Plan - Retain and Recruit

### Options for FY2021:

- ▶ No action; keep frozen
- ▶ Increase, but not base pay (Non-recurring, not continues)
  - ▶ Lump sum merit / appreciation / recognition
  - ▶ Not merit driven = across the board % or #
  - ▶ Merit driven = based on evaluations
- ▶ Change in base and range (Recurring; carries to next year)
  - ▶ Paid over normal payroll dates
  - ▶ Cost of Living % across the board
  - ▶ Merit driven = based on evaluations
- ▶ Effective date(s):
  - ▶ From this date forward; or
  - ▶ Back to a retro date
- ▶ Combination of above
- ▶ Other (None of the above)

## Town’s Program Survey

- ▶ Surveys “market cities” for merit % (1 year arrear)
- ▶ New survey shows **most** (14/16) of Town’s “market cities” are continuing their merit increases in FY2021

## Recommendation (if to resume in FY2021)

### EASE IN: Resume the merit program (pay and ranges)

- ▶ Step 1: Merit based award in December (Nov BA)
  - ▶ Lump sum; Non-recurring, but use recurring \$
  - ▶ No change in base; similar to half year merit

### PAUSE: If recurring revenue trend continues:

- ▶ Step 2: Merit base adjustment in Feb/Mar (Jan BA)
  - ▶ Change in base; full merit %; effective CY2021
  - ▶ Paid remainder of year via payroll
- ▶ Illustrative Example: X.x% merit award
  - ▶ Step 1 = ½ of X.x% paid in lump, no base adj.
  - ▶ Step 2 = X.x% base increase paid half year
  - ▶ Result = Total of X.x% paid over course of year and carries to next year as if awarded July 1<sup>st</sup>



# Critical Question ?

## Mayor & Council

- What priorities, *if any*, would the Mayor and Council like to see moved up and programmed in November's Budget Amendment Resolution ?

RECOMMENDED BUDGET AMENDMENTS FOR:	FY2021 Source	BA for November	Future Review BA(s)		BA Total	Brief Description
			Jan-Mar	Apr-June		
<b>USES: NON-RECURRING</b>		<b>\$ 3,785,919</b>			<b>\$ 7,938,693</b>	
General Plan Consultant (\$4,900 new)	Priority 2	104,900	-	-	104,900	Apr. 10/8 Council meeting
PSPRS Unfunded Liability	Priority 2	2,400,000	-	-	2,400,000	4 monthly payments; <b>See options</b>
PSPRS Unfunded Liability	Priority 3	-	-	3,000,000	3,000,000	Consider AEL, Cash, Outlook
Lincoln mill and overlay (Move up July '21 to May '21)	Priority 3	1,152,774	\$1,152,774	-	2,305,548	Timing of cash and AEL; <b>See options</b>
Post office seasonal overtime	Priority 2	3,000	-	-	3,000	Traditionally busy over holidays
Zoom in the Community room (in-house)	IT CIP 2021	2,000	-	-	2,000	Vital upgrade
Board room technical upgrades (RFP)	IT CIP 2021	55,000	-	-	55,000	Correct hardware failures, virtual
Town-wide direct service fee study	Priority 2	28,000	-	-	28,000	Eng, CDD, Clerk, Other (VHS tapes)
Replace sign truck	Priority 2	40,245	-	-	40,245	Beyond life cycle; 1998 no salvage
<b>USES: RECURRING</b>		<b>\$ 338,438</b>			<b>\$ 568,438</b>	
Operating contingency	Priority 2	68,000	TBD	TBD	68,000	Town policy of 1-3% GF
Expanded hours PT: Asst. Attorney & Procurement	Priority 2	34,438	-	-	34,438	Defined Priority 2 Services
TM special performance awards	Priority 2	2,500	-	-	2,500	Was temporarily on hold
Town reporter	Priority 2	3,500	-	-	3,500	Was temporarily on hold
Employee merit (LUMP) - Potentially recurring	Priority 2	230,000	-	-	230,000	Non-base 1/2 merit; <b>See options</b>
Employee merit (BASE)	Priority 3	-	230,000	-	230,000	Resumes merit program; <b>See options</b>
All other Department Budgeted Priorities 2 & 3	Priorities 2& 3	-	TBD	TBD	-	Consensus: hold for rev. rebound
<b>TOTAL USES: NON-RECURRING &amp; RECURRING</b>		<b>\$ 4,124,357</b>	<b>\$ 1,382,774</b>	<b>\$ 3,000,000</b>	<b>\$ 8,507,131</b>	1/2 of adopted contingencies
<b>TOTAL SOURCES OVER (UNDER) USES</b>		<b>\$ 355,409</b>	<b>\$ 313,625</b>	<b>\$ 96,399</b>	<b>\$ 765,433</b>	Predominately non-recurring



