



Town of Paradise Valley FY2024 Budget Development

Budget Process Overview,
Revenue Forecasting and Land Assets



Agenda

Budget Overview
Revenue Forecasting
Land Assets



Budget Overview

Fund Accounting



<p>Special Revenue Funds</p>	<p>Revenue generated restricted to a specific purpose Ex. Highway user revenue fund (HURF), court funds, donation fund, grant fund, Paradise Valley Mountain Preserve Trust</p>
<p>Enterprise Funds</p>	<p>Operate like a business and receive services from other funds reimbursed through administrative allocation Ex. Alarm service, fire service, sewer service</p>
<p>Debt Service Funds</p>	<p>Pay principal and interest on bonds used to finance infrastructure Ex. 2016 Debt Fund, 2020 Debt Fund</p>



Fund Accounting

Capital Funds

Used for large-scale construction projects above and below ground

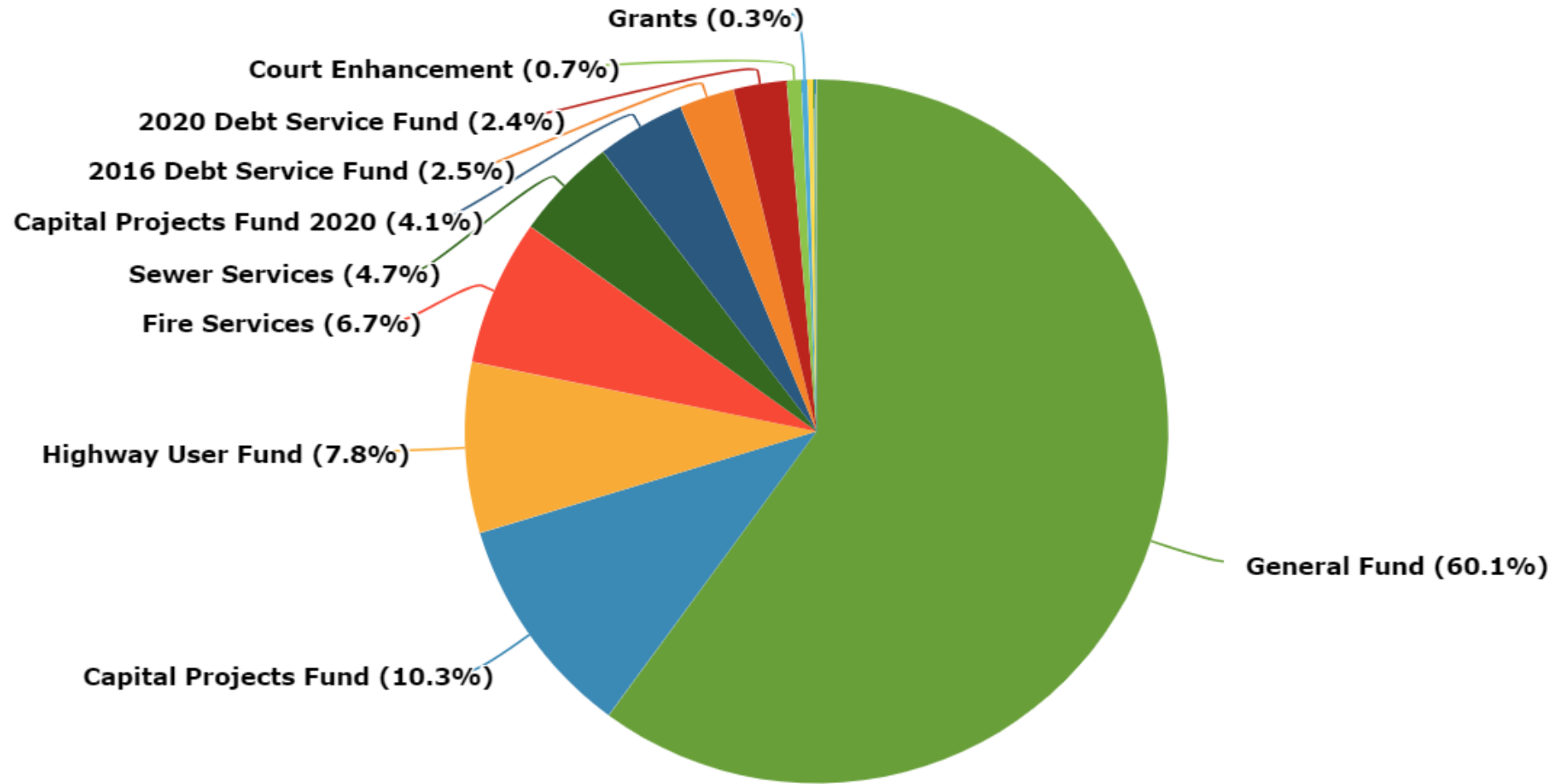
Ex. Capital projects fund

General Fund

Primary operating fund of the town. Funds a significant portion of salaries and services. Can be used for any purpose.



