

Fiscal Year  
2018-2019  
Recommended  
Operating  
Budget

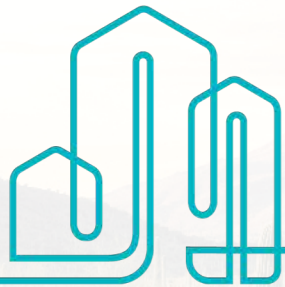


FY 2019

- Accomplishments
- FY2019 Revenue Outlook
- Selected Operating Budget Summaries
- New Investment Summary
- Next Steps

FY 2019

# STRATEGIC FOCUS AREAS



COMMERCE



COMMUNITY



INNOVATION



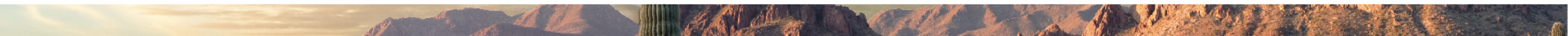
HERITAGE



RECREATION

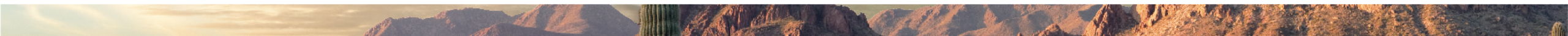
FY 2019

- Economic Development Strategic Plan
- Airport Master Plan
- Downtown Overlay Zoning District
- Development Services online processes
- Marana Main Street Roundabout

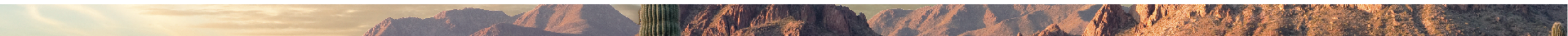
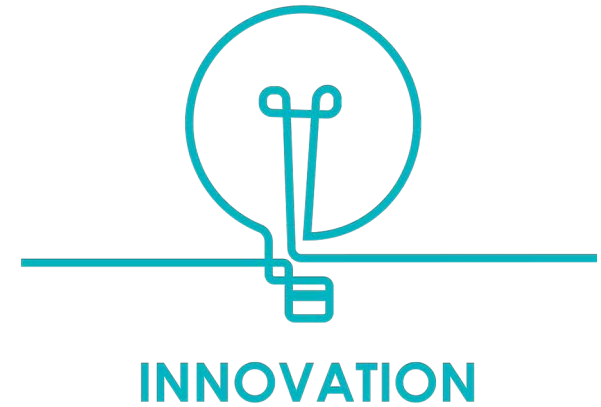




- Marana Citizens' Forum
- New Animal Services Division
- Wastewater Treatment Facility
- Marana Festivals
- Public Safety Campaign

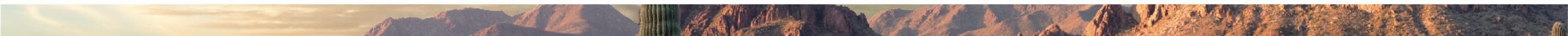


- New Mobile Apps
- Interactive Financial Brief

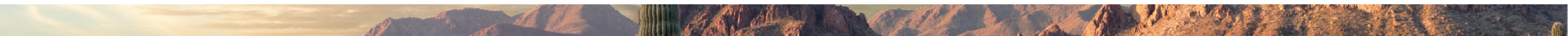




- Founder's Day
- Farm Festival
- Historic Conservation Policy



- Honea Heights Park
- Tangerine Sky Park
- Splash Pad at Crossroads District Park
- New recreational programming
- Shared Use Path Extension





# RECOGNITIONS

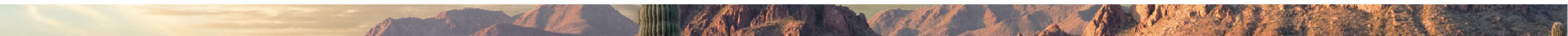
- Top 3 Best Small Cities in Arizona
- Top 10 Most Successful Cities in Arizona
- Top 10 Best Towns to Buy a Home in AZ
- Top 10 Digital City