# MONTHLY FINANCIAL UPDATE

## No. 2: OCTOBER

### APPENDIX



October 22<sup>nd</sup>, 2020

23

## Total Sources and Uses

## III. Contingencies (Expenditures)

RECOMMENDED CONTINGENCIES					ALL FUNDS (EXPENDITURE / EXPENSE)					
Purpose	Total Budget 2020/21	Operating Fund (General + HURF)			Court Grants	Capital Projects	Grants and Donations	Enterprises		
		Priority One	Priority Two	Priority Three				Alarm	Fire	Waste- water
Operating contingency	\$ 1,616,173	\$ 600,000	\$ 68,000	\$ 136,058	\$ 20,000	\$ 554,000	\$ 100,115	\$ 20,000	\$ 90,000	\$ 28,000
PSPRS unfunded liability	5,400,002	-	2,400,000	3,000,002	-	-	-	-	-	-
Employee sick payout (policy)	55,000	55,000	-	-	-	-	-	-	-	-
Merit/appreciation (base/lump)	460,000	-	230,000	230,000	-	-	-	-	-	-
Attorney	250,000	250,000	-	-	-	-	-	-	-	-
Department priorities 2 & 3	3,816,948	-	595,906	3,221,042	-	-	-	-	-	-
Tourism				1,087,741						
Carried from 2020:										
Town-wide fee study	28,000	-	28,000	-	-	-	-	-	-	-
HR studies	35,000	-	-	35,000	-	-	-	-	-	-
CIP contingency	-	-	-	-	-	-	-	-	-	-
AEL excluded	9,003,600	-	-	-	-	8,003,600	1,000,000	-	-	-
<b>Total Expenditures</b>	<b>\$ 20,664,723</b>	<b>\$ 905,000</b>	<b>\$ 3,321,906</b>	<b>\$ 7,709,843</b>	<b>\$ 20,000</b>	<b>\$ 8,557,600</b>	<b>\$ 1,100,115</b>	<b>\$ 20,000</b>	<b>\$ 90,000</b>	<b>\$ 28,000</b>
Blue figures are excluded from the Annual Expenditure Limitation (AEL)										



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## Total Sources and Uses

## III. Contingencies (Revenues)

RECOMMENDED CONTINGENCIES				ALL TOWN FUNDS (REVENUES)	
Purpose	Total Budget 2020/21	General Fund		Grants and Donations	Capital Projects & Debt Service
		Level II	Level III		
Local taxes	\$ 11,560,000	\$ 5,250,000	\$ 6,310,000	-	-
Building and development fees	283,500	-	283,500	-	-
State shared revenues	979,410	224,320	755,090	-	-
Franchise and agreements	564,000	174,700	389,300	-	-
Other lic., permits and misc	918,050	102,100	815,950	-	-
Net adjusted CIP transfers out	-	-	-	-	-
Restricted earnings with trustee	(16,500)	-	-	-	(16,500)
AEL excluded	1,000,000	-	-	1,000,000	-
<b>Total Expenditures</b>	<b>\$ 15,288,460</b>	<b>\$ 5,751,120</b>	<b>\$ 8,553,840</b>	<b>\$ 1,000,000</b>	<b>\$ (16,500)</b>



# Appendix

Year Ended June 30, 2020  
(unaudited)

1) OPERATING FUND SOURCES, USES AND CHANGE IN FUND BALANCE	Actual Unaudited	Budget Benchmarks	Difference	
			Amount	%
Total revenue (A)	\$ 35,577,508	\$ 32,698,815	\$ 2,878,693 *	9%
Transfer in	1,500,000	1,500,000	-	0%
<b>Total Sources</b>	<b>37,077,508</b>	<b>34,198,815</b>	<b>2,878,693</b>	<b>8%</b>
Total expenditures	23,215,538	23,450,048	(234,510)	-1%
Transfers out (D)	7,025,321	6,611,356	413,965 *	6%
<b>Total Uses</b>	<b>30,240,859</b>	<b>30,061,404</b>	<b>179,455</b>	<b>1%</b>
Change in fund balance	<b>6,836,649</b>	<b>4,137,411</b>	<b>2,699,238</b>	<b>65%</b>
Beginning fund balance July 1	31,797,615	31,797,615	-	0%
<b>Ending fund balance June 30</b>	<b>38,634,264</b>	<b>35,935,026</b>	<b>2,699,238</b>	<b>8%</b>

