

Class 3: Maintaining Financial Stability

Community Academy
October 14, 2025



Town of Oro Valley

Tonight's Presentation

David Gephart, OV's Chief Financial Officer

- ▶ Budget and Finance Commission
- ▶ Town Finance Department
- ▶ Purpose of a budget
- ▶ Fund Structure
- ▶ Revenue types
- ▶ Expenditures
- ▶ General fund
- ▶ Looking ahead

Budget and Finance Commission

- ▶ Comprised of five Town Council appointed members from community
- ▶ Meet monthly
- ▶ Review monthly financial performance
- ▶ Review financial policies, propose changes
- ▶ Review budget
- ▶ Other special projects, as assigned

Town Finance Department



Town of Oro Valley

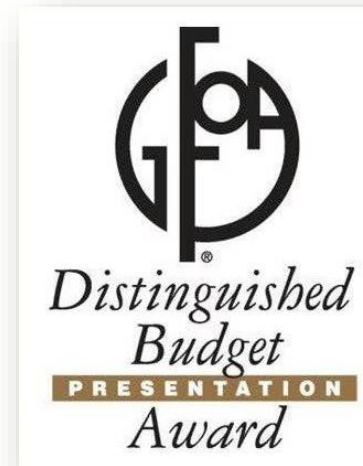
6 full-time employees

Finance Divisions:

- Accounts Payable & Accounts Receivable
- Payroll & Pension Administration
- Audit & Controls
- Financial Planning

Awards and Accolades:

- Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award – 17th consecutive year
- GFOA Certificate of Achievement for Excellence in Financial Reporting – 31st consecutive year
- GFOA Popular Annual Financial Reporting (PAFR) Award – 13th consecutive year



Purpose of a Budget

- ▶ The Town's budget serves four main purposes, as identified by the Government Finance Officers Association (GFOA):
 - ▶ Policy Document
 - ▶ Operations Guide
 - ▶ Financial Plan
 - ▶ Communications Device



