

KNOW YOUR TOWN'S BUDGET

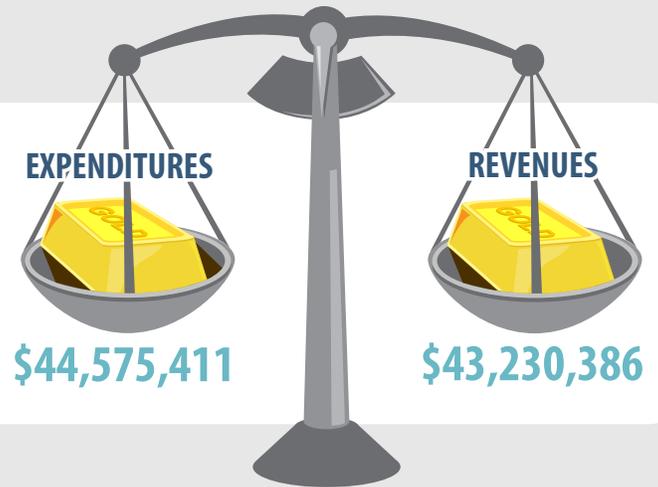


TOWN OF ORO VALLEY | FY 2020/21 BUDGET

The Fiscal Year 2020/21 budget is in the amount of \$105.4 million; a \$5.6 million, or 5.1% decrease from the adopted FY 2019/20 budget totaling \$110 million. This decrease is primarily due to reductions in capital spending as a result of anticipated revenue reductions caused by the COVID-19 pandemic.

GENERAL FUND HIGHLIGHTS

- General Fund budget totals **\$44.6 million** (excluding budgeted contingency reserves of \$6,140,000).
- Full, estimated year-end contingency reserve balance in the General Fund for FY 2020/21 is **\$15.9 million**; 37.9% of the expenditure budget.
- General Fund has a planned use of **\$1.2 million** of reserves.



KEY REVENUE PROVISIONS

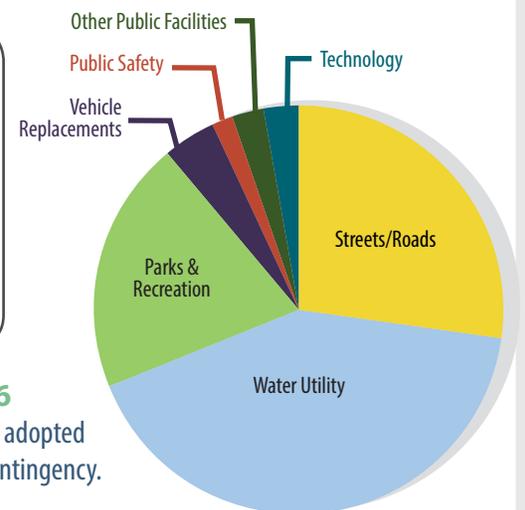
(Reflects all funds, except for first bulletpoint)

- Total FY 2020/21 General Fund revenues are **\$4 million**, or 10.1% higher than FY 2019/20 budgeted General Fund revenues due to anticipated state and federal funding related to COVID-19.
- Local sales tax revenues are down **\$1.2 million**, or 5.4% from FY 2019/20.
- Charges for services revenues are **\$264,000**, or 2.3% lower than FY 2019/20 budget amounts.
- Grant revenues are **\$5.5 million**, or 40.3% lower than FY 2019/20 budget amounts, which corresponds to reimbursements for a roadway widening project that took place in the prior fiscal year.
- State-shared revenues, including Highway User Revenue Funds, are **\$518,000**, or 3.2% higher than FY 2019/20 budget amounts.

KEY EXPENDITURE PROVISIONS

FY 2020/21 Capital Improvement Program (CIP) projects in the amount of **\$21,795,287** include:

Streets/Roads	\$5,985,000
Water Utility	\$9,046,621
Parks & Recreation	\$4,375,000
Vehicle Replacements	\$925,100
Public Safety	\$353,566
Other Public Facilities	\$560,000
Technology	\$550,000



- The FY 2020/21 budget is **\$7.6 million**, or 7.1% less than the adopted FY 2019/20 budget, excluding contingency.
- Personnel related costs are roughly flat at **\$35.6 million**, or a 0.2% decrease.
- Includes **\$2.86 million** in funding for one-time costs and improvements related to continuity of operations during the COVID-19 pandemic.

