



April 16, 2021

It is my privilege to present the Town of Oro Valley balanced budget for Fiscal Year 2021/2022. This budget totals \$134.4 million, representing a significant increase of \$29.0 million, or 27.5% higher than the adopted Fiscal Year 2020/2021 budget of \$105.4 million, which is more clearly explained later in this message.

Families, businesses and governments have faced many challenges over the past year due to the pandemic. Yet the FY21/22 Recommended Budget reflects optimism and opportunities in the coming year – optimism that the Town can continue to provide high levels of service to our community and take advantage of opportunities to invest in the Town’s long-term financial stability.

With strong financial preparation, a collaborative leadership team and responsible budget planning, this balanced budget represents the allocation of resources expected to be available in the coming fiscal year. The Town’s FY21/22 budget supports the priorities, goals and objectives outlined in the Town Council’s draft FY2021/22 – FY2022/23 Strategic Leadership Plan, which include the following focus areas for investments to support the community:

- Economic Vitality
- Recreation and Culture
- Public Safety
- Roads, Water and Town Assets
- Land use and Design
- Efficient and Effective Government
- Financial Stability and Sustainability

LOCAL, STATE AND NATIONAL TRENDS

While next fiscal year feels surprisingly unburdened by the pandemic, this is not the same as saying it will be normal. As the Town of Oro Valley, and the nation at large, begins to emerge from the COVID-19 pandemic, things will be altered in subtle and yet dramatic ways. There are signs at the national, state and regional levels that portend positive trends for the upcoming fiscal year.

The U.S. economy is expected to grow 6.5% in 2021. Arizona remains well positioned to outpace most states in jobs, income and population increases, even after accounting for the negative impacts of the pandemic. According to Moody’s Analytics, the Tucson area is among the best-positioned regions to thrive after the pandemic. This is due to the area’s low population density, relatively high levels of educational attainment and an established regional economic development revitalization plan.

In Arizona, the travel and tourism industry were hit the hardest by the COVID-19 pandemic. The unemployment rate for metro Tucson's hospitality, restaurant and attractions firms is believed to have exceeded 20% at the end of 2020. This has also impacted the Town's bed tax and restaurant/bar collections, which were down nearly 20% when comparing the end of 2020 to the same period in 2019 and are estimated to be down nearly 35% by FY20/21 year-end. Yet, it is widely predicted that rising vaccination rates will complement pent up demand and high personal savings rates to help this sector begin to recover in FY21/22.

Both the retail and housing markets had surprisingly strong pandemic years and growth is expected to continue. From July 2020 – February 2021, Oro Valley retail collections were more than 15% higher than collections from the same period the prior fiscal year, which was pre-pandemic, helped greatly by a notable increase in on-line purchases. New single-family residential (SFR) permit activity was strong for most of 2020 throughout the Tucson region. Oro Valley experienced its most active year for new SFRs since 2003. A total of 384 new SFR permits were issued in 2020, which represents about a 43% increase from the 269 SFR permits issued in 2019.

The projected economic recovery is also expected to have a positive impact on the Town's largest revenue source, sales taxes. Sales taxes track the economy more closely than other potential revenue sources. Economic projections from reliable sources predict a rise in both general economic activity and specific economic activities that will increase the Town's sales tax revenues (retail sales, hotel stays, home construction). The Town is projecting a gradual uptick in sales tax revenue when compared to FY20/21 estimates.

State Shared Revenues is the second largest revenue source for the town. This revenue category is expected to increase by 4.1% overall. The increase in the state sales tax and vehicle license tax show a general belief that the state and region will return to more normal business operations as the economy recovers. While the Town expects to see increases in the state sales tax and vehicle license tax revenue of over 15%, these increases will be partially offset by an expected 8.9% reduction in State Income Taxes. This decrease is not due to pessimistic economic forecasts, but instead is due to delayed tax filings during the 2020 tax filing season caused by the pandemic.