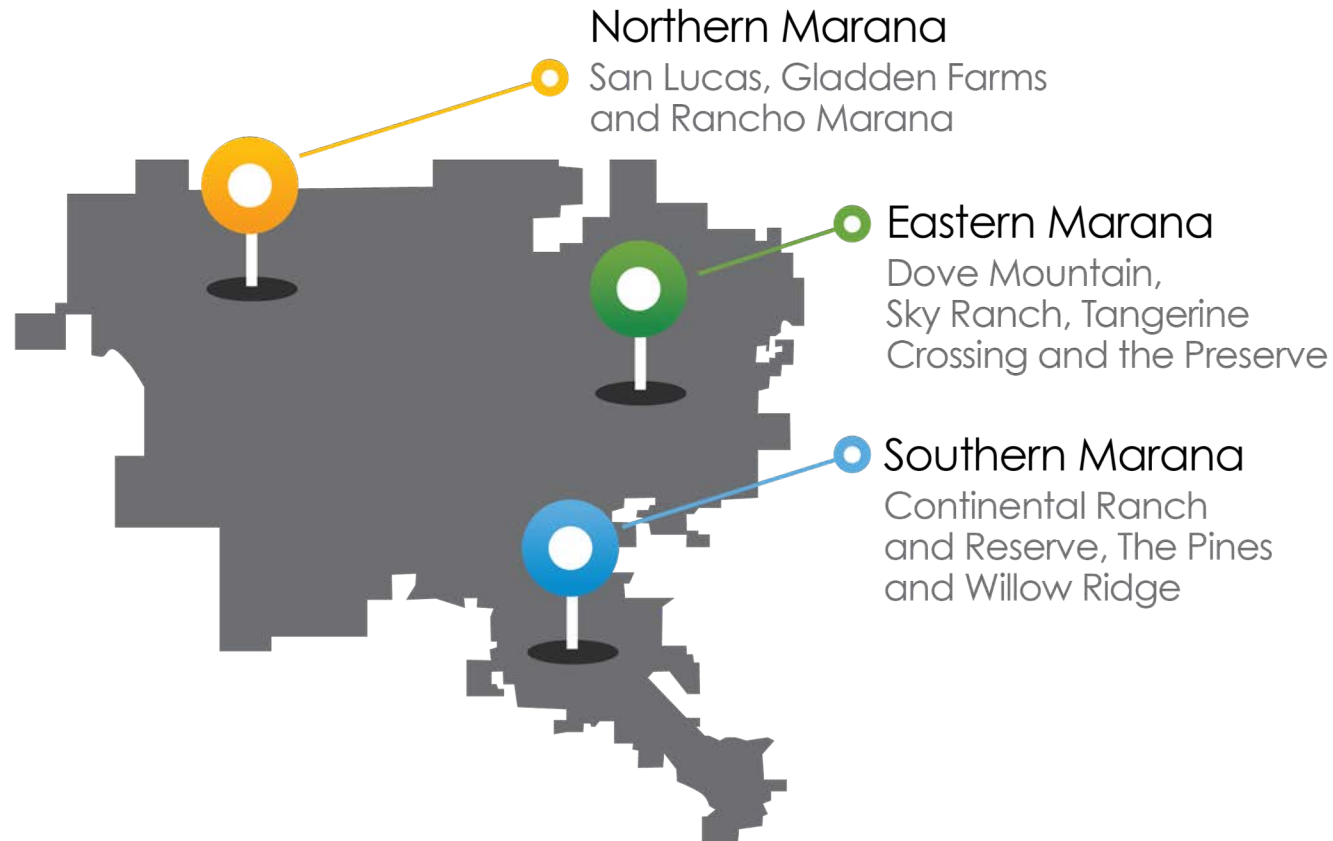
FY 2019

# COMMERCIAL DEVELOPMENT

- Tenet Microhospital
- HSL Hotel at Marana Center
- HSL Apartments at the Pines
- Senior Living Facility at Silverbell & Tangerine
- Marana Main Gate