2) PERCENTAGE OF NEXT YEAR'S OPERATING BUDGET (FY2021)	Actual Unaudited	Budget Benchmarks	Notes
Priority One expenditures	<b>190%</b>	<b>177%</b>	Budgetd starting amount for FY2021
Priority Two expenditures	176%	164%	

## ACTIONS TAKEN - MARCH 2020

- ▶ Lowered revenue expectations - minimum goal (Resorts)
- ▶ Froze non-essential vacancies and spending (Priority One)
- ▶ Held PSPRS UAAL payments; deferred major road projects
- ▶ Plan to increase FY2020 ending fund balance by at least \$4.1M

## RESULTS OF THE YEAR ENDED FY2020 = HIGHER FUND BALANCE

- ▶ Internet sales and partial business reopening (B)
- ▶ Construction and development remained strong (B) (D)
- ▶ Market gain on investment holdings (C)
- ▶ Deferred AZCares federal revenue to FY2021 (\$1.7M)

A) TOTAL REVENUE OPERATING FUND	Actual Unaudited	Budget Minimum goal	Difference	
			Amount	%
Local taxes (B)	\$ 22,309,764	\$ 20,203,174	\$ 2,106,590 *	10%
Building and development	2,666,214	2,545,903	120,311	5%
State shared revenues	5,137,846	4,946,965	190,881	4%
Franchise and agreements	1,815,693	1,727,967	87,726	5%
Other licenses, permits and misc. (C)	3,647,991	3,274,806	373,185 *	11%
<b>Total revenue</b>	<b>35,577,508</b>	<b>32,698,815</b>	<b>2,878,693</b>	<b>9%</b>

B) LOCAL TAXES OPERATING FUND	Actual Unaudited	Adjusted Minimum goal	Difference	
			Amount	%
Retail and hospitality TPT	\$ 8,928,163	\$ 7,765,608	\$ 1,162,555	15%
Construction TPT	7,525,320	6,900,361	624,959	9%
All other TPT	1,852,542	1,842,000	10,542	1%
Occupancy (bed) tax	4,003,739	3,695,205	308,534	8%
<b>Total local taxes</b>	<b>22,309,764</b>	<b>20,203,174</b>	<b>2,106,590</b>	<b>10%</b>

C) OTHER LICENSES, PERMITS, MISC. OPERATING FUND	Actual Unaudited	Adjusted Minimum goal	Difference	
			Amount	%
Investment earnings	\$ 930,861	\$ 883,416	\$ 47,445	5%
Market gain (loss)	362,939	-	362,939	n/a
All other	2,354,191	2,391,390	(37,199)	-2%
<b>Total other licenses, permits, misc</b>	<b>3,647,991</b>	<b>3,274,806</b>	<b>373,185</b>	<b>11%</b>

D) TRANSFERS OUT OPERATING FUND	Actual Unaudited	Adjusted Maximum goal	Difference	
			Amount	%
Capital projects fund (CIP)	\$ 5,570,077	\$ 5,156,112	\$ 413,965	8%
CIP obligations Series 2016 & 2020	1,455,244	1,455,244	-	0%
<b>Total transfers out</b>	<b>7,025,321</b>	<b>6,611,356</b>	<b>413,965</b>	<b>6%</b>



# Appendix

Year Ended June 30, 2020  
(unaudited)

## SINCE FY2021 BUDGET ADOPTION

3)	CHANGE IN UNASSIGNED FUND BALANCE AVAILABLE FOR PRIORITIES	FY2020 Amount	Source Classification
	Revenue, net transfers over minimum FY2020	\$ 2,464,728	Non-recurring
	Expenditures under maximum FY2020	234,510	Non-recurring
	Amount Unassigned and Available for Priorities	\$2,699,238	Non-recurring

With construction revenues remaining strong and the emergence of the internet TPT, FY2020 finished above the minimum goal. However, the majority of the Town’s recurring revenues are related to the tourism season. It is too early in the year to determine if they will rebound for the duration of FY2021.