MAJOR BUDGET CHANGES EXPLAINED

American Rescue Plan Act

On March 11, 2021 the American Rescue Plan Act (ARP) was signed into law by President Biden. Among the provisions was \$350 billion to help states, counties, cities and tribal governments cover increased expenditures, replenish lost revenue and mitigate economic harm from the COVID-19 pandemic. The Town of Oro Valley is expected to receive a total of \$10,986,791 split over two fiscal years, with the first half of the payment projected to be deposited by the Arizona Department of Revenue into Town accounts toward the end of FY20/21. The first half payment has been included as a carryover amount, while the second half payment has been included as revenue in the FY21/22 Recommended Budget. The Town has until December 31, 2024 to spend its allocation, and approximately \$5,493,395 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. This frees up excess General Fund reserves, allowing Town Council to direct a significant \$10 million

additional allocation toward the Town's \$27.6 million Public Safety Retirement System (PSPRS) unfunded liability.

The Recommended Budget includes the use of approximately \$1.3 million of ARP Act funding in the Town's General Fund towards one-time projects and programs. These items include funding for the OVNNextSteps program, a Preschool Promise Scholarship Program, and deferred facility maintenance, among others. The remaining \$4.2 million is set to be transferred to the Town's Capital Fund to help fund current and future Capital Improvement Projects (CIP). The remaining ARP Act funding will be budgeted in the following fiscal year for one-time expenditures such as capital projects or facility maintenance. Use of the ARP Act funds for capital will help the Town reserve any year-end fund balance for the next two fiscal years for future Town priorities.

PSPRS Unfunded Liability

On April 7, 2021, the Town Council voted to direct the Town Manager to include in the Recommended Budget capacity to make a \$10 million contribution from Town excess reserves, plus \$17 million in Pension Obligation Bond proceeds to apply toward Oro Valley's \$27.6 million PSPRS unfunded pension liability. The combined \$27 million contribution, in addition to the ARP Act funds noted above, are the primary reasons the Town's FY21/22 Recommended Budget is 27.5% higher than FY20/21.

The hybrid cash and pension obligation debt approach is the solution recommended by the Town's financial consultant, CBIZ, following an objective analysis of potential options to address the PSPRS unfunded pension liability. Staff and the Budget and Finance Commission also recommended this solution after a thorough review. The solution is consistent with the Town Council's PSPRS funding policy, which has set a 100% funding goal for the PSPRS and CORP retirement funds by 2036. The solution further requires the Town to continue paying its current contribution rates on an annual basis (41.62% for Police and 75.53% for CORP).

Grants Fund

Another significant change from the current FY20/21 budget is the inclusion of a newly established Grants and Contributions Fund. This new fund will assist the Town in demonstrating spending compliance with Federal grants and awards, while also assisting the Town in ensuring current and future budgets are structurally balanced. It aligns with the Town Council's financial policy that one-time resources are utilized for one-time expenditures and will alleviate some of the perceived volatility from year-to-year in the General Fund due to anticipated grant funding.

TOWN OPERATIONS

The Town of Oro Valley has a demonstrated history of responsible budgets, strong reserve funds, conservative financial projections and continuous improvement. The FY21/22 Recommended Budget continues to build upon that foundation. FY20/21 was especially conservative, incorporating a variety of cuts, position freezes and pauses on capital investments at the start of the fiscal year due to the initial uncertainty the pandemic would have on Town revenues. The development of the budget remains mindful to using one-time resources for one-time investments. With inflationary cost increases projected in fuel, utilities, insurance and capital projects, among other categories, departmental operating budgets have been fine tuned to address top priorities. Department directors were very

prudent in making budget requests and collaborated fully when revenue projections were unable to support all needs.

The following summary outlines major budget investments.

Compensation, Benefits and Personnel

Personnel is a significant expense to the Town's budget because the government is a service-based organization. Except for several years during the Great Recession, over the recent past the Town has been able to offer step/merit increases to eligible employees. For FY20/21, the budget did not include step/merit increases due to the uncertainty surrounding expected revenue projections. However, the Town Council expressed a willingness to consider an adjustment later in the fiscal year depending on revenue collections and voted in January to provide a 3% across-the-board wage adjustment to eligible employees after reviewing favorable financial projections. The FY21/22 Recommended Budget once again includes step increases for sworn Police personnel and merit increases of 2.5-3% for all other employees.