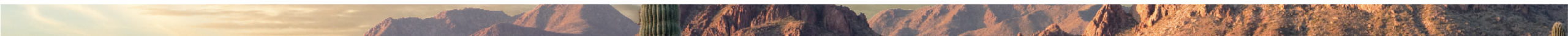


# UPCOMING PROJECTS

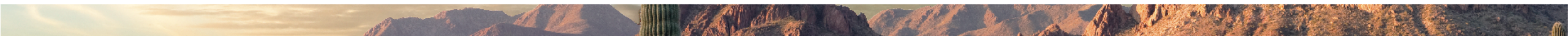


**Marana Population: ~45,000**

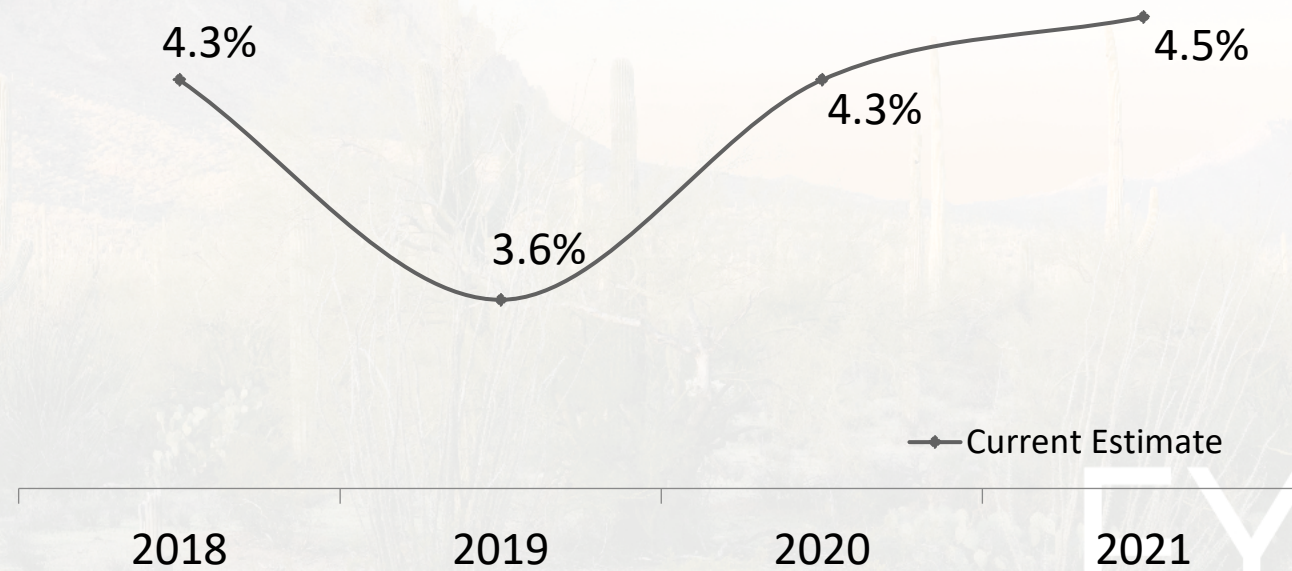
**FY '18 SFRs: 575**



# FY2018-2019 ECONOMIC OUTLOOK



### Arizona Revenue Growth



FY 2019

# PROJECTED STATE BUDGETS & INDICATORS

- **Projected Baseline State Budget Structural Balances**

- FY2018 - \$18M Shortfall
- FY2019 - \$11M Shortfall
- FY2020 - \$45M Surplus
- FY2021 - \$212M Surplus

- **U.S. Consumer Confidence** - ↑ 1.6% (YoY March 2018)

- **U.S. Consumer Price Index (CPI)** ↑ 2.2% (YoY February 2018)

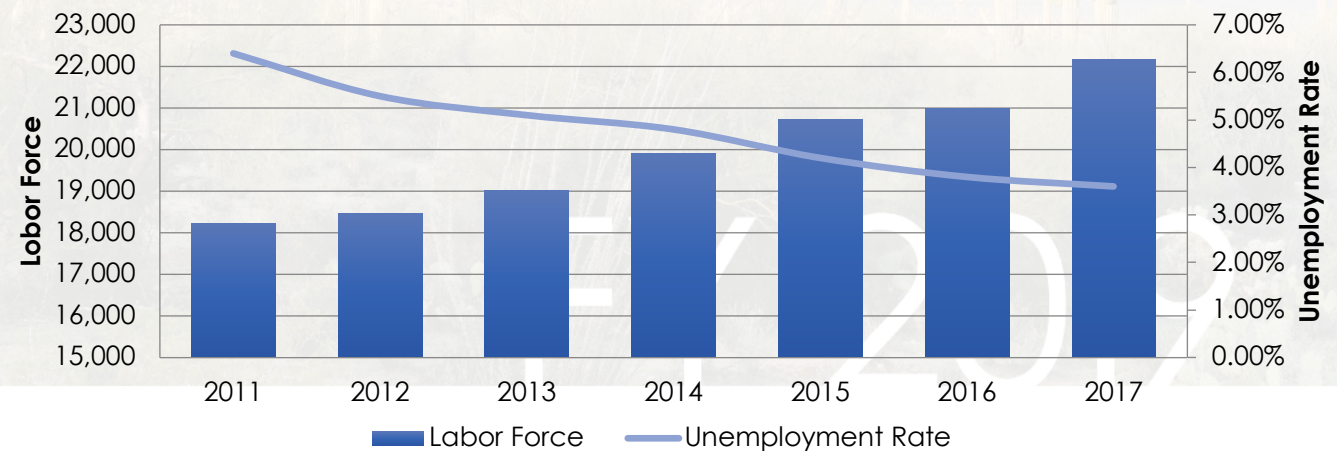
- **Unemployment**

- Rate (laborstats.az.gov for February 2018)
  - Arizona 4.9 % (-0.2% YoY Δ)
  - Tucson MSA 4.7% (0.0% YoY Δ)
  - Marana 3.1% (-0.4% YoY Δ)

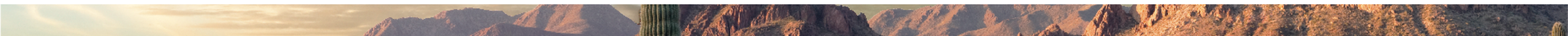
- **Single Family Housing Prices**

- Tucson MSA median= \$207,000 (6.1% YoY Δ February 2018)