FY2023 Budget by Fund



The Town Budget is...

A process to allocate **limited** resources to programs, services, and infrastructure.



Legal Authority



Policy Document



Financial Plan



Operating Guide



Communications
Device



Legal Authority

A.R.S. Article 42, Chapter 17

- Budget adoption = appropriation = legal spending authority
- [although not a mandate to spend]
- Cannot spend money for a purpose not in budget
- Cannot incur debt or spend in excess
- Some details by fund, some by department, some in total
- May transfer between lines

Expenditure Limitation

State Expenditure Limitation (*baseline est. 1979-1980*)

(AZ Const. Article IX, Section 20; A.R.S. 41-563)

1. Alternative Expenditure Limitation (Home Rule)
2. Permanent Adjustment of Expenditure Base (Permanent Base Adjustment)
3. One-Time Override
4. Emergency Override of State Limit



Financial Policies

Financial Policies

Guide financial planning and budgeting.
Published in the budget book annually.

- Operating
- Capital
- Contingency and reserves
- Debt service
- Financial reporting



Policies - Operating



Ongoing operations supported by ongoing sources



Prudently maximize investment income



No reliance on property taxes



Rates and fees evaluated annually



Policies - Capital Improvement Plan (CIP)



5-year CIP prepared and updated annually



Ongoing sources to finance recurring projects (e.g., pavement preservation)



Construction tax > \$500k assigned to CIP



Operating impact consideration



Separate fund exclusively for capital authorized by Council



Policies - Contingency



Contingency fund: remaining expenditure authority under expenditure limitation



Operating contingency: general fund, HURF, enterprise funds
> 1% and < 3% each



Policies - Reserves



Operating reserve:
> 90% of operating expenditures (general fund, HURF)



Operating reserve:
90 days of operating expenses (enterprise funds)



Employee benefits and risk insurance reserves:
To be developed



Reserves for asset replacement:
Streets, facilities, vehicles, major equipment, technology



Policies - Debt



Resources sufficient to repay long-term debt



Lease purchases used to offset expenditure limitation



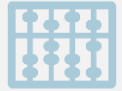
Debt service should not exceed useful life



Bond issuance for projects too large for expenditure limitation or current resources



Policies - Financial Reporting



Accounting and financial reporting in conformance with laws and professional standards



Budgetary control system and quarterly reports to Council



Maintain internal controls to monitor revenue, expenditures, and program performance



Annual audit by independent accounting firm





Financial Plan



Addressing Volatility and Uncertainty

- Aligning one-time sources with one-time uses
- Contingencies
- Reserves/Fund savings
- Conservative forecasting
- Strategic Revenue Plan (Stress Test)

One Time vs. Ongoing

- One Time Sources and Uses
 - Inconsistent, volatile
 - Fund Balance (source)
 - Contingency (use)
 - Contracting Sales Tax → Capital projects
- Ongoing Sources and Uses
 - Consistent, relatively stable
 - Expected to occur into the future
 - Local Sales Tax → Personnel costs



Contingencies

- Represent unallocated current resources or
- Fund balance which is not generally intended to be spent
- Uses unforeseen during budget production
- Flexibility to address changing circumstances



Reserves/Fund Savings

- Unforeseen emergencies
- Significant loss of revenue
- Catastrophic events
- Major repairs

Use of reserve below 90% requires a plan to replenish



Conservative Forecasting

Revenue forecast

- Trend using lighter growth rates.
- Identify one-time sources versus on-going trends

Expenditure forecast

- Modified zero-based budgeting
- Personnel forecast assumes full staffing



Strategic Revenue Plan

Stress testing the revenue forecast

- Assuming a reduction in revenues at various levels
 - Great Recession of 2008 to 2011
 - Covid-19 pandemic of 2020 to 2021
- Evaluate the impact of revenue reductions on proposed budget
- Consider strategies for mitigating potential reductions





Communications Device

FY2023 Digital Budget Book

Pardisevalleyaz.gov → Finance → Budget & Financial Reports → Adopted Budget Document → 2023