The FY21/22 Recommended Budget includes \$50,000 to hire a firm to conduct a salary and compensation analysis to ensure the Town's compensation structure continues to remain competitive in the future. The last time the Town conducted a comprehensive review of this nature was nearly 10 years ago.

With no additional positions added in FY20/21 within the General Fund, there are several crucial areas that require additional or restructured staffing to meet operational demands.

Public Safety – The FY21/22 Recommended Budget includes funds for an additional Telecommunicator position to help meet the increasing demands in keeping up with 911 calls. The budget also includes the reallocation of funds from Chief Riley's recent discontinuation of the paid Police Reserve Program toward a new full-time civilian Crime Scene Technician and a part-time Police Workforce Specialist, a position that will be primarily responsible for pre-hire background investigations, defensive tactics training programs and officer support. Some of the resources are being reallocated to the Public Works Department to add a Fleet Technician to bring certain maintenance activities for the Police and civilian fleet in-house.

Administration – The Recommended Budget also includes an additional Senior Accountant position in the Finance Department to meet the operational needs of the organization. With only one staff-level accountant in the department, this position has been identified as necessary by the current and past CFOs for over four years. In addition, a new Systems Analyst position has been included within the Technology and Innovation Department to support the Water Utility's growing demands on software and other technology. The Water Utility will be funding the position through an increase in its administrative overhead transfer to the General Fund.

Public Works – As part of the process improvement initiative for Fleet Services, the department has reclassified a vacant position as Fleet Supervisor to oversee the expanded internal fleet maintenance program noted above. Some of the resources previously applied to a Police Reserve Officer assigned to Police fleet functions will be reallocated toward a Fleet Technician.

The FY21/22 Recommended Budget also includes the necessary reclassification of several positions at a total cost of \$20,982 to the General Fund. Classifications were adjusted to reflect the actual operational duties assigned to the positions as well as address internal and external equity issues.

Travel and training was sharply reduced in the FY20/21 budget due to the expenditure reductions necessary to address the uncertainty of the pandemic's impact on Town revenues. In all departments, there is a recovery of this line item, although still lower than FY19/20 as many conferences and training opportunities will continue to offer remote programs in lieu of in-person events due to the pandemic.

The Town continues to perform well in its employee health self-insurance fund. With an ongoing emphasis on wellness and early detection, Town employees and their dependents are not only well served with outstanding health plan choices, but they are taking steps to remain healthy. As a result, the Town will not need to increase employee-only health premiums for FY21/22, an anomaly in the health benefit arena today. The Town will take the final step in moving dependent care for the PPO plan to the 75/25 contribution level in the coming fiscal year and will continue the transition to that split for dependents in the high deductible plan. The Town's benefit advisor has expressed that the self-insurance fund reserves remain very healthy and more than adequate to address any unexpected claims.

Strategic Investments

In February 2021, the Town Council met remotely for a two-day retreat to discuss and develop priorities for their next two-year Strategic Leadership Plan. On April 7, the Council provided feedback to staff on the draft plan, which will be presented to Council on April 21 for final adoption. The FY21/22 Recommended Budget was developed with these priorities in mind, and the Council's strategic focus areas provide the backdrop for outlining major investments, work efforts or changes to departmental budgets.

Economic Vitality – The Town continues to support area businesses as well as recruit new primary employers to Oro Valley. The pandemic has caused some businesses to pause on potential expansions and relocations, and others to proceed forward. The Recommended Budget includes several investments and staff initiatives that will move the community toward future economic growth, including \$200,000 reserved in the General Administration budget for actions that will be developed as OVSafeSteps business assistance program transitions to OVNextSteps.

In October 2020, the UA Center for Innovation (UACI) at Oro Valley opened its doors to start-up bioscience/tech companies and currently houses two firms, and expects to announce the third business in May. The budget again includes \$30,000 to support the services provided by the incubator as Town staff continue to work with UACI staff in identifying ways to eventually transition those companies to more permanent Oro Valley office space. In addition, a combined \$48,000 is included in the CED budget to support industry specific marketing, primary employer recruitment, external high-quality video, digital advertising, and site selector support and proposal response. The Town continues to maintain its strong partnership with Visit Tucson and has budgeted \$250,000 toward the base contract with the agency (down \$25,000 from the current fiscal year to reflect the reduction in bed taxes), but reserved another \$75,000 from the ARP Act funds for other initiatives or sponsorships that will help draw visitors to dine, shop, stay and recreate in Oro Valley, whether through Visit Tucson, Town initiatives or other partners. The

FY21/22 Recommended Budget also continues the Town's \$40,000 operating agreement with the Oro Valley Chamber of Commerce to support the retention and expansion of Town businesses. A specific emphasis in the coming fiscal year will be assisting businesses in recovering post-pandemic.

