



Legislation Text

File #: 20-232, Version: 1

TO: Mayor Bien-Willner and Town Council Members

FROM: Jill Keimach, Town Manager
Douglas Allen, CPA

DATE: May 28, 2020

DEPARTMENT: Finance

AGENDA TITLE:

Adoption of Resolution Number 2020-16 Approving the FY2020/21 Tentative Budget

RECOMMENDATION:

Adopt Resolution Number 2020-16 approving the FY2020/21 Tentative Budget that sets the maximum appropriation for the fiscal year at \$64,220,371; and hold a Special Meeting/Public Hearing on June 11, 2020.

SUMMARY STATEMENT:

One of the most important duties of the Mayor and Town Council is to adopt an annual budget for the Town. The budget process provides the Council with the opportunity to match the needs of the Town and available resources with the intent of gaining the maximum return on each dollar.

Guided by the long-standing traditions of Paradise Valley's solid fiscal policy and prudent budgeting lead by the Mayor, Town Council and Management, the Town has saved and set-aside sufficient resources for fiscal emergencies to maintain Town services.

I. REQUEST OF MAYOR AND COUNCIL MAY 28TH

The request of Mayor and Council at the May 28th meeting is to consider adopting a Tentative Budget. This stage of the budget process is the result of all departments, management and Town Council's collaborative efforts to set and communicate the Town's financial plan, policies and operational guide for the upcoming fiscal year 2020/21.

II. UNIQUE BUDGET PROCESS

The Town underwent a unique budget process this year. Departments submitted their budget requests for their programs, incorporating specific needs. Then over a month later, they were asked to reprioritize their entire set of requests in anticipation of limited revenue for an unknown duration of

time.

In March 2020, the Town experienced sharp revenue drops that were abrupt, extremely deep and with the duration for rebound and recovery still uncertain.

Local tourism activity revenues are received by the Town two months in arrears. The biggest months for Tourism activity revenues are March and April. Although actual revenues will not be known by the Town until May and June, respectively, we do know they will be drastically lower than normal.

From July 2019 through February 2020, the Town had experienced elevated tourism and was on-track to exceed its minimum revenue goal for the current fiscal year ending June 30, 2020. Though the Town could sustain a 25% drop in tourism the rest of the fiscal year and meet the minimum revenue goal, the recent drop in tourism is much deeper. As a result, the Town will fall short of its minimum revenue goal.

To maintain the high standard of Town services, Town Management and all Departments continue identifying various mitigating financing options to address this, and other possible shortfalls over a longer-term as discussed with the Mayor and Council during the last few Council meetings. Those discussions will continue throughout the year as financial information increases over time.

III. EXPENDITURES:

The FY2021 Recommended Department Budgets have a built-in mechanism to fluidly transition back to their 2019 service levels as the Town's revenues rebound.

Priority One: The base budget funds a vital, mandated, or primary service(s) that has a direct impact on residents, but does not to keep pace with an increase in demand. Priority one is recommended to be funded effective July 1.

Priority Two: Has an impact on Town operations and delivery of service, keeps pace with demand. Priority Two is recommended to be set aside in a contingency account and assessed in September / October 2020.

Priority Three: Represents where a department was heading in February '20. Poised to resume, but not likely to materialize for all requests in FY2021. Priority Three is recommended to be set aside in a contingency account and assessed early next calendar year Jan-Mar 2021. Depends on tourism and service demands.

Going beyond the Town's stress test, preparations are being made to mitigate if the Town's overall revenue recovery duration is extended. Whether the actual revenue rebound is an "L, U, or V curve", spending reductions may be necessary to ensure enough emergency reserve is available for Town operations to carry on services to residents.

IV. REVENUES:

With the Town experiencing such a sharp revenue drop that was abrupt and extremely deep and the duration for rebound still uncertain, caution was used in estimating revenues. To mitigate the Town from over extending spending obligations, revenues were estimated on three 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.