Budget Priority Guidance

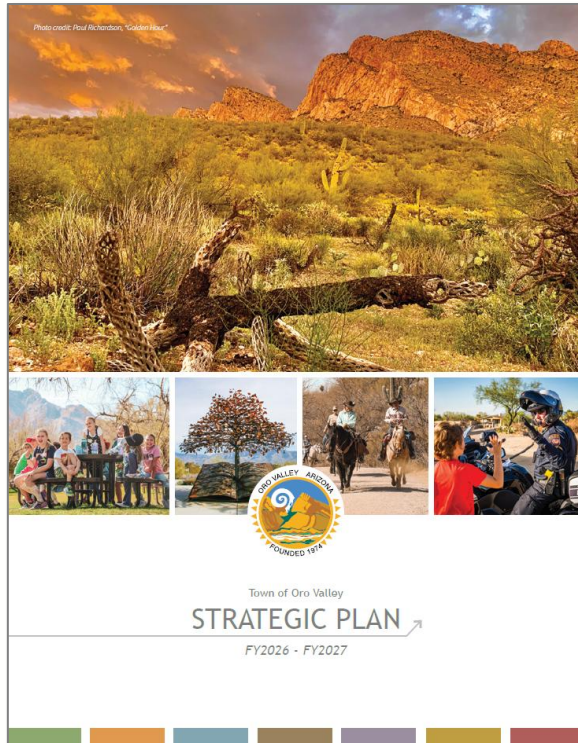


Town of Oro Valley

**Town Strategic
Plan**

**Voter-Approved
General Plan**

Budget





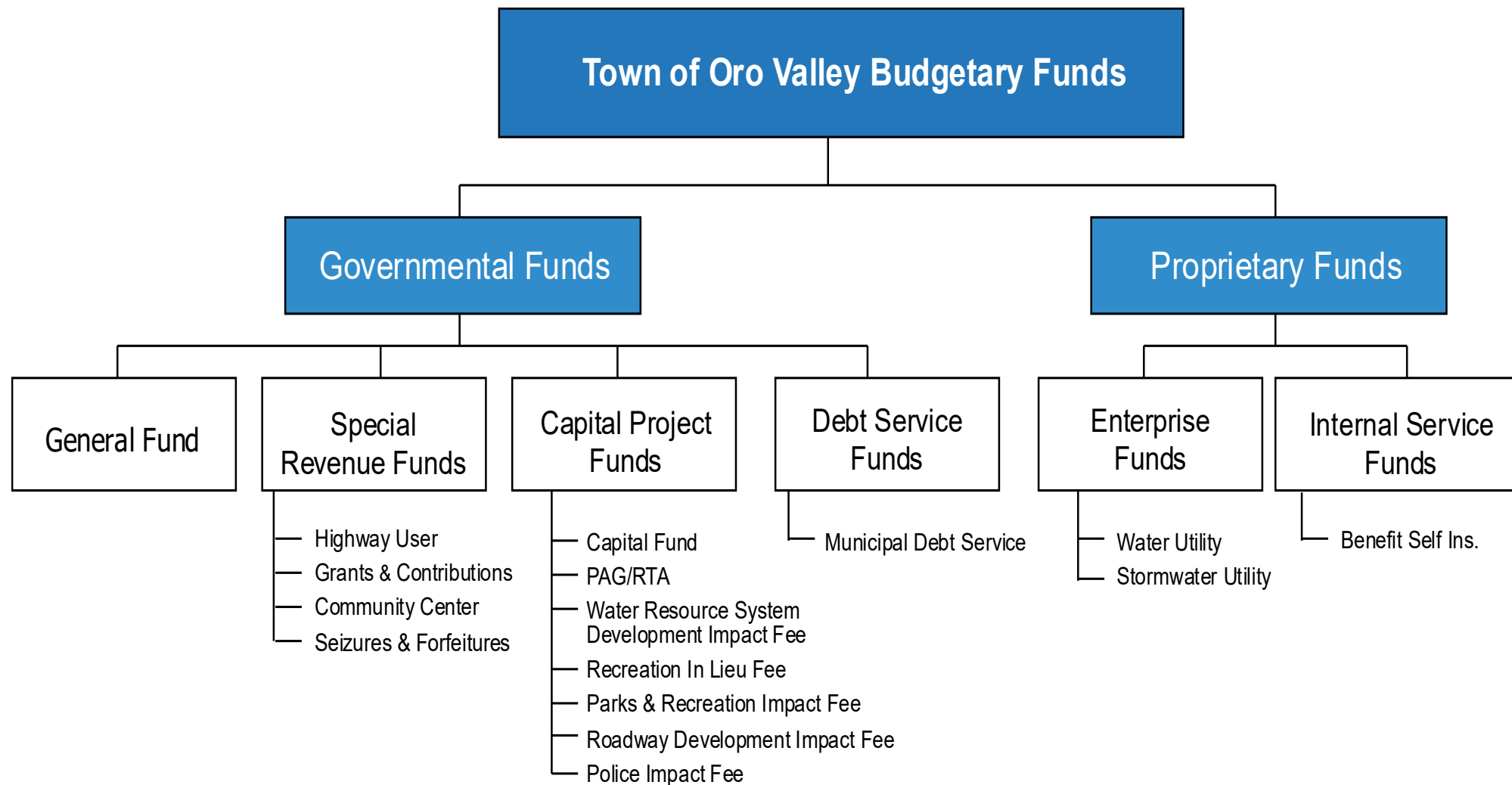
Primary Types of Funds

- ▶ General Fund (primary operating fund)
- ▶ Enterprise Funds (self-supported, similar to business)
 - ▶ Water
 - ▶ Stormwater
- ▶ Capital Project Funds (restricted infrastructure project funds)
 - ▶ Impact Fees
- ▶ Special Revenue Funds (restricted/dedicated sources of revenue)
 - ▶ Highway Fund
 - ▶ Community Center Fund
- ▶ Internal Service Funds (services provided internally)
 - ▶ Benefit Self Insurance