Recreation and Culture – Over the past year, considerable time has been devoted to the development of a comprehensive Parks and Recreation Master Plan. While not yet adopted by the Town Council, the plan includes projected costs associated with: (1) lifecycle replacement and repair of existing facilities; (2) connectivity analysis; and (3) concept plans for the Community Center, Steam Pump Ranch, James D. Kriegh Park, Riverfront Park and Naranja Park. With a total projected cost of over \$62 million, the draft plan is getting refined down to top priorities for funding. With that in mind, the Recommended Budget includes \$1.5 million in funding for capital projects to be established by the Town Council upon the master plan's adoption. In addition, several other Parks and Recreation capital projects that have been in the Town's 10-year CIP for several years are included, specifically:

- \$320,000 for improvements and updates to the playground at the James D. Kriegh Park
- \$195,000 to complete the playground project with connecting path, shade and a water fountain at Naranja Park
- \$115,000 for a water sanitization system for the Aquatic Center
- \$480,500 for the renovation of the BBQ and Bunk House at Steam Pump Ranch

About \$300,000 in carryover funds are included in the CIP budget to allow for the completion of the Garage renovation and Pusch House improvements at Steam Pump Ranch.

The Community Center Fund includes the resources necessary to operate all 45 holes of golf in keeping with Town Council direction. \$2.7 million is reserved in the fund for the irrigation project for the El Conquistador course after the recent bidding process did not lead to a successful bidder.

The Recommended Budget also includes \$25,000 to continue the Town's partnership with the Southern Arizona Arts and Cultural Alliance (SAACA) as well as the continued \$75,000 in funding support for the Oro Valley Children's Museum.

Public Safety – The Recommended Budget continues to prioritize funding for the health, wellness and safety of the Town's first responders, to include training, support programs and personal protective equipment (PPE). Chief Riley has made some minor organizational changes to increase efficiencies and focus policing resources on data-driven needs, including mental health response, crime scene/evidence support, telecommunications and criminal investigations. The new positions noted above are a net increase of \$26,326 in the department's budget and includes adding a crime scene vehicle for the new technician.

Also included in the Recommended Budget is \$126,681 for a "Red Dot" system for officer duty handgun use, which has been shown to improve reaction time and the ability for an officer to remain focused on a threat during an altercation. The \$275,000 Police Mobile Command Post replacement has been elevated in priority within the CIP plan to ensure Oro Valley can remain ready to effectively respond to future emergencies as has been evidenced over the past year

with responses required to situations associated with the pandemic, civil unrest and the Bighorn Fire.

Related to public safety and security, the Town has included \$220,000 to replace several emergency generators, \$110,000 for Town Hall campus security screen window coverings and \$300,000 for the migration of Town data servers to another location.

Land Use and Design – The draft Strategic Leadership Plan identifies several work tasks for the coming year that fall under this category. In addition to the staff time allocated toward these strategic objectives, the Recommended Budget also includes a total of \$42,000 for professional services to assist with the objectives associated with a housing study, updating the Town’s design standards and updating the Dark Skies provisions. There is \$35,000 in the Recommended Budget to retain the services of a professional planning firm to develop a master plan for the 109 acres of property on Oracle Road donated to the Town by the Rooney family.

Roads, Water and Town Assets – The Recommended Budget continues to include substantial investments toward the design and construction of the Northwest Recharge, Recovery and Delivery System (NWRDRS), a partnership with the Town of Marana and Metro Water District to build infrastructure allowing all three entities to increase their utilization of Central Arizona Project (CAP) water allocations in the future. In total, the Water Utility has budgeted just over \$7.8 million for the NWRDRS program as well as other capital improvements and investments. Of that total, \$6.2 million is allocated from the Water Impact Fee fund.

