Overview of FY 2020/21
Town Manager’s Recommended Budget

May 20, 2020

Town of Oro Valley
Overview

- Budget timeline
- Synopsis of Recommended Budget
  - Financial Overview
  - Economic Conditions and Revenue Projections
  - Expenditure Highlights
- Strategic Leadership Plan focus areas
- Capital Investment Highlights
FY 20/21 Budget Timeline

FEBRUARY
Council planning retreat to identify priorities for coming fiscal year

FEBRUARY
Employee budget forum
Senior Management Team budget preparation

FEBRUARY
Initial revenue estimates
CIP Evaluation

MARCH/APRIL
Budget review and reevaluation of revenue estimates

MAY 20
Town Manager Recommended Budget delivered to Council

MAY 27 & 28
Budget Study Sessions

JULY 1
Public Hearing - Adoption of Final Budget

JUNE 17
Public Hearing - Adoption of Tentative Budget

MARCH
Department budget requests due
Community input via FlashVote

JULY 1
Public Hearing - Adoption of Final Budget
Recommended Budget total = $100.9 M

$10.1 M, or 9.1%, decrease from FY19/20 adopted budget

General Fund is 3.7% less than last year

$2.3 M in planned use of excess reserves; $900,000 for capital

Ending fund balance is $14.8M (35.8% of budget), leaving $4.7 above Town Council 25% reserve policy

$5 M in contingency included in General Fund
Financial Overview (Continued)

Year-over-Year Budget Comparison

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2020 Budget</th>
<th>FY 2021 Budget</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>$35.6</td>
<td>$35.5</td>
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<tr>
<td>O&amp;M</td>
<td>$29.0</td>
<td>$28.7</td>
<td>1.0%</td>
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<tr>
<td>Capital</td>
<td>$33.7</td>
<td>$21.4</td>
<td>36.6%</td>
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<tr>
<td>Debt Service</td>
<td>$7.4</td>
<td>$6.5</td>
<td>12.6%</td>
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</table>
**FY 2020/21 Recommended Budget by Category**

- **Personnel**
  - $35.4M
  - 35%

- **O&M**
  - $28.7M
  - 28%

- **Capital**
  - $21.4M
  - 21%

- **Contingency Reserves**
  - $8.9M
  - 9%

- **Debt Service**
  - $6.5M
  - 6%
Key Budget Factors – General Fund

Economic Conditions/Revenue Projection Highlights

- FY 20/21 local sales tax revenues $1.2 M (6.1%) lower than adopted FY 19/20 budget
- Licenses and permit revenues $392,000 (19.7%) lower
  - Projecting 225 SFR permits vs. 300 in current FY
  - Commercial permit **down 40%** from projected year-end
- Charges for services $313,000 (12.3%) lower; most related to Parks and Recreation
- Increase of $664,000 (5.3%) in state shared revenues, attributable to a 12.3% increase in income-tax portion
Expenditure Highlights

- Department operations and maintenance (O&M) budgets $1.2M (11.5%) lower than FY19/20
- Personnel costs reflective of seven frozen positions through 12/31/20
- No step or merit increases included
- Other personnel costs and benefits relatively flat except retirement costs (PSPRS up $289K; ASRS up $14K)
- $5M contingency funds included
- $1M in capacity for potential CARES Act expenditures
- 5% General Fund transfer to capital fund of $911,000
Focus on continuing service levels - minimize community impact

Conservative approach to personnel
  - Maintain benefit levels to help keep employees whole, with planned premium holiday
  - One new position in Water, authorization of PT to FT for IT Help Desk position
  - Reclassification of 16 positions

Addition of $1M in capacity for potential CARES Act funded programs to assist local businesses

Continue necessary capital maintenance/replacements

Adequate contingency to address unforeseen revenues losses and unexpected expenditures

Preserve Town Council 25% Reserve for future, if crisis extends
Strategic Focus Area Investment Highlights

▶ **Economic Vitality** – UA Center for Innovation $30K; Visit Tucson $275K; Chamber $40K

▶ **Recreation and Culture** – Master Plan development $30K; targeted capital investments

▶ **Public Safety** – Training focus; 911 console replacement $220K

▶ **Land Use** – Plan to continue with code changes
Water, Roads and Town Assets—Recommendation to suspend potable water rate increase; Water Utility capital investments; Pavement preservation $1.5M; ongoing facility/asset maintenance

Effective and Efficient Government—Innovation and Technology Department; continued investment in OV Peak Performance

Town Finances – Conservative budgeting and substantial contingency of $5M; Opportunity to make additional payment to PSPRS at fiscal year-end.
Council financial policy requires excess reserves to be dedicated towards capital funding or PSPRS unfunded liability.

Prior transfers, required 5% annual set-asides, and additional $900,000 in excess reserves allow for funding of $3.6M in total capital projects from Capital Fund.

Some of the projects continued from FY 19/20 include the Naranja Park improvements, the generator at the Emergency Operations Center, and two new wells for the Water Utility.

Vehicle reserve program ensured available funding for needed vehicle replacements.
Major Capital Investments - Highlights

**General Fund**
- Replacement of permitting software - $200,000
- IT backup hardware replacements - $200,000
- 911 console replacements - $220,000
- MUP path repair for OV Marketplace - $400,000
- Riverfront batting cage/bull pen - $140,000 ($67,000 private)
- Steam Pump Ranch Garage - $550,000
- Main campus sidewalks/ADA - $200,000
- Tennis court resurfacing - $90,000
- 14 vehicle replacements - $841,100

**Non-General Fund**
- Golf Course irrigation design/initial construction - $800,000
- La Cholla widening - $3.6M for last phase ($1.8M impact fees)
- Pavement preservation - $1.5M
- Lambert Lane pavement overlay - $320,000
- $9.3M for 22 capital projects in Water Utility
Financial Overview (Continued)

Capital Improvement Program (CIP)
Total CIP projects = $20.5M Town-wide
Awards and Accolades

Government Finance Officers Association (GFOA)
Distinguished Budget Presentation Award – 12th consecutive year

GFOA Certificate of Achievement for Excellence in Financial Reporting – 27th consecutive year

GFOA Popular Annual Financial Reporting (PAFR) Award – 7th consecutive year

S&P Global updated the Town of Oro Valley’s bond rating to AA+/stable. The prior rating had been AA-. 