Fund Structure

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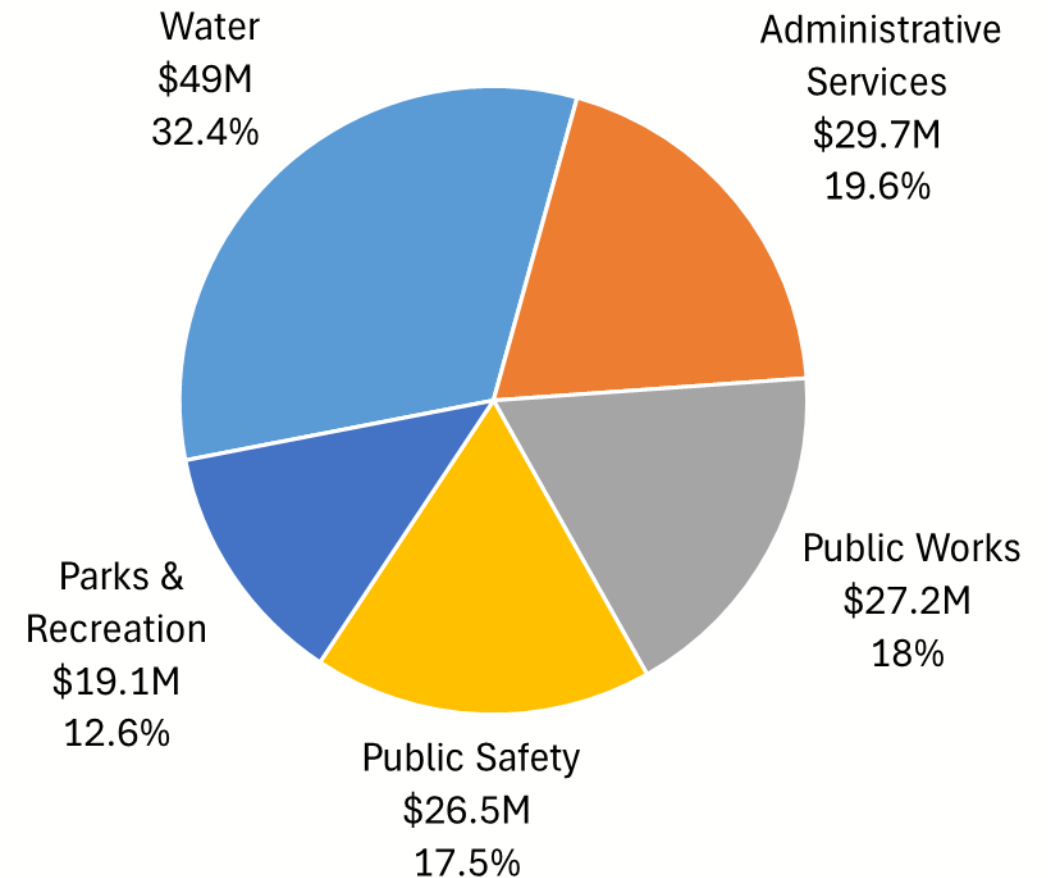
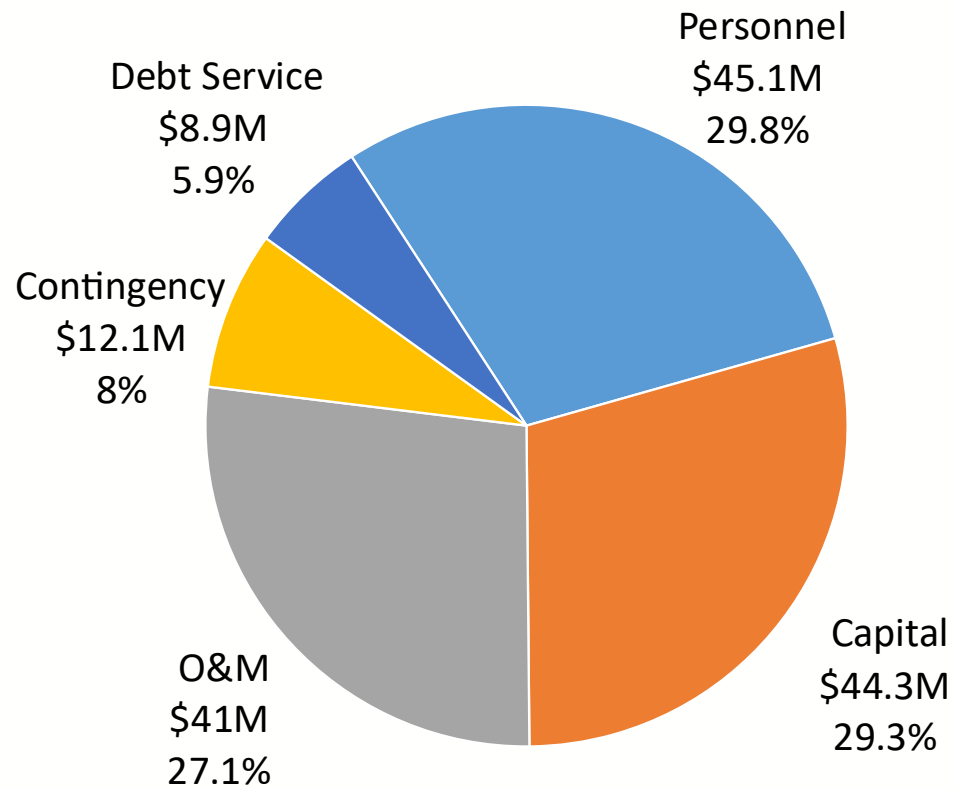


FY 25/26 Budget by Category and Function - \$151.5 million



Town of Oro Valley

Funds are like separate checking accounts; more than half are restricted





Town of Oro Valley

Town of Oro Valley - Main Revenue Sources

Revenue Source	Description
Local Sales Tax	Includes retail sales taxes, construction tax, hotel/motel tax, restaurant/bar tax and utility tax
State Sales Tax	The Town receives its share of state shared sales tax (5.6%) based on population.
State Income Tax	Amount is based on income tax collections from two years prior to the fiscal year in which the Town receives these funds.
Gas Tax	Cities and towns receive 27.5% of all gas taxes. Of this 27.5%, ½ is distributed based on population, other ½ based on proportion of gas sales in County.
Vehicle License Tax	Approximately 20% of revenues for licensing of motor vehicles is distributed to incorporated cities and towns.
Cable Franchise Fee	5% on provision of cable service from Comcast Cable.



Main Revenue Sources (Continued)

Revenue Source	Description
User Fees	Collected from residents for Town facilities and services including park lighting, aquatics, and recreation fees.
Grants	Received from Federal and State agencies to assist in funding projects such as roadway improvements, public safety and community services.
Building Permit Fees	Revenues from this source come from residential building and commercial development.
Court Fines	Revenue comes from traffic violations and other fines paid for the violation of Town ordinances.
Development Impact Fees	Revenues come from residential and commercial development to finance new construction or expansion of capital infrastructure due to growth.
Water Sales	Revenues come from the sale of water to residents and businesses.