Maintaining the Town’s high pavement condition remains a top priority for the Town Council, as well as residents. The Recommended Budget includes \$1.6 million for the Town’s annual pavement preservation program. Other major road projects budgeted include \$575,000 to overlay Lambert Lane from La Canada Drive to La Cholla Blvd; \$425,000 for the First Avenue bridge deck repair; and \$527,000 for an asphalt overlay of Moore Road from La Cholla Blvd. to La Canada Drive.

Maintaining Town facilities and assets is a critical function for the Public Works Department. A Peak Performance process improvement initiative of Fleet Services revealed an opportunity for the Town to save funds by bringing certain vehicle preventative maintenance services in-house from contracted services for both the transit vehicles and white fleet. The analysis indicated that an investment of \$150,000 in the third bay at the Town’s fleet maintenance facility, along with the addition of a fleet technician, the Town would see a return on investment within three years followed by an annual savings of \$18,000. Those investments are included in the FY21/22 Recommended Budget. With the additional ARP Act funds, the Recommended Budget also reserves \$800,000 in the General Administration budget toward additional facility projects targeted at building preservation, safety and ADA compliance improvements not included in the Public Works’ \$450,000 regular facility maintenance plan for the year. The additional projects will be finalized in the coming months.

Effective and Efficient Government – This overarching focus area touches all Town departments. Resources are again budgeted to continue the highly effective OV Peak Performance process improvement initiative for FY21/22. So far in FY20/21, Peak Performance implemented 14 process improvements across the organization resulting in a \$64,995 savings in ongoing time and materials.

Financial Stability and Sustainability – The Town Council has prioritized the development of a permanent solution for addressing the Town’s PSPRS unfunded pension liability of \$27.6 million. The FY21/22 Recommended Budget includes a solution that will get the Town to its goal of 100% funding, and ensure it stays there by continuing to pay existing contribution rates to both PSPRS and CORP in the coming years. The Recommended Budget includes an allocation of \$10 million in excess reserves and \$17 million in pension obligation debt to be deposited in the Town’s PSPRS account.

Other Regional Partnerships

The Recommended Budget continues to include funds to support the Pima Animal Care Center (PACC) through Oro Valley’s highly successful partnership with Pima County. This year’s allocation to PACC is \$142,250, up slightly from the prior fiscal year. PACC has done outstanding work during the pandemic to support families and their pets during this difficult time. I have also included \$100,000 in a one-time investment toward the regional initiative to expand access to quality preschool education through the Preschool Promise Scholarship Program. Pima County has committed \$10 million over the next three years toward this initiative and the City of Tucson has committed \$1 million next fiscal year in addition to \$775,000 allocated in FY20/21. The program is part of a workforce development initiative led by the Southern Arizona Leadership Council with participation by the United Way. This three-year pilot program is expected to demonstrate the value preschool education has on the future success of students. This contribution is intended to cover Oro Valley’s participation for all three years of the pilot with the understanding that long-term funding for the program belongs with the level of government responsible for education.

Contingency

In FY20/21, the Adopted Budget included a total of \$6.14 million in General Fund contingency to ensure the Town was adequately protected from unknowns of the pandemic. Given the stabilization of the Town’s revenues, and the fact that none of the contingency was tapped into during the fiscal year, the FY21/22 General Fund contingency has been lowered to \$5.0 million. The Town continues to adhere to its 25% General Fund reserve policy, which is \$13.3 million for the new fiscal year. The total ending Fund Balance for the General Fund is \$15.3 million, leaving \$2.0 million in excess reserves.

CAPITAL INVESTMENTS

Capital Fund

With over \$250 million in Town assets, continuing investments in existing infrastructure is crucial. The Town Council’s financial policies include a requirement that the Town set aside at least 5% of sales tax revenues for the Capital Fund annually, which is \$1,022,882 for FY21/22. This year, the Recommended Budget includes a total of \$6.4 million in capital expenditures from the Capital Fund. The following are highlights of some of the Capital Fund projects. The rest can be found in the capital section of the Recommended Budget.

