



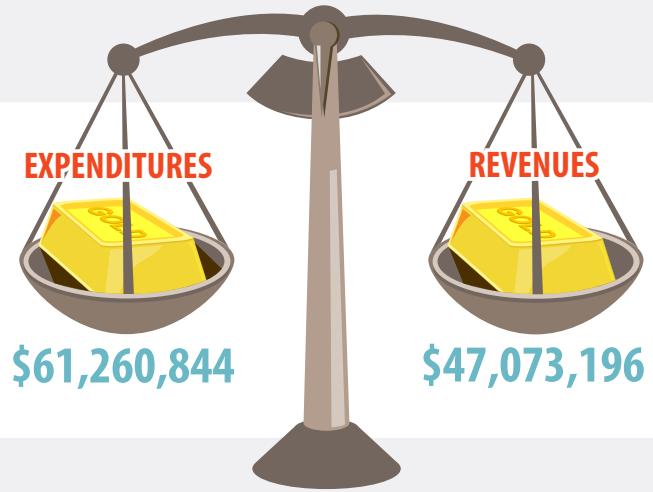
KNOW YOUR TOWN'S BUDGET

TOWN OF ORO VALLEY | FY 2021/22 BUDGET

Fiscal Year 2021/22 budget is in the amount of \$162.0 million; a \$56.5 million, or 53.6% increase from the adopted FY 2020/21 budget totaling \$105.4 million. This increase is primarily due to one-time projects and initiatives as a result of anticipated stimulus dollars and bond proceeds.

GENERAL FUND HIGHLIGHTS

- General Fund budget totals **\$61.3 million** (excluding budgeted contingency reserves of \$5,000,000).
- Estimated year-end contingency reserve balance in the General Fund for FY 2021/22 is **\$15.1 million**; 28.0% of the expenditure budget, exceeding the Town Council's policy of 25% by \$1.6 million.
- Includes planned use of **\$14.2 million** of reserves.



KEY REVENUE PROVISIONS

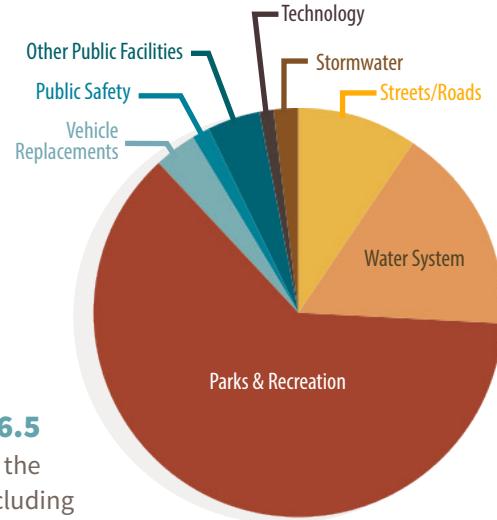
(Reflects all funds, except for first bulletpoint)

- Total FY 2021/22 General Fund revenues are **\$3.7 million**, or 8.6% higher than prior year budgeted General Fund revenues. This is due to local sales tax and permit revenues, which were budgeted at reduced levels in FY 2020/21 in anticipation of COVID-19 impacts.
- Local sales tax revenues are up **\$3.5 million**, or 16.8% from FY 2020/21.
- State-shared revenues, including Highway User Revenue Funds, are **\$691,000**, or 4.2% higher than prior year budgeted amounts.
- Budgeted grant revenues are **\$7.5 million** and include projected funds from the American Rescue Plan Act.

KEY EXPENDITURE PROVISIONS

FY 2021/22 Capital Improvement Program (CIP) projects in the amount of **\$47,107,504** include:

Streets/Roads	\$4,514,075
Water System	\$7,776,000
Parks & Recreation	\$29,197,000
Vehicle Replacements	\$1,680,900
Public Safety	\$621,681
Other Public Facilities	\$1,926,066
Technology	\$588,409
Stormwater	\$803,374



- The FY 2021/22 budget is **\$56.5 million**, or 53.6% more than the prior year adopted budget, excluding contingency.
- Personnel related costs are increasing **\$2.1 million**, or 5.8% and include the addition of several new positions and projected increases to health and other employee related benefits.
- Through a combination of reserves and bond proceeds, the budget includes a **\$27 million** payment towards the Town's unfunded police pension liability.