### Marana Employment Data

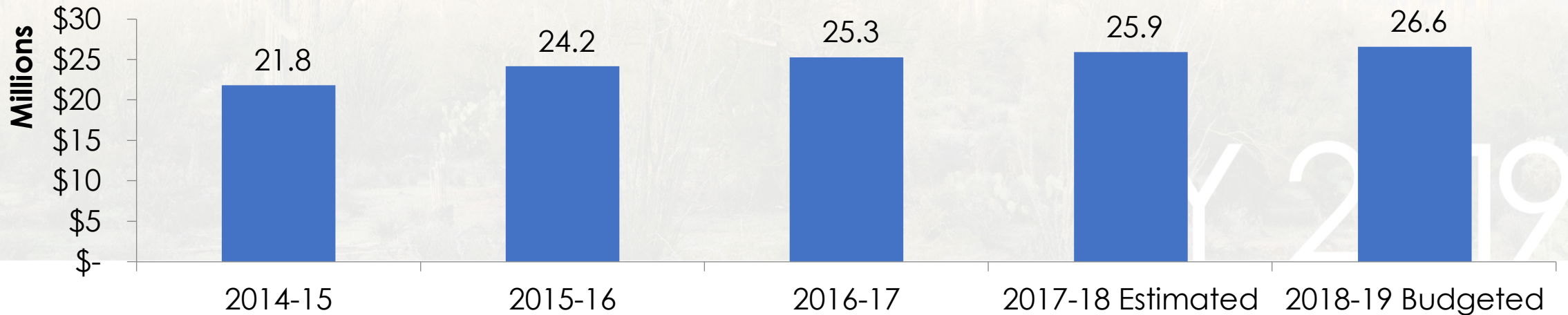


# FY2018-2019 REVENUE OUTLOOK



# SALES TAXES

- **Change from FY2018 budget** – ↑ 1.8% or \$0.5M
  - Retail - ↑ 3.9% or \$0.5M
  - Restaurants - ↑ 10.8% or \$0.2M
  - Contracting - ↓ 15.8% or \$0.4M
  - Hotels - ↑ 17.4% or \$0.2M
- Reduction in contracting taxes was anticipated and associated with the completion of major capital projects





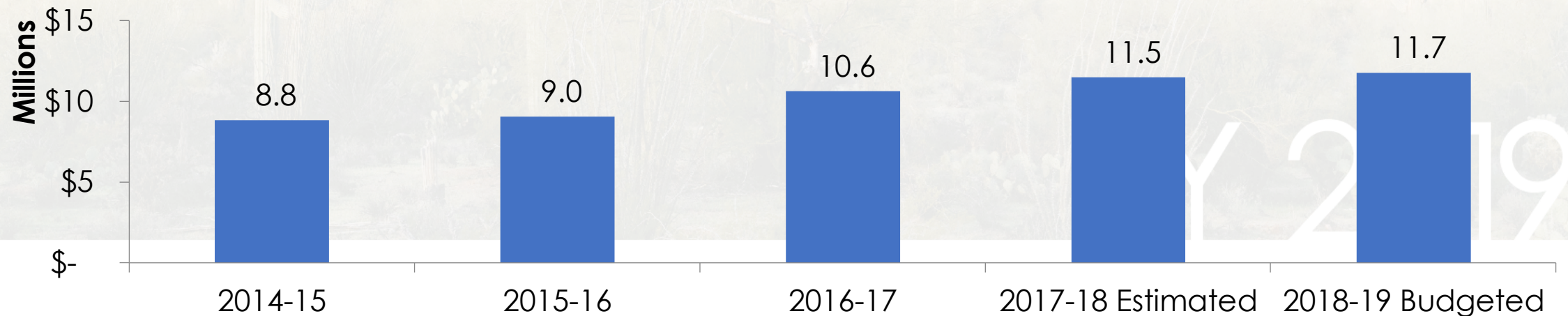
# STATE SHARED REVENUES

- **Change from FY2018 budget** – ↑ 2.3% or \$268K

- Shared sales tax - ↑ 5.8% or \$238K
- Urban revenue - ↓ 0.9% or \$47K
- Auto lieu - ↑ 3.9% or \$78K