Police Command Post	\$275,000	Replacement of 1999 mobile command post
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Police Red Dot System	\$126,681	Deployment of new system for duty handguns
Parks and Recreation Master Plan Priorities	\$1,500,000	To be determined following master plan approval and Council direction
James D Kreigh Park Improvements	\$320,000	Improvements and updates to playground area
Naranja Park Improvements	\$195,000	Add path connectivity, shade and water fountain
Steam Pump Ranch	\$480,500	BBQ and Bunk House renovations
Aquatic Center	\$115,000	Water sanitization project
680 facility improvements	\$252,000	Fleet bay improvements and office building renovations
Information Technology	\$410,000	Server upgrade, data center migration, security enhancements
Safety Improvements	\$330,000	Generator replacements and Security screens on main campus

In addition, the Capital Fund includes \$778,400 in total carryover dollars for completion of the Steam Pump Ranch Garage, the implementation of the permitting software system, and the outfitting of police vehicles budgeted in FY20/21.

Roads and Streets

The Recommended Budget includes funding for several projects in addition to the \$1.6 million in the Highway Fund for pavement preservation. Additional projects include the Lambert Lane overlay for \$575,000, and because the ARP Act funds have a timetable for use, one road project budgeted in the Capital Fund – the Moore Road overlay for \$527,000.

Fleet

The FY21/22 Recommended Budget continues to include funding for routine fleet replacements at just over \$1.8 million. These replacements include \$662,000 for the replacement and outfitting of 11 police vehicles, \$325,000 for heavy equipment and \$100,000 as part of the Town’s portion to replace five public transit vans.

Water Utility

The Water Utility includes a total of 17 capital projects totaling \$7.6 million, details of which can be found in the CIP section of the Recommended Budget.