Town of Oro Valley

Council-Approved vs. Voter-Approved Revenues

Council-Approved Revenues	Currently in place?
Local Sales Taxes	Yes
License & Permit Fees	Yes
Charges for Services	Yes
Impact Fees	Yes
Water Rates	Yes
Use Tax	No
Commercial Rental Taxes	No

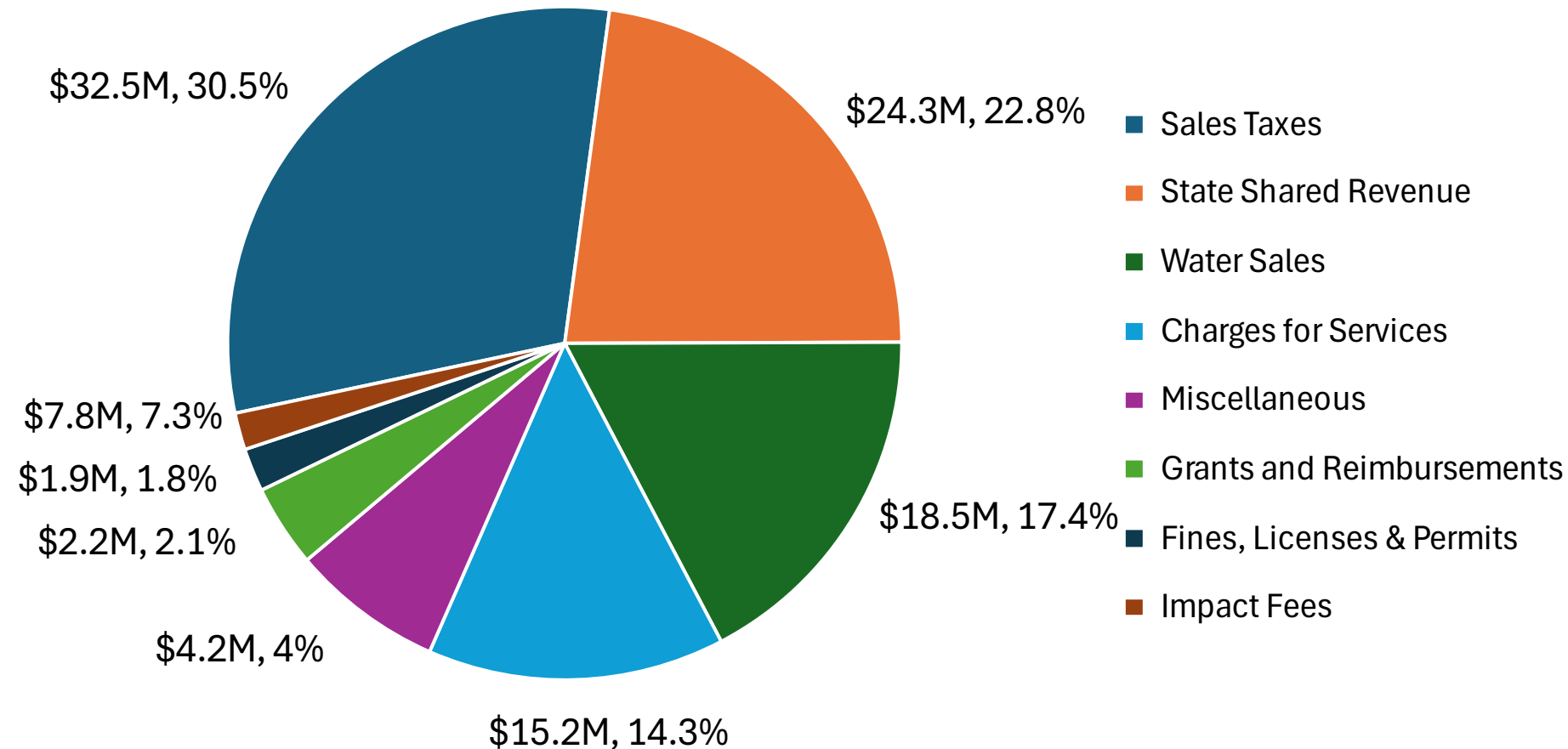
Voter-Approved Revenues	Currently in place?
Property Taxes (TOV)	No
Residential Rental Taxes	No
Electric/Gas Franchise Fees	No

FY 2025/26 Revenue Sources



Town of Oro Valley

FY26 Adopted Budgeted Revenues by Source (in millions)