Major projects and priorities were deferred and may need funding before the end of FY2021, such as:

- ▶ Mill and overlay project will need funding and is anticipated start July 2021 (FY2022); and
- ▶ PSPRS estimated UAAL cash payments are on-hold, but is being paid via amortized contribution rates

## PRIORITY CONSIDERATIONS

- ▶ Sustainability and impact of overall Town operations.
- ▶ One-time revenues are not used for recurring programs.
- ▶ Recurring revenues can be used for capital, contractual and other one-time expenditures.
- ▶ Continue to maintain an appropriate level of Emergency Reserves for unforeseen emergencies.

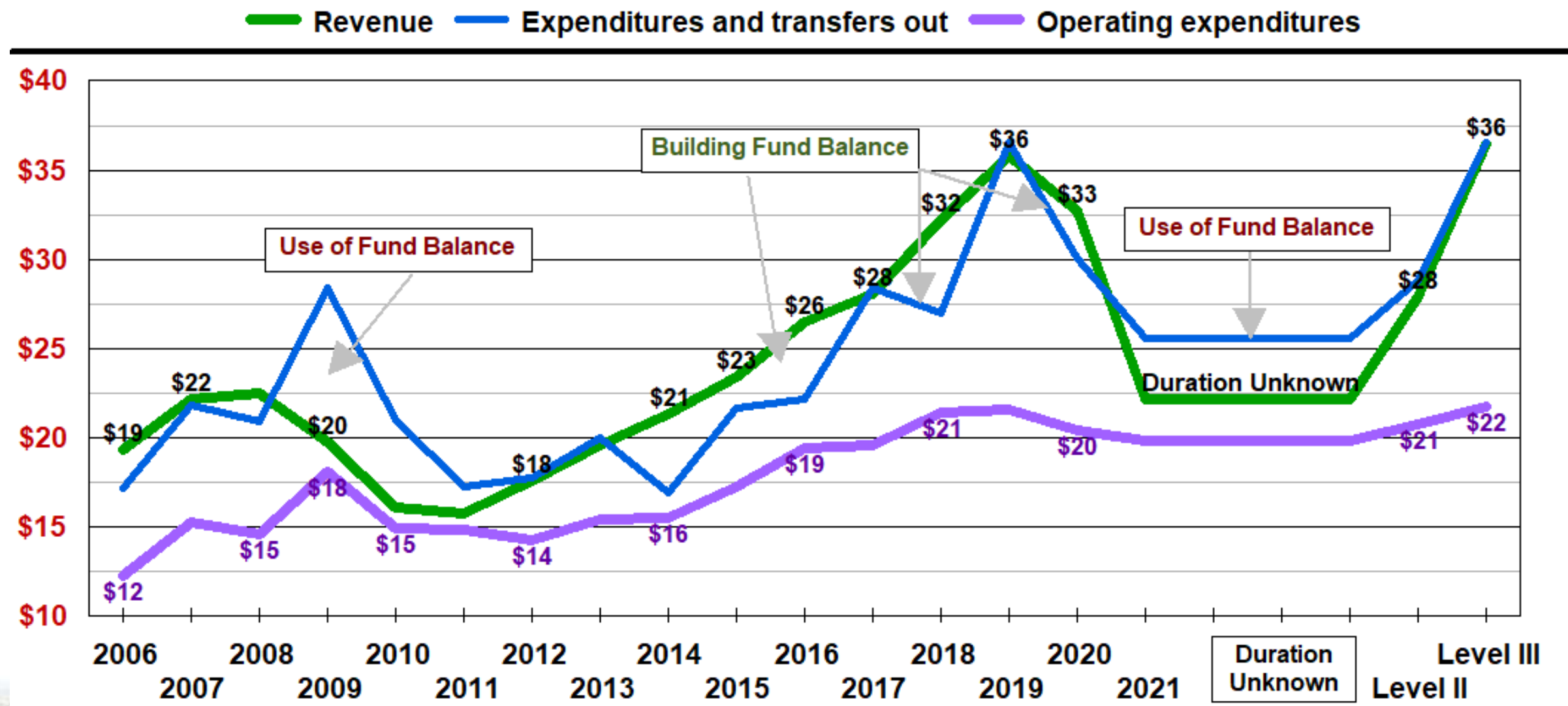
By moving up a priority, funding is assigned & available, but Council still needs to authorize actual spending. Per the FY2021 budget, staff will assess the Town’s financial factors, service levels and priorities to bring options for Council’s consideration in **October 2020**.