The screenshot shows a web browser window with the URL <https://paradisevalleyaz.gov/262/Budgets-Financial-Reports>. The page features a dark blue header with the Town of Paradise Valley logo on the left and navigation links for VISITING, LIVING, GOVERNMENT, and HOW DO I... on the right. A dark blue sidebar on the left contains links for Budgets & Financial Reports and Development Fees. The main content area includes a breadcrumb trail: Home > Government > Departments > Finance > Budgets & Financial Reports. Below this, the heading "Budgets & Financial Reports" is followed by a section for the "Popular Annual Financial Report (PAFR)" with links for 2022, 2021, 2020, 2019, and 2018. The "Adopted Budget Document" section has a horizontal list of links from 2023 to 2008.



FY2024 Proposed Budget



Town of Paradise Valley

powered by ClearGov

⚠ This Digital Budget Book is not available to the public. To make this budget book live, [turn on visible to public.](#)

FY2024 Proposed Budget

Proposed Version

Last Updated 03/16/23

[Introduction](#)

[Budget Overview](#)

[Funding Sources](#)

[Fund Summaries](#)

[Departments](#)

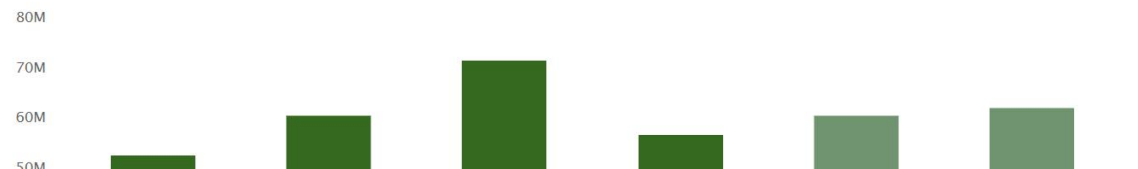
[Capital Improvem](#)



All Sources Summary

\$62,062,500 **\$1,704,300**
(2.82% vs. prior year)

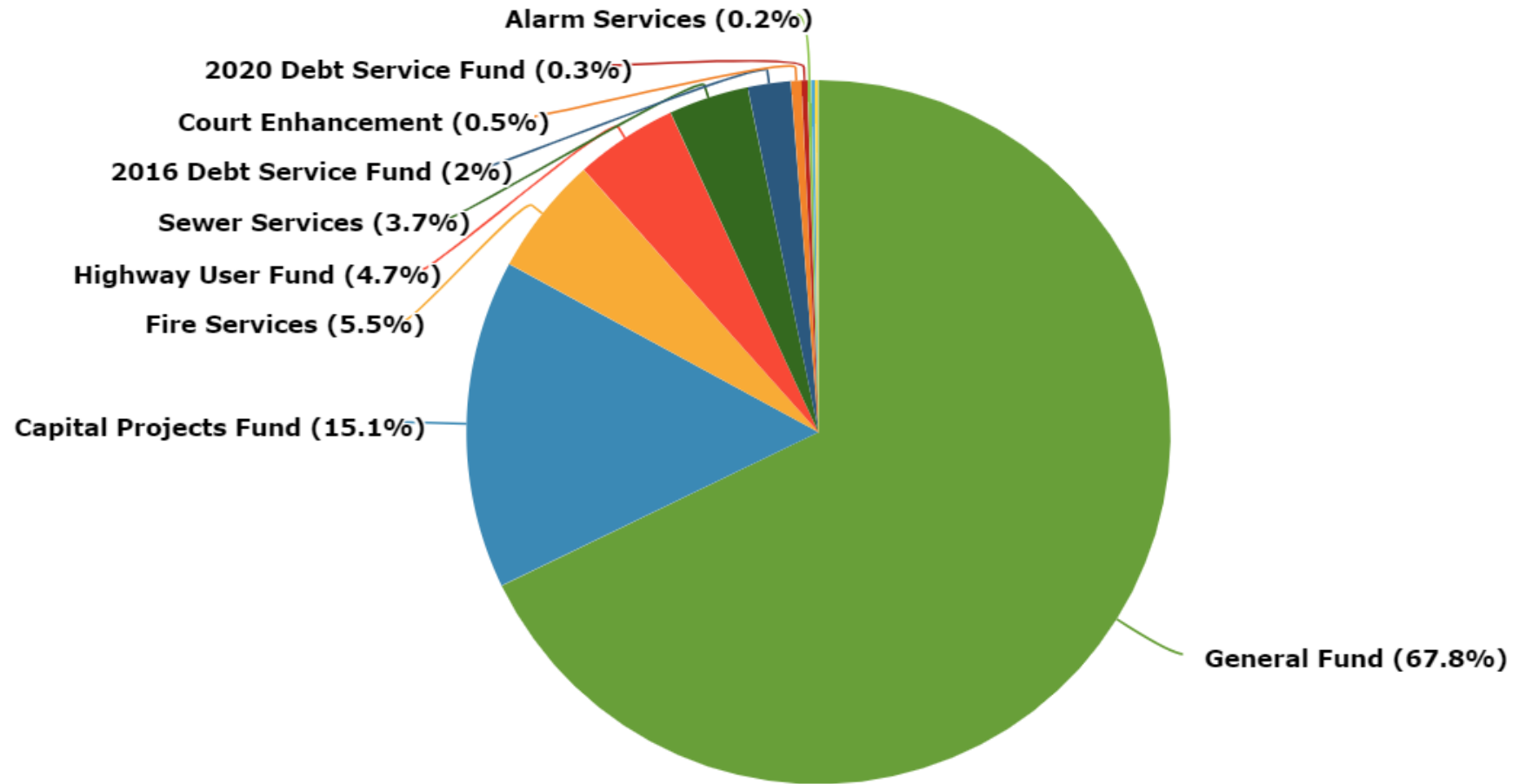
All Sources Proposed and Historical Budget vs. Actual