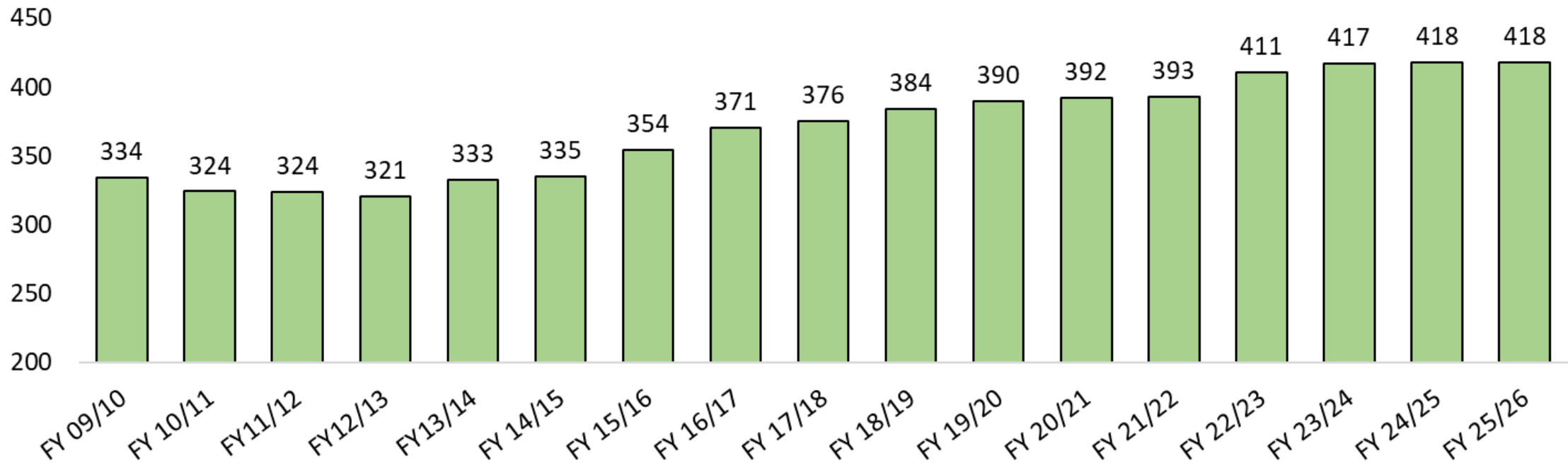


Budgeted FTEs by Fiscal Year

FTE = Full Time Equivalent; 40-hour/week employee = 1.0 FTE

FY 09/10 Population Estimate: 41,011

FY 25/26 Population Estimate: 49,400

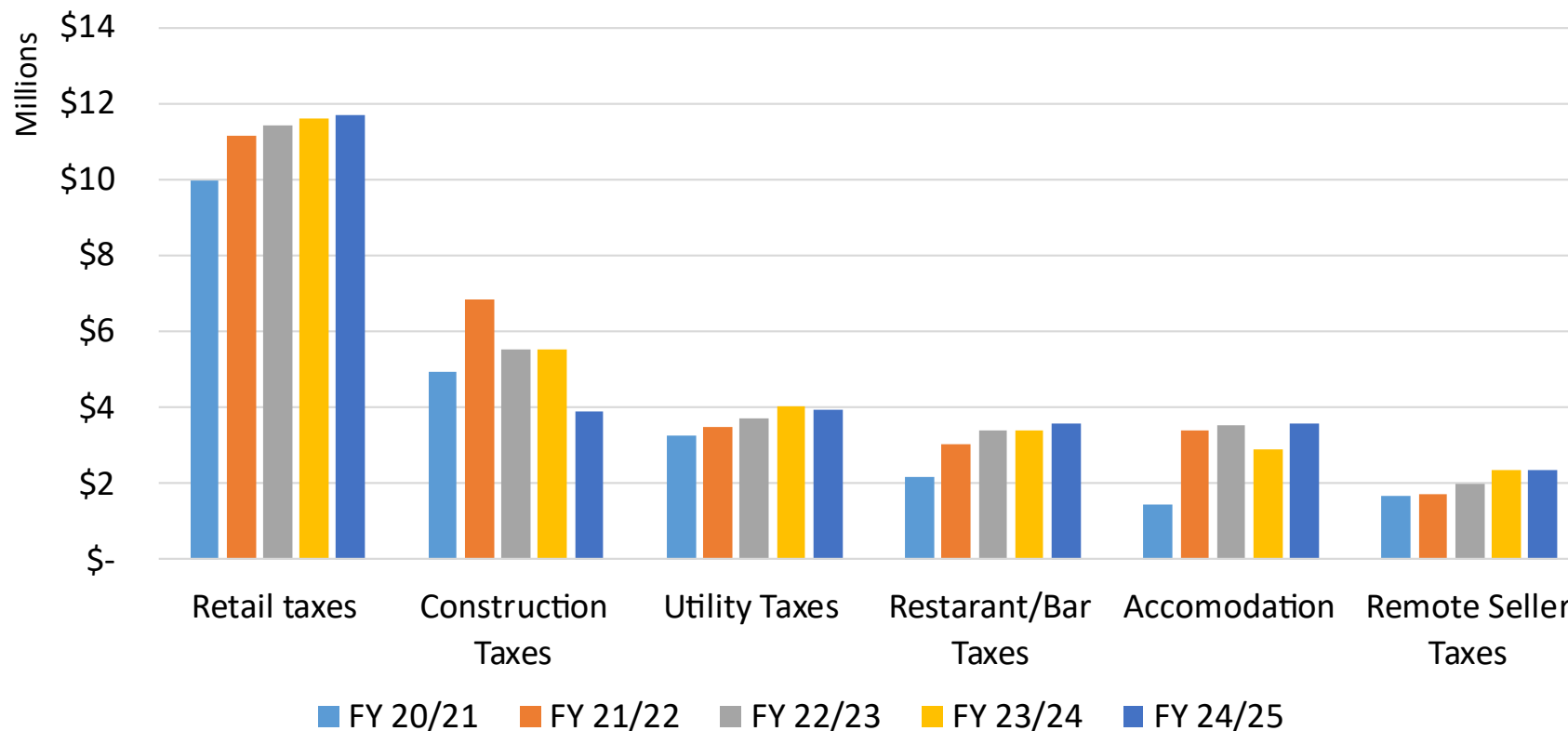




Revenue Trends: Sales Tax

- ▶ Growth in retail and online shopping
- ▶ Largest operational revenue source of the Town is sales tax collections