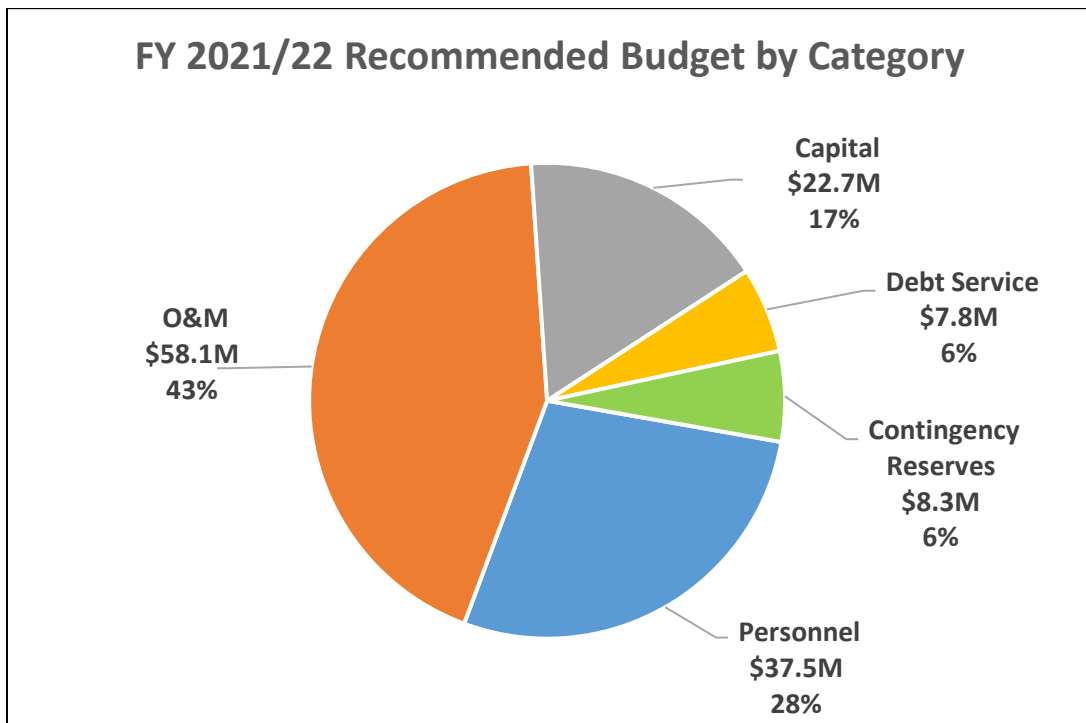
Stormwater Utility

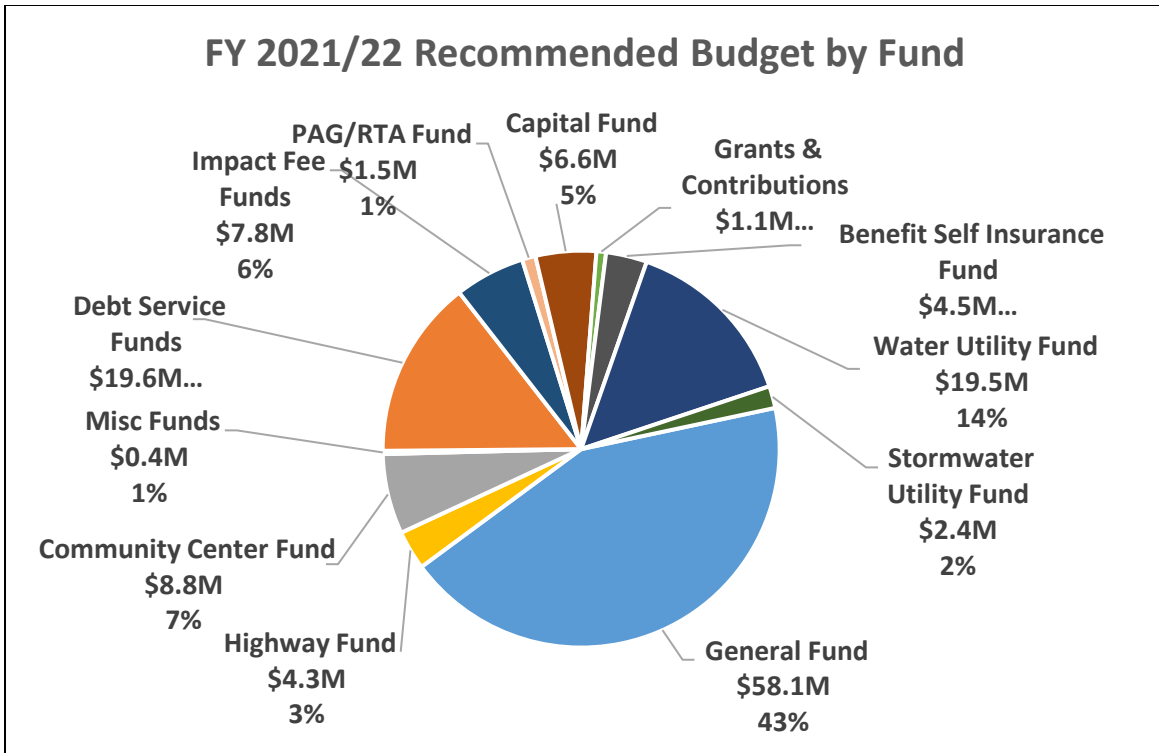
The Stormwater Utility fund includes two major capital projects totaling \$803,000. The first is the channel reconstruction project of the Gravel Mine Wash, and the second is drainage improvements in the Sierra Wash at Naranja Drive.

FINANCIAL OVERVIEW

The following section offers an overview of the main funds of the Recommended Budget.

Below are two charts depicting the total FY21/22 Recommended budget of \$134.4 million by category and also by Fund.





General Fund

The General Fund budget totals \$58.1 million (including contingency reserves of \$5.0 million and excluding interfund transfers of \$7.4 million), and overall is \$15.9 million or 35.7%, higher than the current year budget of \$44.6 million. The General Fund has a planned use of excess reserves to fund identified one-time projects and initiatives.

The following are key revenue provisions included in the General Fund budget:

- In total, FY21/22 General Fund revenues are \$3.1 million or 7.2% higher than FY20/21 budgeted General Fund revenues.
- FY21/22 local sales tax collections in the General Fund are \$2.3 million or 12.8% higher than FY20/21 budget figures. This is largely due to projected economic recovery as the national, state and local economy begins to rebound from the COVID-19 pandemic.
- State shared revenues are overall \$535,000 or 4.1% higher than FY20/21 amounts. These revenue sources are dependent on population figures and revenues collections by the State.
- Licenses and permit revenues are \$257,000 or 16.1% higher than the adopted FY20/21 budget, which reflect a continued strong housing market, yet are still conservative in nature.
- Charges for Services are \$148,000 or 6.6% higher than the adopted FY20/21. Primary drivers for this increase are a partial recovery of Parks & Recreation related revenues as well as increased administrative support charges to the Town's enterprise funds.