- **Shared Revenue Estimates and Census**

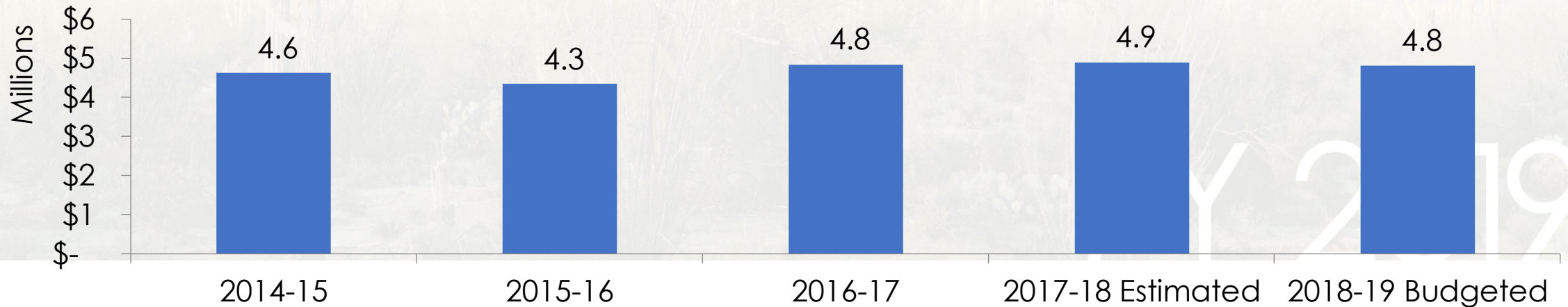
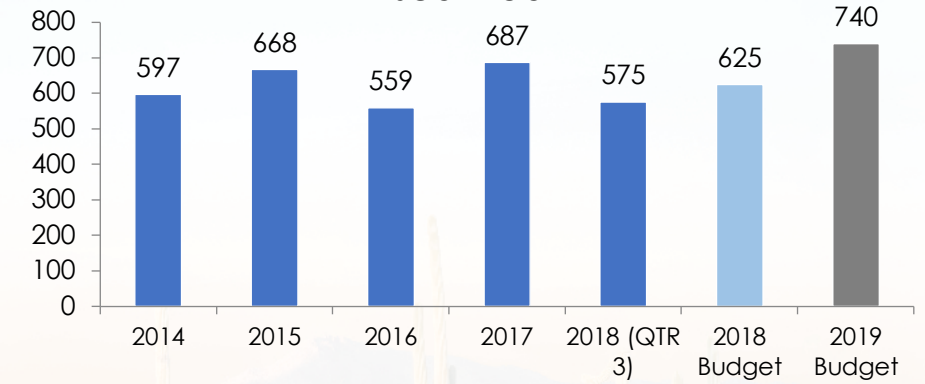
- HB2483 - Allows for an annual update of population by using the U.S. Census Bureau's estimate
- Shared revenues presented here may change once final Census numbers are available by mid-May



# LICENSES, FEES & PERMITS

- **Change from FY2018 budget** – ↑ 8.2% or \$0.4M
- **Single family:**
  - FY2018 – 625 budgeted
  - FY2019 – 740 budgeted
- **FY2019** – Increases largely due to increased single family permits and Utility permits

Single Family Residence Building Permits By Fiscal Year



# GENERAL FUND OPERATING BUDGET SUMMARY

<u>Category</u>	<u>FY2018 Budget</u>	<u>FY2019 Recommended</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	\$ 44,001,991	\$ 44,956,009	\$ 954,018	2.2%
Expenditures & Net Transfers	47,848,416	46,250,427	(1,527,989)	-3.3%
Change in fund balance	<u>\$ (3,846,425)</u>	<u>\$ (1,294,418)</u>	<u>\$ 2,552,007</u>	<u>-66.3%</u>

### • REVENUE

- SALES TAX (↑ 1.8% or \$467K) – Modest increases to retail, restaurant and hotel categories. Includes \$370K reduction to Construction Sales Tax, which was anticipated with the completion of several major capital projects
- INTERGOVERNMENTAL (↑ 2.3% or \$268K) – May change with final Census estimate
- LICENSES, PERMITS AND FEES (↑ 8.2% or \$363K) – Increase in budgeted single family permits

### • EXPENDITURES

- PERSONNEL AND BENEFITS (↑ 2.6% or \$736K) – Strategic positions and other benefit related costs. Excludes potential compensation increase
- TRANSFERS OUT (↓ 57.7% or \$3.5M) – Primarily associated with debt services. Decrease due to General Fund commitment towards Police Facility in FY18

FY 2019

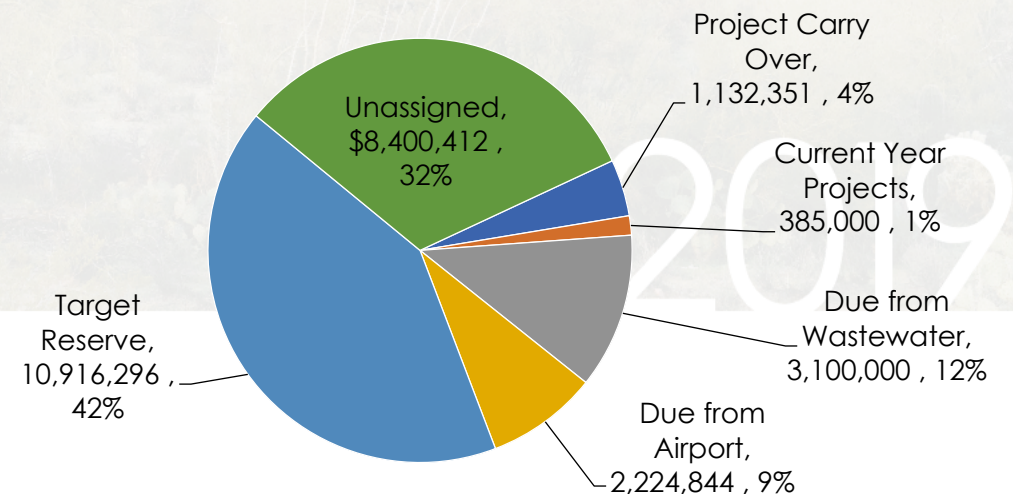
# CAPITAL BUDGET IMPACT ON RESERVES

Project	Description	Manager Recommended
Adonis subdivision improvements (General Fund tipping fees and HURF)	Additional funding allocated to road and drainage elements of project	\$85,000
Downtown visitor center	Site identification and design concept	200,000
Parks maintenance yard parking lot paving	Paving to address drainage and safety issues	100,000
Total for General Fund		\$385,000