The Town Budget: Building for the Future

The budget is a long-range planning tool that allows the Town of Oro Valley to review the community's goals and objectives in a formal setting; evaluate and determine what is required to meet those objectives; and develop an implementation strategy. When constructing the budget for FY 2020/21, extra care was taken to ensure resources were allocated wisely and able to be reinvested into the Town's future.

Forecasting and budgeting during COVID-19

The Town of Oro Valley is strongly positioned to weather the projected national, state and local economic downturn caused by COVID-19. Consistent, conservative budgeting and forecasting practices have put the organization in a strong financial position to start the fiscal year. While the total effect of COVID-19 is still unknown, the Town has once again taken a conservative stance to ensure expenditures do not outpace revenues and that sufficient resources are reserved should uncertainty continue into the foreseeable future.

The Town has forecasted its largest revenue source, sales taxes, to decrease by 5.4% or \$1.2 million dollars due to impacts from COVID-19. When factoring decreases in permit and other revenues sources, the Town is forecasted to have \$1.3 million less in resources compared to FY 2019/20.

To combat these revenue losses, the Town worked to identify budget reductions that would be supportable and minimize service impacts to the community. Operations and maintenance budgets in the General Fund were reduced by 6.9% without causing significant reductions to service levels. To further help mitigate lost revenues caused by COVID-19, the Town deferred some capital costs and left several positions vacant until the economic climate stabilizes. By enacting these practices, the Town is ensuring revenues are adequate to support projects and programs without the need to utilize restricted reserves balances.

In May 2020, Arizona Governor Doug Ducey announced a funding plan to provide nearly \$600 million in coronavirus relief and recovery to local Arizona governments and nonprofits that did not receive direct funding from the U.S. Treasury. The Town of Oro Valley's allocation is nearly \$5.3 million which was budgeted to support mitigating the effects of COVID-19, provide funding for key one-time projects and strengthen the Town's contingency reserves.

Strategic investments

The Town of Oro Valley's Strategic Leadership Plan continues to serve as the foundation for prioritizing resources during economic uncertainty. For FY 2020/21, the Town was able to make several key investments into areas of economic vitality, recreation and culture, water and road infrastructure, among others. These investments were possible through a combination of dedicated revenue streams, one-time revenues and, in specific cases, the careful use of accumulated reserves. As always, the Town carefully reviews each project not only for cost but also alignment with policy goals, impact to the community, and potential ongoing operating costs.

Strong reserves

The Town of Oro Valley is estimated to end the fiscal year with \$15.9 million in General Fund reserves. These resources have accumulated since the Great Recession, as the Town had several years of revenues outperforming expectations, as well as expenditures coming in below budget. Town Council's policy states that 25% of the fiscal year's budget must be set aside as reserves. For FY 2020/21, this figure is \$10.5 million. With an estimated \$15.9 million in reserves, or 37.9% of the budget, to end the fiscal year, the Town is well positioned should the economic impacts of COVID-19 last for multiple fiscal years.

Monitoring and oversight

With continued uncertainty due to the COVID-19 pandemic, the Town will be closely monitoring revenues against projections on a monthly basis. Some capital projects will not proceed until early 2021 to ensure sufficient revenues are available. While revenue projections continue to be conservative, careful monitoring will give the Town time to respond if economic conditions do not materialize as forecasted.



WHAT KINDS OF TAXES DO ORO VALLEY RESIDENTS PAY?

The Town of Oro Valley does NOT levy a property tax; however, Oro Valley property owners pay more than \$27 million every year in property taxes to Pima County and other taxing districts (school districts, fire districts, etc.).

Town residents pay approximately **\$544 per household** in taxes to Oro Valley each year.

- 4% utility tax (\$3.0 million/year)
- 2.5% retail tax and 2.5% restaurant/bar tax (\$7.5 million/year)
- Total = \$10.5 million divided by 19,295 households = \$544 per household/year.

HOW IS THE BUDGET BALANCED AND HOW ARE FUND BALANCES USED?

The FY 2020/21 Adopted Budget of \$105.4 million is comprised of 19 separate funds, each with their own balanced budgets. Each fund contains its own "savings" account, otherwise known as its fund balance. When budgeted revenues are less than budgeted expenditures, the Town draws from its fund balance. For FY 2020/21, the Town plans to draw down, or spend, approximately \$10.1 million from its overall beginning fund balance total of \$51.7 million, leaving \$41.6 million on hand in the overall fund balance at year-end. These are planned uses of funds that have been building up over a period of time, and they are being used primarily to cash-fund capital projects in order to avoid borrowing funds to complete these projects. It is important to note that in FY 2020/21, the Town is planning to utilize fund balance of about \$1.2 million in the General Fund.