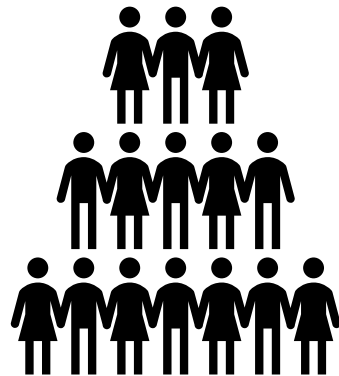
Sales Tax Activity by Major Sector - FY 20/21 through FY 24/25



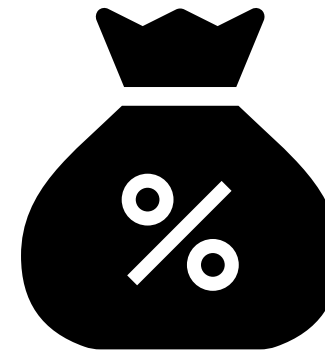
Revenue Trends: State Shared Revenue

► Growth in State Shared Revenues

- 2nd largest operational revenue source
- Slight decline anticipated in the future



Population



State income
Tax collections



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Revenue Trends: Construction Sales Tax

- ▶ Interest rates impact both residential and commercial construction
- ▶ Impacts revenue generated from construction sales tax and fees



GENERAL FUND

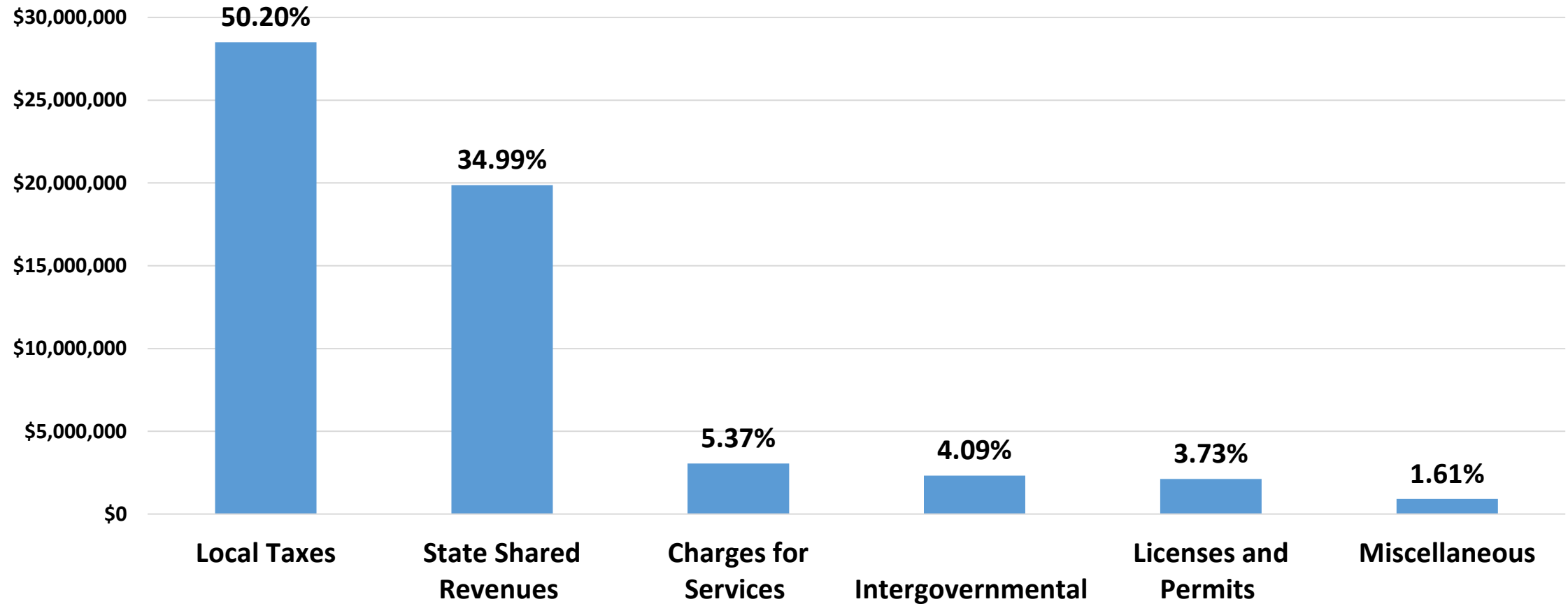
(Main Operating Fund)





