



Legislation Text

File #: 20-202, **Version:** 1

TO: Mayor Bien-Willner and Town Council Members

FROM: Jill Keimach, Town Manager
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DATE: May 14, 2020

DEPARTMENT: Finance

AGENDA TITLE:

Information, discussion and direction on the Town's Recommended Budget for Fiscal Year 2020/21 (Beginning July 1, 2020 and Ending June 30, 2021) and Capital Improvement Plan for Fiscal Years 2019/20 through 2024/25

RECOMMENDATION:

To receive information and provide direction to staff for incorporation into the Final Budget

SUMMARY STATEMENT:

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.

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 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 are

identifying various mitigating financing options to address this, and other possible shortfalls over a longer-term for discussion with the Mayor and Council during the next few Council meetings.

The following information was provided for the April 23rd Council meeting:

- u FY2021 Outlook
- u Operating Fund summary
- u Revenue scenarios
- u Reserve balances
- u Contingencies
- u Funding strategies

The remaining components of the Town Budget and timeline are outlined below.

I. AVAILABLE FRIDAY MAY 8TH

- Enterprise and other program budgets
 - Enterprise budgets (Alarm, Fire and Wastewater)
 - Public transportation (ALF)
 - Tourism
 - Grants and donations
 - Public Safety Retirement System (PSPRS)
 - Contingencies (Expenditures)
 - CIP financing and debt service
- **Capital Improvement Plan**

II. AVAILABLE BY TUESDAY MAY 12th

- Revenues
- Contingencies (Revenues)
- Executive summaries

III. AVAILABLE BY JUNE

- State required budget forms
- Resolution for Tentative Budget Adoption
- Resolution for Final Budget Adoption
- Mandated PSPRS Funding Policy

IV. CAPITAL IMPROVEMENT PLAN

The CIP is a multiyear plan which identifies and prioritizes the Town's anticipated capital needs over the next five years. It is adopted as a part of the budget resolution and presented as a separate section of the budget document. Capital projects differ from annual operating expenses in that they

involve large dollar amounts (greater than \$100,000), may require special financing, occur at irregular intervals, and involve development of assets expected to have at least a 3-year useful life span.

Town staff annually reviews and updates the CIP; however, only the current year schedule (Fiscal Year 2021), when adopted by Town Council, is incorporated into the annual operating budget. The future year expenditure forecast aids in capital repairs, replacements, and acquisitions which allow for prudent and strategic financial planning. However, identification of a project in the CIP does not guarantee construction. In fact, several variables can impact a project as it advances toward design and construction, such as timing, costs, right of way acquisition, coordination with other public or private entities, public participation, and financial outlook.

In 2019, Town Council and staff implemented a new CIP process to improve how capital projects are considered, evaluated, and prioritized over the next five to ten years, starting with Fiscal Year 2020, which began July 1, 2019.

This year's CIP evaluation committee was made up of seven Town staff members representing one member from each department, except Courts. Using the new scoring criteria presented to the Town Council on March 14, 2019, the committee evaluated thirty-three projects being considered in the upcoming 5-Year CIP and the results based on the three categories (High, Medium, Low) are as follows:

11 projects scored greater than 7.0	(High, range 7 to 10)
17 projects scored between 4.0 to 6.9	(Medium)
5 projects scored less than 4.0	(Low)
2 projects recommended for deferral	

The two projects being recommended for deferral beyond 5-years due to availability of other fund sources are:

- SRP 38th St & Bethany Home Rd Underground Conversion, 2026, \$3,700,000
- SRP 40th St & Lincoln Dr Underground Conversion, 2029, \$3,700,000

Moreover, due to uncertainty of the Town's forecasted revenues, nine projects, which amount to \$2,900,000, are proposed to be deferred from FY21, in order of future fiscal year are as follows:

1. Miscellaneous Drainage Improvements (various locations), FY22, \$200,000
2. Public Works / Engineering Remodel, FY22, \$1,500,000
3. Police Department Remodel, FY22, \$125,000 (design)
4. 56th St & Doubletree Ranch Rd Intersection Improvement, FY22, \$125,000
5. Lincoln Dr & Tatum Blvd Intersection Improvement, FY23, \$230,000
6. 56th St Sidewalks: Mockingbird to Doubletree Ranch, FY24, \$90,000 (design)
7. Tatum Sidewalks: Doubletree Ranch to Mountain View, FY24, \$30,000 (design)
8. RWC Fiber Connection (Lincoln Dr) Phase I conduit only, FY25, \$200,000
9. RWC Fiber Connection (Lincoln Dr) Phase II fiber, FY25, \$400,000

The FY21 projects being recommended are based on the following, in no particular order:

1. Leverage other funding sources (Five Star, SRP, Flood Control District)

2. Contractual mandate (Five Star DA, Highlands Dr Easement Agreement)
3. Protect health & safety of the Town (Sewer, License Plate Reader)
4. Prevents irreparable damage to existing facilities (Lincoln Dr)
5. Project coordination:
 - Lincoln Drive mill & overlay scheduled FY22
 - City of Phoenix water line on Mockingbird Ln: 56th St to Invergordon Dr

All of the FY21 projects proposed on Lincoln Dr were evaluated and recommended to be completed prior to the Town's mill and overlay project on Lincoln Dr currently scheduled in Summer 2021.

All thirty-three projects being considered in the upcoming 5-year CIP along with their associated score can be seen in the attached presentation.

V. 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.

VI. STRATEGIC REVENUE PLAN

As part of last year's FY2020 budget, the Town introduced a Strategic Revenue Plan. The Strategic Revenue Plan was inspired by a Mayor's initiative and the long-standing traditions of Paradise Valley's values and directives for fiscal prudence and stability. The report brought together an ASU graduate students' "Paradise Valley Revenue Risk Assessment" study, GFOA recommended practices, the Town's revenue analysis, and the annual financial forecast and budget preparation. The Strategic Revenue Plan looked at specific revenue trends, their basis and how likely risk factors could influence their performance and would impact the Town's governmental operations, obligation repayments and capital improvement plans. This helped determine the Town's ability to withstand shocks and stress in revenues while maintaining services over a recovery period.

With using the stress test from FY2020, Town staff are prepared to deal with a shock to the revenue stream in FY2021 and has used the plan as a starting point for addressing today's crisis.

However, the stress test model in FY2020 used previous economic down turns of which none were as deep or rapid in revenue decline and the duration for a rebound was not as uncertain as the Town, the State and the Nation are currently experiencing.

In FY2021, the stress test isn't academic as in FY2020's "what if" document. In FY2021, the stress test is the budget and operations.

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

ATTACHMENT(S):

- 1- Enterprise and Other Program Budgets in PDF
- 2- Capital Improvement Plan Summary
- 3- Capital Improvement Projects
 - Revenue summary - **available by Tuesday May 12th**
 - Executive summary - **available by Tuesday May 12th**