THE TOWN BUDGET: PLANNING 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, evaluate and determine what is required to meet those objectives, and develop an implementation strategy.

SUCCESSFUL NAVIGATION OF THE COVID-19 PANDEMIC

The Town successfully navigated challenges posed by the COVID-19 pandemic. Financial performance across all funds far exceeded expectations. Permitting and development activity continued unabated throughout FY 2020/21, with single family residential permits approaching levels not seen for 15-plus years. Retail and remote sales tax collections combined saw double-digit growth in FY 2020/21. Impacts on Town revenues due to COVID-19 were largely limited to restaurant/bar and bed tax collections. When factoring out projected stimulus funding and expenditures, the Town is expected to end the fiscal year with a General Fund surplus of approximately \$2.7 million.

AMERICAN RESCUE PLAN ACT

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law by President Biden. Among the provisions was \$350 billion to help states and local governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. The Town of Oro Valley is expecting to receive more than \$15 million in ARPA funding over two fiscal years. The Town has until December 31, 2024, to spend its allocation, and approximately \$5.5 million is planned for expenditure in the coming fiscal year. The Town will use expected federal stimulus dollars to invest in capital and other one-time priorities.

PSPRS UNFUNDED LIABILITY

On June 2, 2021, Town Council approved a debt issuance of \$17.0 million in pension obligation bonds to apply toward the Town's \$27.6 million Public Safety Pension Retirement System (PSPRS) unfunded pension liability. Town Council also voted to include a \$10 million cash contribution toward the unfunded liability from Town General Fund reserves. This hybrid solution is consistent with the Council's PSPRS funding policy, which has set a 100% funding goal for the PSPRS and CORP retirement funds by 2036.

PARKS AND RECREATION BOND FINANCING

On May 5, 2021, Town Council voted to redirect a portion of the Town's dedicated half-cent sales tax collections devoted to parks and recreation towards debt service on the issuance of approximately \$25 million in bond financing for capital projects.

The \$25 million in Parks and Recreation bond financing, the hybrid funding of the PSPRS unfunded pension liability, and the anticipated ARPA funding are the primary reasons for the budget increase for FY 2021/22.

FY 2021/22 BOND FINANCING

Similar to a family taking out debt to pay for a house or a car, a local government can issue bonds to finance necessary capital projects and advance strategic goals. This strategy is a common practice among cities, towns and counties and allows projects to be constructed sooner for the community instead of waiting until the dollars are saved.

For FY 2021/22, the Town plans to issue approximately \$42 million in bonds, specifically \$17 million to pay down the Town's unfunded police pension liability and up to \$25 million for community Parks and Recreation amenities.

Different from secondary property tax bonds which require voter approval, the Town and outside entities ensure there are sufficient resources to pay back these bonds in the future.

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 and visitors pay approximately \$24.1 million in local sales taxes to Oro Valley each year.

- **4% utility tax (\$3.2 million/year)**
- **2.5% retail tax and 2.5% restaurant/bar tax (\$13.5 million/year)**
- **2.5% + 6.0% hotel and bed tax (\$2.3 million/year)**
- **4.0% construction tax (\$3.9 million/year)**
- **All other categories (\$1.1 million/year)**

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

The FY 2021/22 Adopted Budget of \$162.0 million is comprised of 17 separate funds, each with their own balanced budgets. Each fund contains its own "savings" account, otherwise known as its fund balance. When revenues are less than expenditures, the Town draws from its fund balance. For FY2021/22, the Town plans to spend approximately \$23.6 million from its overall beginning fund balance total of \$68.6 million, leaving \$45.0 million on hand at year-end. These are planned uses of funds that have been building up over a period of time being used primarily to cash-fund one-time capital projects and initiatives. In FY 2021/22 the Town is planning to utilize fund balance of about \$14.2 million in the General Fund.