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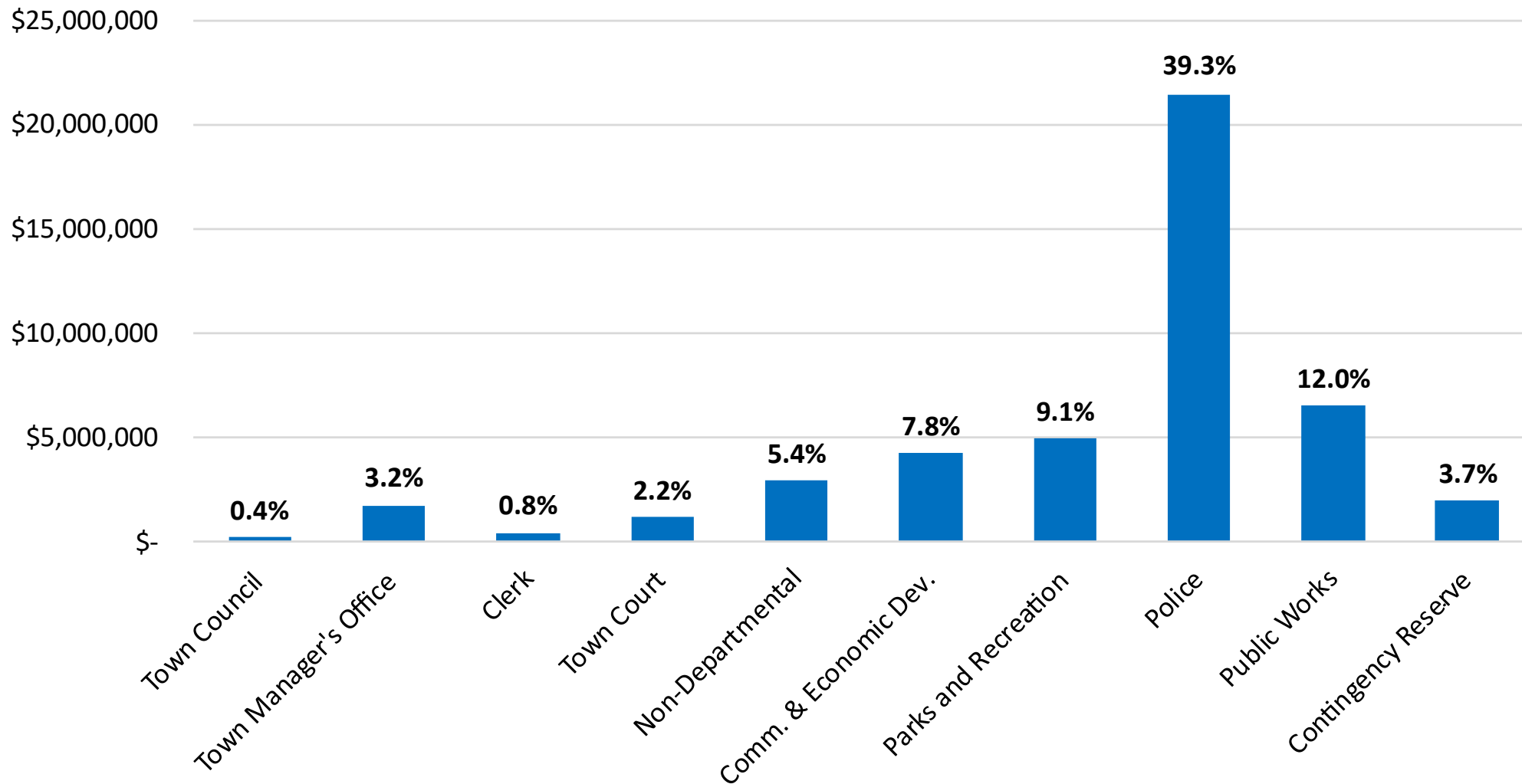
FY 25/26 General Fund Budgeted Resources