## Possible Reserve Impact

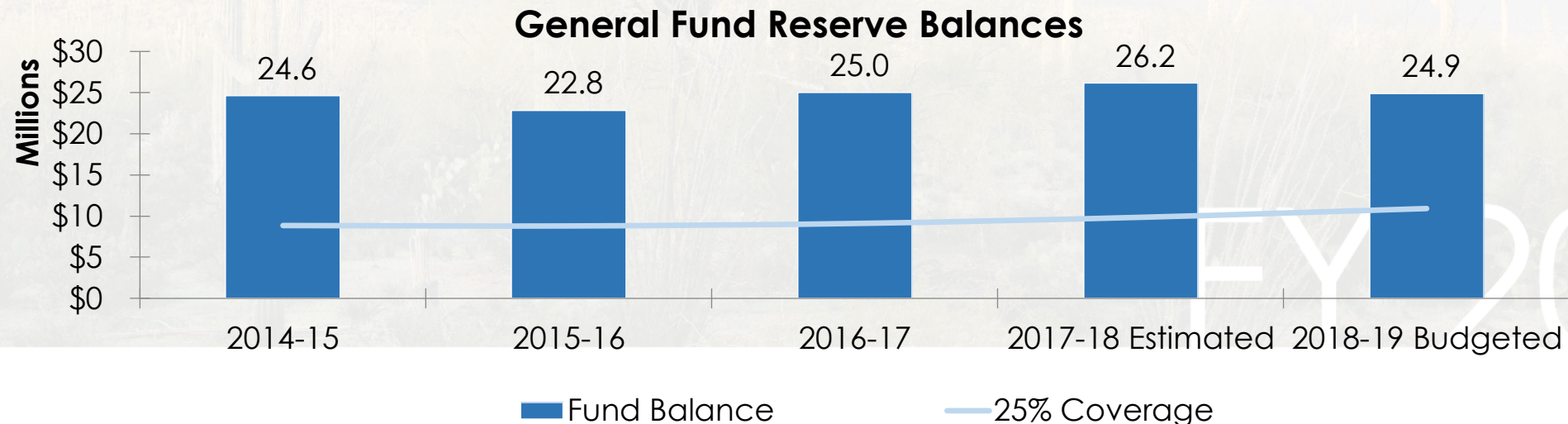
Estimated Fund Balance on 6/30/18	\$ 26,158,903
Project Carry Over	1,132,351
Current Year Projects	385,000
Due from Wastewater	3,100,000
Due from Airport	2,224,844
Target Reserve	10,916,296
Unassigned	\$ 8,400,412

## General Fund Balance



# OPERATING BUDGET ON IMPACT RESERVES

- **Established reserve policy target – 25% of expenditures**
- **Reserves are a one-time resource**
- **Healthy reserves are required to:**
  - Provide for overall cash needs (liquidity)
  - Provide capacity for major, unanticipated events
  - Maintain overall credit rating



# BED TAX FUND OPERATING BUDGET SUMMARY

<u>Category</u>	<u>FY2018 Budget</u>	<u>FY2019 Recommended</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	\$ 989,558	\$ 1,088,016	\$ 98,458	9.9%
<u>Expenditures &amp; Net Transfers</u>	<u>989,558</u>	<u>1,088,016</u>	<u>98,458</u>	<u>9.9%</u>
Change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-%</u>

- **REVENUE**

- SALES TAX (↑ 9.9% or \$98K) – Trend on based upon increased occupancy and/or average rates

- **EXPENDITURES**

- OPERATING EXPENSES (↑ 100% or \$108K) – Includes the addition of \$200K in a restricted account that is reserved for contingency and possible unanticipated events

FY 2019

# HIGHWAY USER REVENUE FUND OPERATING BUDGET SUMMARY

Category	FY2018 Budget	FY2019 Recommended	\$ Change	% Change
Revenue	\$ 3,338,543	\$ 3,276,078	\$ (62,465)	-1.9%
Expenditures & Net Transfers	3,520,949	3,646,057	125,108	3.6%
Change in fund balance	\$ (182,406)	\$ (369,979)	\$ 187,573	-102.8%

- **REVENUE**

- Intergovernmental Revenues (↓ 1.9% or \$62K) – Based on Census preliminary estimate. May change once final in mid-May

- **EXPENDITURES**

- PERSONNEL AND BENEFITS (↑ 88.8% or \$22K) – Staffing used in assisting in Town's asset management system
- CONTRACTED SERVICES (↑ 22.1% or \$548K) – Primarily due to outside consulting for a pavement assessment study and replacing high pressure sodium street lights with efficient LED technology