The following are key expenditure provisions included in the General Fund budget:

- Budgeted personnel costs for FY21/22 total \$30.8 million. This figure includes step increases for sworn Police positions as well as 2.5% - 3.0% merit increases for all eligible Town positions.

Additionally, the FY21/22 personnel amount includes capacity for all recommended staffing changes noted earlier in the budget message.

- For FY20/21, department operations and maintenance (O&M) budgets were reduced \$1.2 million dollars during the onset of the pandemic. For FY21/22, department O&M budgets increased \$1.1 million or 15.7%. This budget figure represents spending still slightly below pre-pandemic levels.
- There is a budgeted transfer of approximately \$1.0 million to the Capital Fund. This amount represents 5% of estimated General Fund sales tax collections, per Town policy.
- Budgeted for FY21/22 is a \$10 million one-time contribution to PSPRS.
- Transfers out include approximately \$1.3 million for debt service payments related to issuing \$17 million worth of Pension Obligation Bonds, as more fully explained above.
- \$1.3 million of the approximate \$5.5 million ARP Act funding is budgeted toward one-time projects and programs with the remaining \$4.2 million transferred to the Capital Fund.

The estimated year-end reserve balance in the General Fund (excluding contingency) for FY21/22 is \$15.3 million or 28.7% of the expenditure budget. The Town's adopted policy level is 25%.

Water Utility Fund

Revenues for the Water Utility Fund are estimated at \$17.3 million. This is a \$1.9 million, or 9.7% decrease from the adopted FY20/21 budget. Most of the decrease is due to bond proceeds budgeted in the prior fiscal year. When factoring this out, revenues are estimated to increase nearly \$1.1 million or 5.7%.

Expenditures for the Water Utility Fund are budgeted to decrease \$962,000 or 4.4% from the current year adopted budget. This is primarily attributed to fewer planned capital expenditures for this fiscal year. A listing of planned capital projects for the Water Utility Fund are outlined in the CIP section of the Recommended Budget document.

10-Year Capital Improvement Program (CIP)

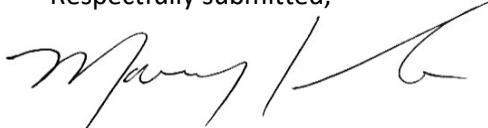
Town Council financial policies require the development of a 10-year Capital Improvement Program, which is reviewed and modified every year based upon needs and projected funding. The full 10-year plan projects a need for \$92.4 million in funding through FY30/31. Total funding allocated to CIP projects for FY21/22 is \$22.8 million. Highlights of the 10-year CIP plan include \$17.5 million for the Northwest Recharge Recovery and Delivery System (NWRDRS) project, \$19.3 million in continued pavement management and preservation, \$5.0 million for road reconstruction or improvements and \$6.9 million for parks and recreation related amenities. Additional details regarding CIP projects and project funding is included in the CIP section of the Recommended Budget document.

CONCLUSION

I would like to thank the Mayor and Town Council for their vision and leadership in establishing priorities for this community through the development of the draft FY21/22 – FY22/23 Strategic Leadership Plan, and for your guidance through the course of the fiscal year.

I would also like to recognize and acknowledge the exceptional level of collaboration among staff from all Town departments in the development of the Recommended Budget, and for their diligence in responding to the Town Council's strategic direction. Finally, I would like to especially recognize my budget team for their extraordinary work and countless hours in preparing the budget: Senior Budget Analyst Michael Dyckman, Finance and Budget Administrator Wendy Gomez, Chief Financial Officer David Gephart, Chief Information Officer Chuck Boyer and Assistant Town Manager Chris Cornelison.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mary Jacobs", with a long horizontal flourish extending to the right.

Mary Jacobs
Town Manager