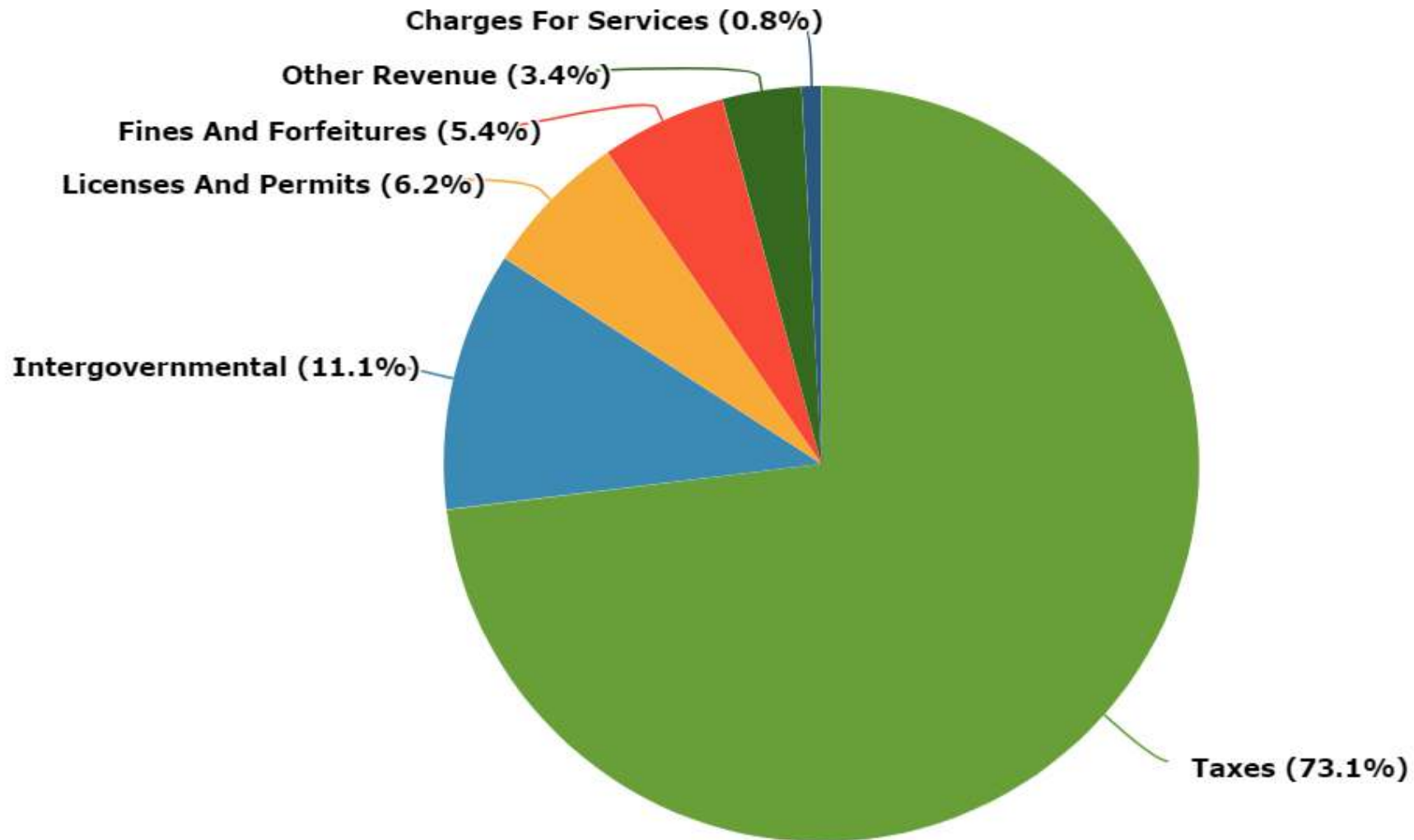


Revenue Forecast

FY2024 Revenue by Fund Type



General Fund by Source



Sales Tax

- Transaction Privilege Tax
- Retail, Restaurants, Hotels, Entertainment, Utilities, Etc.
- Narrowing base
 - Service-based economy
 - Legislative exemptions
- Authority: Town Council

Town of Paradise Valley Rates

Category	Rate
Severance-Metal Mining	0.10%
Residential Rental	1.65%
Hospitality	5.90%
All Other Categories	2.50%

Sales Tax

Why do I pay \$108.80 at the register for a \$100 item?

Purchase	\$100.00
State sales tax	5.60
County sales tax	0.70
Town sales tax	2.50
Total	\$108.80