FY 2019

# WATER FUND OPERATING BUDGET SUMMARY

<u>Category</u>	<u>FY2018 Budget</u>	<u>FY2019 Recommended</u>	<u>\$ Change</u>	<u>% Change</u>
Revenue	\$ 5,076,829	\$ 5,770,381	\$ 693,552	13.7%
Expenses & Net Transfers	5,042,683	5,770,381	727,698	14.4%
Change in fund balance	\$ 34,146	\$ -	\$ (34,146)	0.0%

- **REVENUE**

- CHARGES FOR SERVICES (↑ 13.7% or \$679K) – Mostly due to customer growth, especially in the North Marana region

- **EXPENDITURES**

- CONTRACTS SERVICES (↑ 37.6% or \$472K) – Primarily due to the continuation of a water tank and reservoir preventative program. This area also includes a major, one-time electrical upgrade at selected existing well sites
- OPERATING SUPPLIES AND EQUIPMENT (↑ 11.0% or \$164K) – Due to increased water costs as well as an increase in the administrative charge the utility pays the General Fund for central services



# WATER RECLAMATION FUND OPERATING BUDGET SUMMARY

Category	FY2018 Budget	FY2019 Recommended	\$ Change	% Change
Revenue	\$ 1,306,764	\$ 1,521,914	\$ 215,150	12.7%
Expenses & Net Transfers	1,306,764	1,521,914	215,150	12.7%
Change in fund balance	\$ -	\$ -	\$ -	0.0%

- **REVENUE**

- CHARGES FOR SERVICES (↑ 14.4% or \$188K) – Combination of new customer account growth within existing service areas as well as a full year of Saguaro Bloom development activity

- **EXPENDITURES**

- PERSONNEL & BENEFITS (↑ 53.2% or \$203K)– This is due to the addition of a proposed new position as well as the movement of two Water Reclamation positions previously funded out of the Water Fund
- OPERATING SUPPLIES AND EQUIPMENT (↑98.0% or \$180K) – Primarily due to anticipated increases in electrical usage during the year relating to the expanded treatment plant and treatment technologies

# AIRPORT FUND OPERATING BUDGET SUMMARY

Category	FY2018 Budget	FY2019 Recommended	\$ Change	% Change
Revenue	\$ 267,000	\$ 348,068	\$ 81,068	30.4%
Expenses & Net Transfers	267,000	348,068	81,068	30.4%
Change in fund balance	\$ -	\$ -	\$ -	0.0%

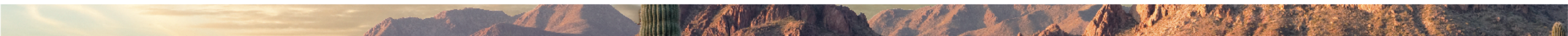
- **REVENUE**

- ALL REVENUE (↑ 32.6% or \$81K) – Anticipated revenue growth from new lease agreement and related rate structure