4)	POTENTIAL PRIORITIES TO MOVE UP TO PRIORITY ONE CONTINGENCY	Total Priorities Two and Three	Move to P1 Contingency
	General plan update	\$ 100,000	TBD
	PSPRS Unfunded UAAL	5,400,000	TBD
	Mill and overlay on Lincoln drive, July 2021 (FY2022)	2,300,000	TBD
	All other services and programs	3,231,749	TBD
	Total Unfunded Priorities 2 and 3	\$11,031,749	TBD

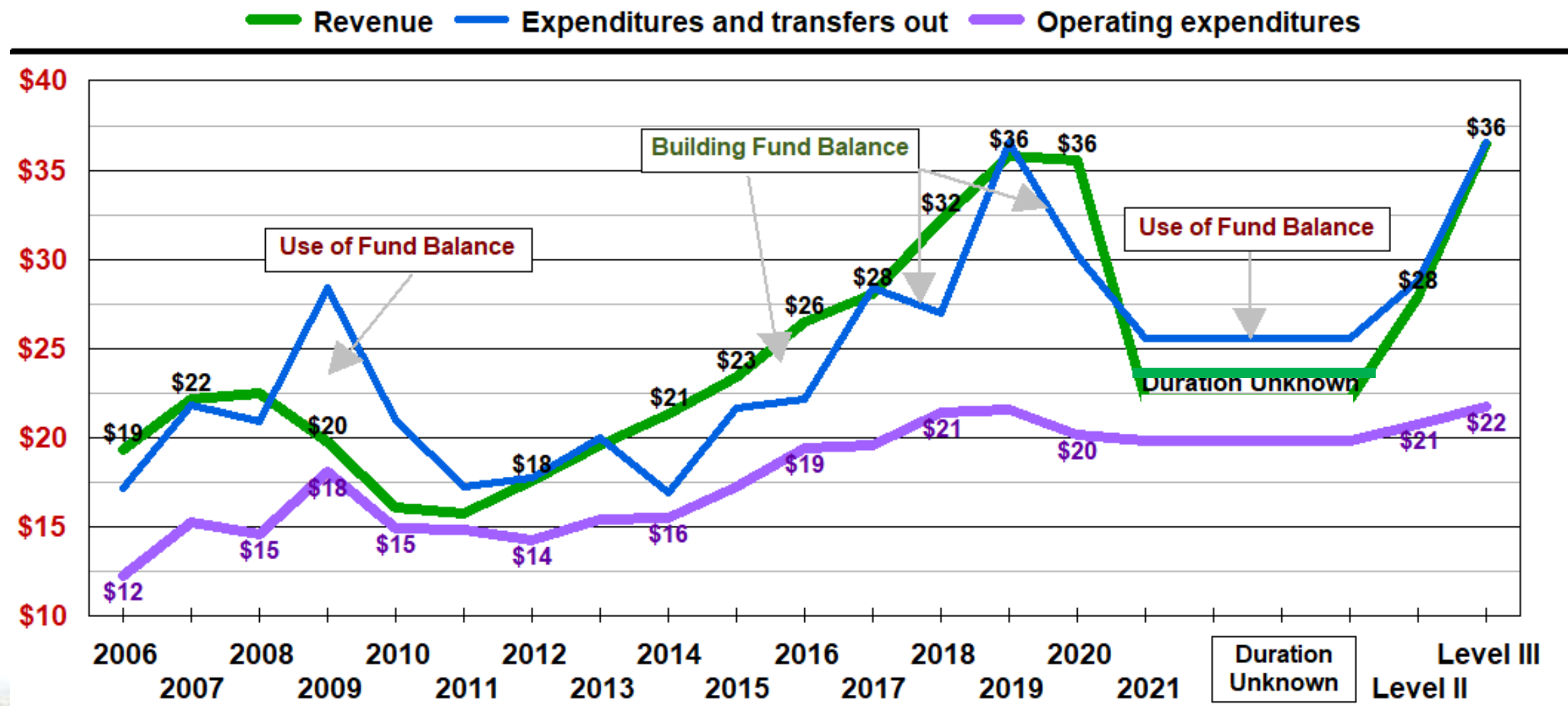


# Appendix

From FY2020/21 Budget



(All amounts are in Millions)



(All amounts are in Millions)

# FY2020/21 MONTHLY FINANCIAL UPDATED No. 2: October 2020



October 22<sup>nd</sup>, 2020