Forecasting Sales Tax

✓ Monitor actual receipts monthly

🔍 Classifying trends and anomalies

📅 Year-over-year and month-over-month

💰 Compared to budget

\$ Accounting for changes in the economy

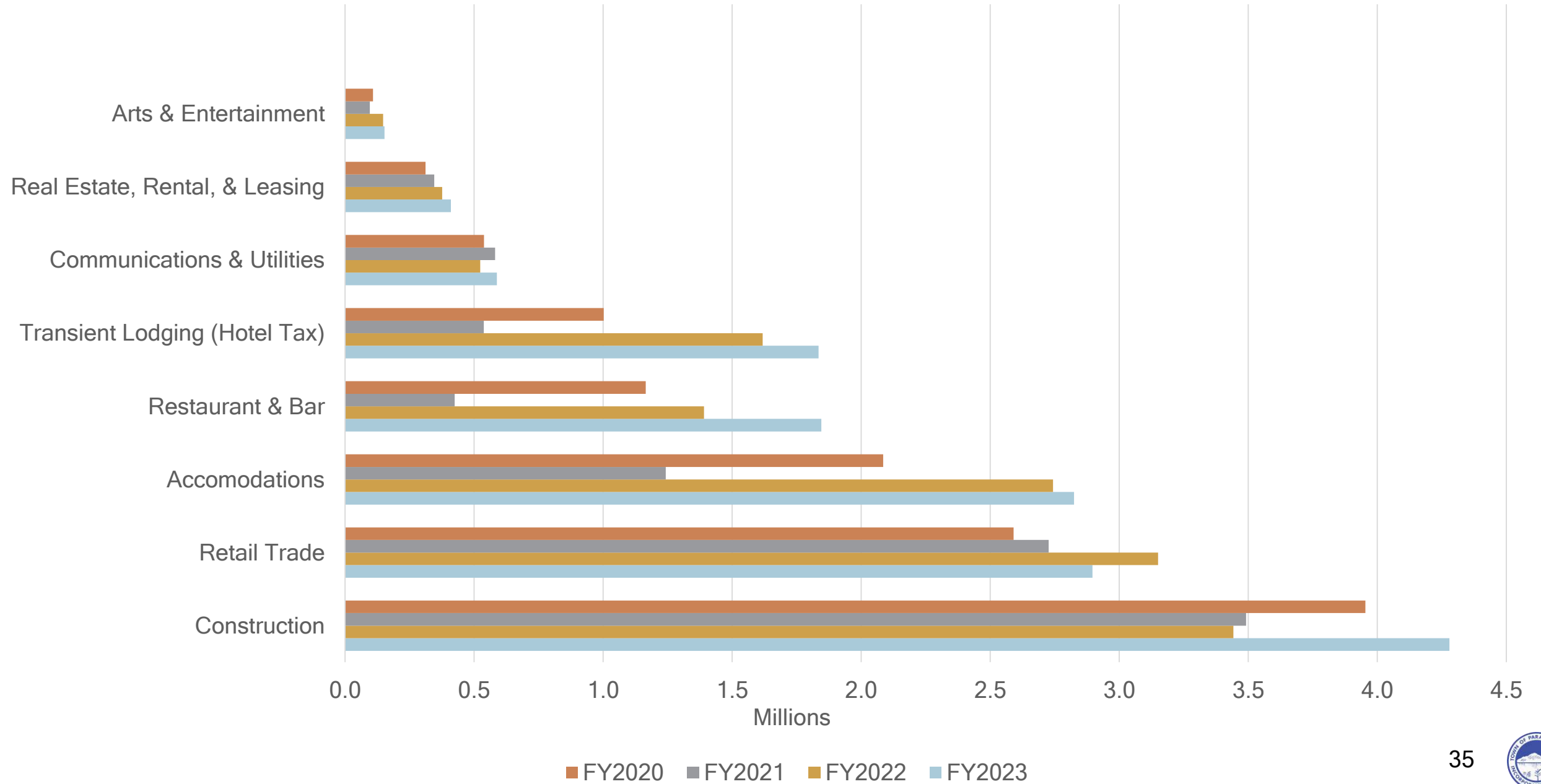
👤 Identifying seasonal trends

Sales Tax

FY2023 Year-to-Date December

Category	FY2020	FY2021	FY2022	FY2023	\$ Inc./ (Dec.)	% Inc./ (Dec.)
Construction	\$ 4.0 M	\$ 3.5 M	\$ 3.4 M	\$ 4.3 M	\$ (0.1 M)	-3%
Retail Trade	2.6	2.7	3.2	2.9	0.5	19%
Accommodations (Bed Tax)	2.1	1.2	2.7	2.8	1.5	125%
Restaurant & Bar	1.2	0.4	1.4	1.8	1.0	250%
Transient Lodging (Hotel Tax)	1.0	0.5	1.6	1.8	1.1	220%
Communications & Utilities	0.5	0.6	0.5	0.6	(0.1)	-17%
Real Estate, Rental, & Leasing	0.3	0.3	0.4	0.4	0.1	33%
Arts & Entertainment	0.1	0.1	0.1	0.2	-	0%
Total	\$ 11.8 M	\$ 9.3 M	\$ 13.3 M	\$ 14.8 M	\$ 4.0 M	34% 43%

Sales Tax Fiscal Year-to-Date February



Sales Tax Annual Forecast

Category	FY2022 Actual	FY2023 Budget	FY2023 Estimate	FY2024 Forecast	\$ Inc./(Dec.)	% Inc./(Dec.)
Construction	\$ 7.5 M	\$ 7.3 M	\$ 9.3 M	\$ 9.6 M	\$ 0.3 M	3%
Retail Trade	6.3	6.4	6.5	6.7	0.2	3%
Accommodations	6.7	6.8	6.9	7.3	0.4	6%
Restaurant & Bar	3.5	3.4	4.0	4.1	0.1	2%
Transient Lodging (Hotel Tax)	4.2	4.0	4.8	5.0	0.2	4%