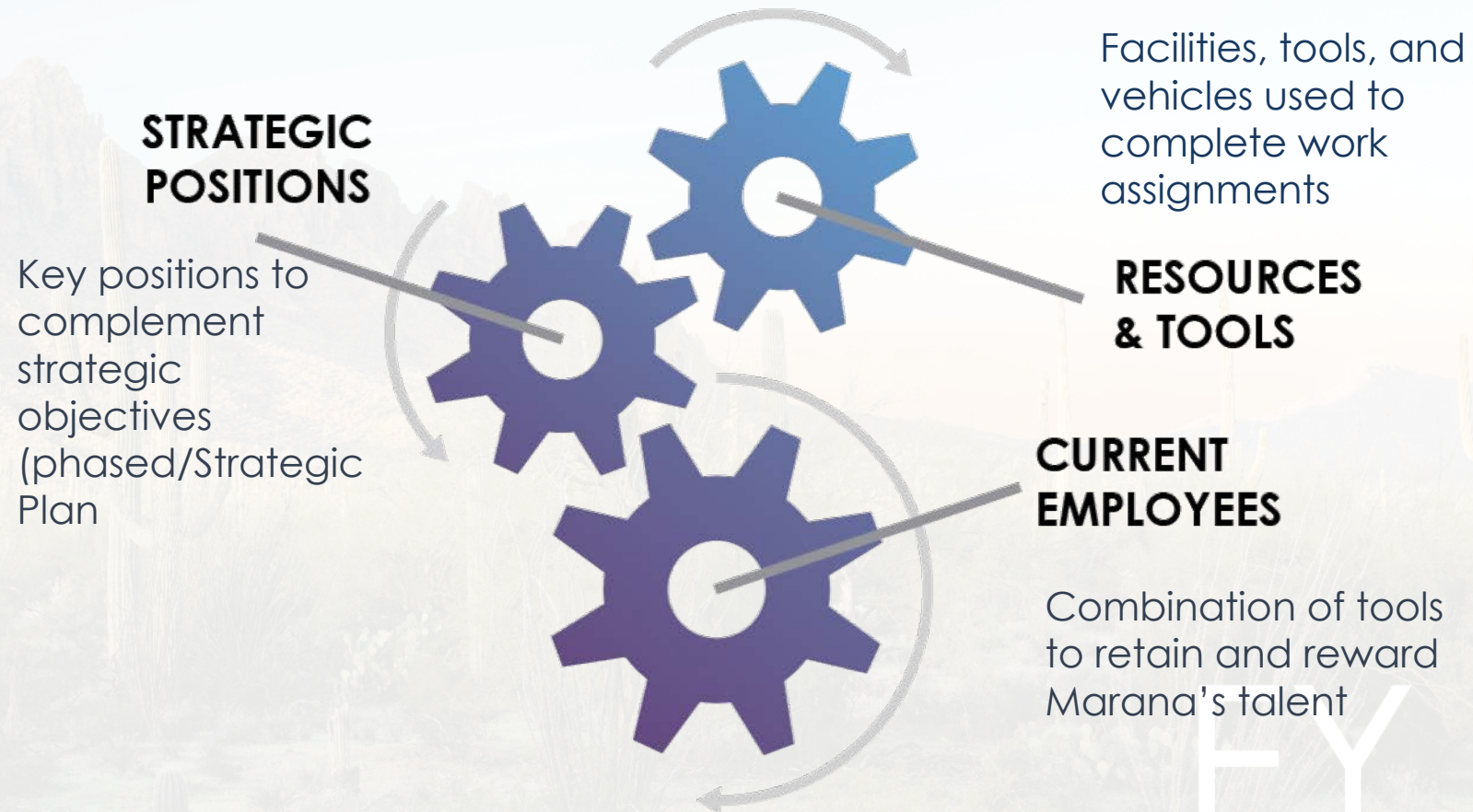
- **EXPENDITURES**

- CONTRACTS SERVICES (↑ 32.4% or \$49K) – Primarily due to the request for a mesh network of security cameras for additional security and visibility
- TRANSFERS IN (↓ 28.1% or \$87K) – Represents what may likely be an ongoing, operating subsidy from the General Fund. In fact, over the years, these operating deficiencies have accumulated to balance of approximately \$2.2M which the airport owes the General Fund

# FY2018-2019 INVESTMENT PLAN



# INVESTMENT PLAN



FY 2019

# FY2019 NEW EMPLOYEE INVESTMENTS

- **Compensation adjustments - \$741,861 (\$665,393 General Fund)**
  - Employee performance pay adjustments
    - 3.5% compensation adjustment based on performance
    - Subject to eligibility criteria
  
- **Other pay and benefits - \$332,340 (\$298,907 General Fund)**
  - Other pay and benefits (health, retirement, disability insurance, etc.)
    - Employee Retirement - \$146,352 (\$129,214 General Fund)
    - Health Insurance - \$137,893 (\$133,698 General Fund)
    - Training & Development - \$48,095 (\$35,995 General Fund)
  
- **Total Investment - \$1,074,204 (\$964,300 General Fund)**

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# FY2019 RESOURCES AND TOOLS INVESTMENTS

- **Vehicle Replacements**

- \$1,170,600 (\$682,100 General Fund)

- **Technology**

- PCWIN Integration - \$575,000

- Permitting, code enforcement, business license software - \$125,000

- **Facilities**

- MMC B Building Remodel/Sally Port - \$477,100

- MMC Courts Remodel/Addition - \$375,000

- HVAC Upgrades to Council Chambers - \$170,000

- Parks & Rec maintenance projects - \$204,500

- **Development**

- General Plan 2020 Update - \$250,000

- Drainage Study - \$380,000

- **Total Investment = \$3,827,200 (\$3,338,700 General Fund)**

FY 2019

# FY2019 STRATEGIC POSITION INVESTMENT

<b>Working Position Title</b>	<b>FTE</b>	<b>Department</b>	<b>Funding Source</b>
Associate Town Attorney	1.00	Legal	General Fund
Dispatcher	1.00	Police	General Fund
Police Records Clerk	1.00	Police	General Fund
Customer Service Clerk	1.00	Police	General Fund
Facilities Tradesman – Electrician	1.00	Public Works	General Fund
Asset Coordinator	1.00	Water	Water Fund
Technology Support Specialist	1.00	Water	Water Fund
Water Reclamation Mechanic	1.00	Water Reclamation	Water Reclamation
<b>Total FTE Changes</b>	<b>8.00</b>		

▪ **Salary & ERE Investment = \$561,272 (\$354,256 General Fund)**

FY 2019

## NEXT STEPS

<b>Date</b>	<b>Area</b>
May 15, 2018	Consider the approval of the tentative budget & comprehensive fee schedule updates
June 19, 2018	Consider the adoption of the final budget

FY 2019



# DISCUSSION AND DIRECTION