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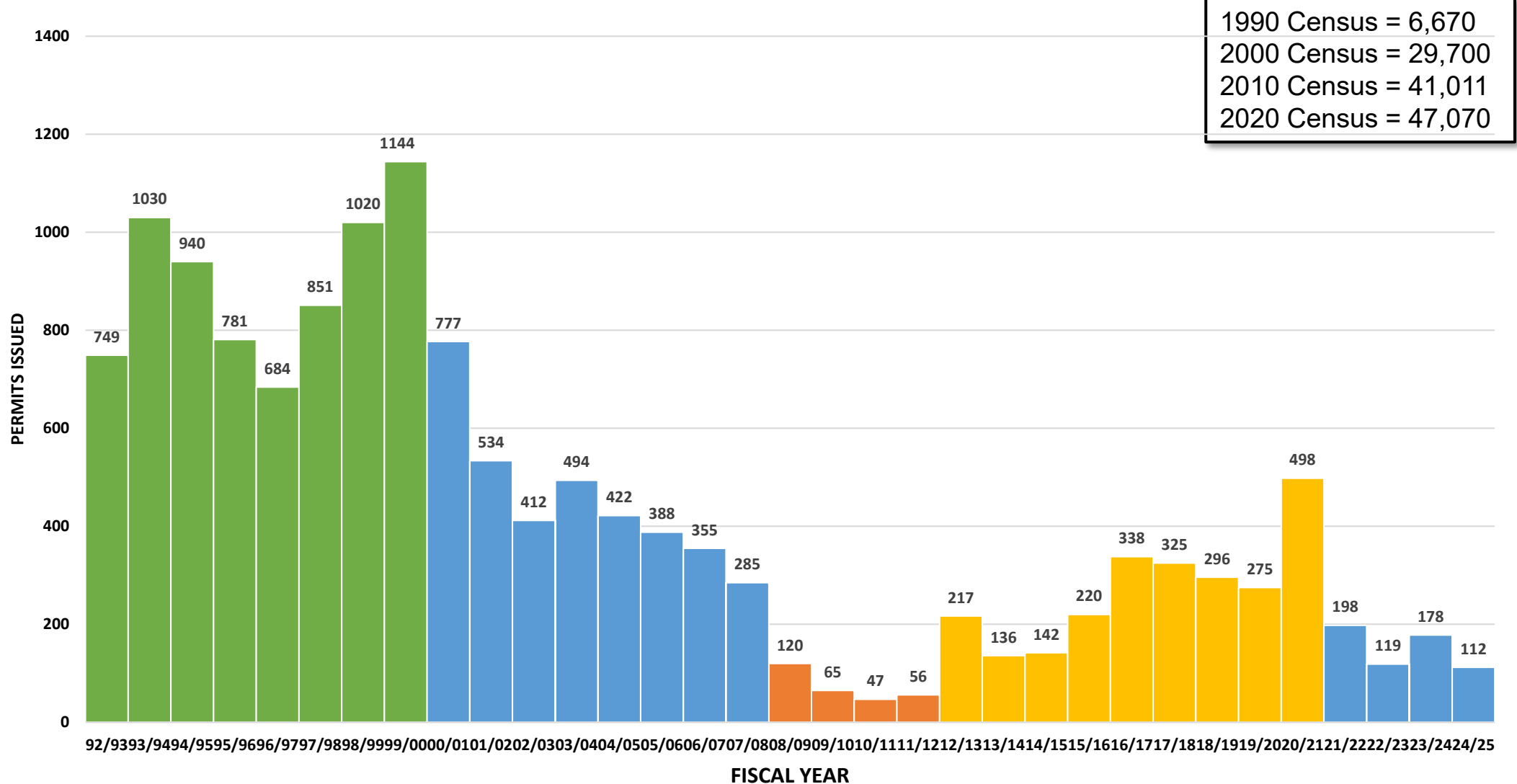
FY 25/26 General Fund Budgeted Expenditures





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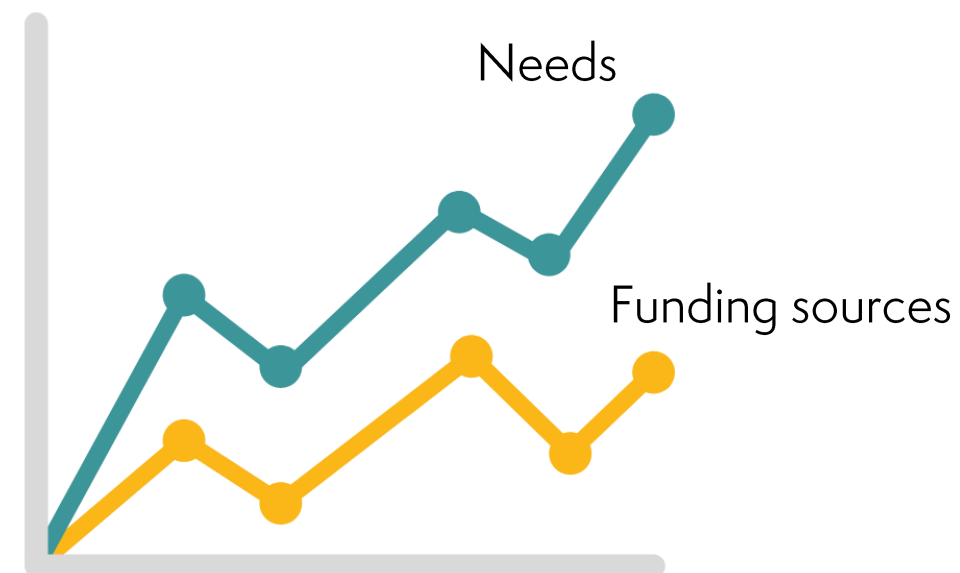
Historical Single Family Residential (SFR) Permits





Expenditure Trends

- ▶ Costs for water delivery continues to rise = increase in water rates and charging
- ▶ Inflation impacts to personnel, operations and maintenance costs, and capital spending
- ▶ Growth in needs that may potentially outpace available funding sources





Fiscal Management Policies and Practices

- ▶ Dedicate one-time revenues to one-time expenditures and recurring revenues to recurring expenditures
- ▶ Prepare monthly budget-to-actual financial reports
- ▶ Prepare 10-year Capital Improvement Plan
- ▶ Evaluate funding for capital projects – allocate minimum of 5% of excise tax collections to Capital Fund
- ▶ Prepare 5-year financial forecast
- ▶ Maintain minimum 25% reserve balance in General Fund
- ▶ Excess funds allocated to capital funding and reducing PSPRS unfunded liability
- ▶ Annual independent audit by CPA firm