Revenue levels and expenditure priorities are not directly correlated. Revenue levels measure the current economic condition and climate to better monitor and expenditure priorities are based on services levels.

The FY2020/21 Strategic Revenue Plan will be less on stress testing revenues and focused on setting tools for monitoring and tracking revenue recovery on a month-to-month basis.

V. TENTATIVE BUDGET ON STATE FORMS

The tentative budget includes funding for all department's "priority one" operating budgets effective July 1, payment of debt obligations, capital improvement projects and the three enterprise services. Contingencies are not available July 1; but are possible later in the fiscal year. The contingencies are set for a fluid transition when revenues rebound and to assist in ensuring the Town maintains a financially sustainable structure even in the event the Town's revenue rebound is not realized in FY2020/21.

By adopting the "**Tentative**" budget, Council sets the maximum spending for the fiscal year, which is posted for public inspection, and a public hearing is then held for public comment.

After public comments, the Council can still modify the tentative budget categorically, but cannot increase the maximum spending amounts. Council then adopts the final budget referred to as the "**Adopted**" budget.

VI. STATE BUDGET FORMS

- State forms provide the authority to spend; but it's not a mandate to do so.
- State budget forms set the maximum a municipality can spend in that fiscal year.
- Even if more resources become available, if expenditures are not budgeted, can't be spent
- Any carry forward balances from CIP, must be re-budgeted on the forms.
- Contingencies help fill gaps for flexibility and adaptability of service priorities and fluctuations in revenues.

- The latest the Tentative budget can be adopted without a property tax is July 20.

VII. BUDGET CALENDAR

APRIL 23 - OPERATING FUND			Modified April 21, May 8, 2020			MAY 14 - ALL FUNDS		
DAY 1	Work session	Time	CONSIDERATIONS & ACTIONS			DAY 2	Work session	Time
FY2021 Outlook * 0:15			MAY 28			Follow up from Day 1 0:05		
Introduction			DAY 4 Regular Session			Revenue update ** 0:10		
Budget document overview		0:05	Tentative budget discussion			Executive summary ** 0:10		
Revenue scenarios *		0:10	Resolution:			Enterprises		
Reserve balances *		0:05	Adopt tentative budget FY2021			Alarm 0:05		
Funding strategies *		0:05				Fire 0:03		
Operating Fund summary *		0:10	JUNE 11			Wastewater 0:03		
FTEs, PSPRS, Contingencies *		0:10	DAY 5a Special Session			Other programs		
Central services			Public hearing & discussion			Public transit & Tourism 0:04		
Finance office		0:05	Resolution:			Grants and donations 0:02		
Information technology		0:10	Final budget adoption 2021			Contingencies 0:03		
Development			JUNE 11			CIP Financing & Debt service 0:10		
Planning & Building		0:20	DAY 5b Regular Session			Capital Improvement Plan** 0:50		
Engineering		0:15	Tentative Resolutions FY2021:			Direction from Council TBD		
Public works		0:15	Adoption of PSPRS policy			ESTIMATED TIME 1:45		
Public safety			Adoption of Financial policies			MAY 28		
Municipal court		0:20	Adoption of Strategic revenue plan			DAY 3 Work session		
Police department		0:30	Resolutions FY2020:			Follow up from Day 1 & 2 0:15		
Leadership			Budget amendments 2020			Funding strategies update 0:05		
Town attorney		0:10				State forms 0:05		
Town manager		0:10				Changes to recommended 0:20		
Mayor and Council		0:15				Direction from Council TBD		
Direction from Council TBD						ESTIMATED TIME 0:45		
ESTIMATED TIME 3:30			* information available by April 21st					
			** information available by May 12th					

ATTACHMENT(S):

- 1- Presentation and document: Strategy update and state forms
- 2- Official State Forms and Resolution 2020-16 Adopting the Tentative Budget