Communications & Utilities	1.0	1.0	1.2	1.2	-	0%
Real Estate, Rental, & Leasing	0.8	0.8	0.8	0.9	0.1	13%
Arts & Entertainment	0.4	0.4	0.4	0.4	-	0%
Total	\$ 30.4 M	\$ 30.1 M	\$ 33.9 M	\$ 35.2 M	\$ 1.3 M	36 4%

Intergovernmental Revenues

- State Shared Revenue
 - Income Tax (Urban Revenue Sharing)
 - State Sales Tax
 - Vehicle License Tax (VLT)
 - Highway User Revenue Funds (HURF)
- Intergovernmental agreements and grants
 - State, county, cities/towns



State Shared Revenue

Municipal public purpose

- Sales Tax
- Income Tax (Urban Revenue Sharing)
- Vehicle License Tax (VLT)

Street and highway purposes

- Highway Users Revenue Funds (HURF)

- Collected by the state
- Distributed based on population
 - Decreasing population
 - Paradise Valley's share 0.2%
- Narrowing base
 - Service-based economy
 - Fuel-efficiency
 - Legislative exemptions
- Authority: State Legislature

State Shared Revenue Forecasting

Income Tax

- Based on collections from two year's prior
- Amount known in advance of budget
- AZ League of Cities/Towns published March-April

Sales Tax, VLT, HURF

- Accounting for changes in the economy
- Year-over-year, month-over-month
- Compared to budget
- AZ League of Cities/Towns published March-April

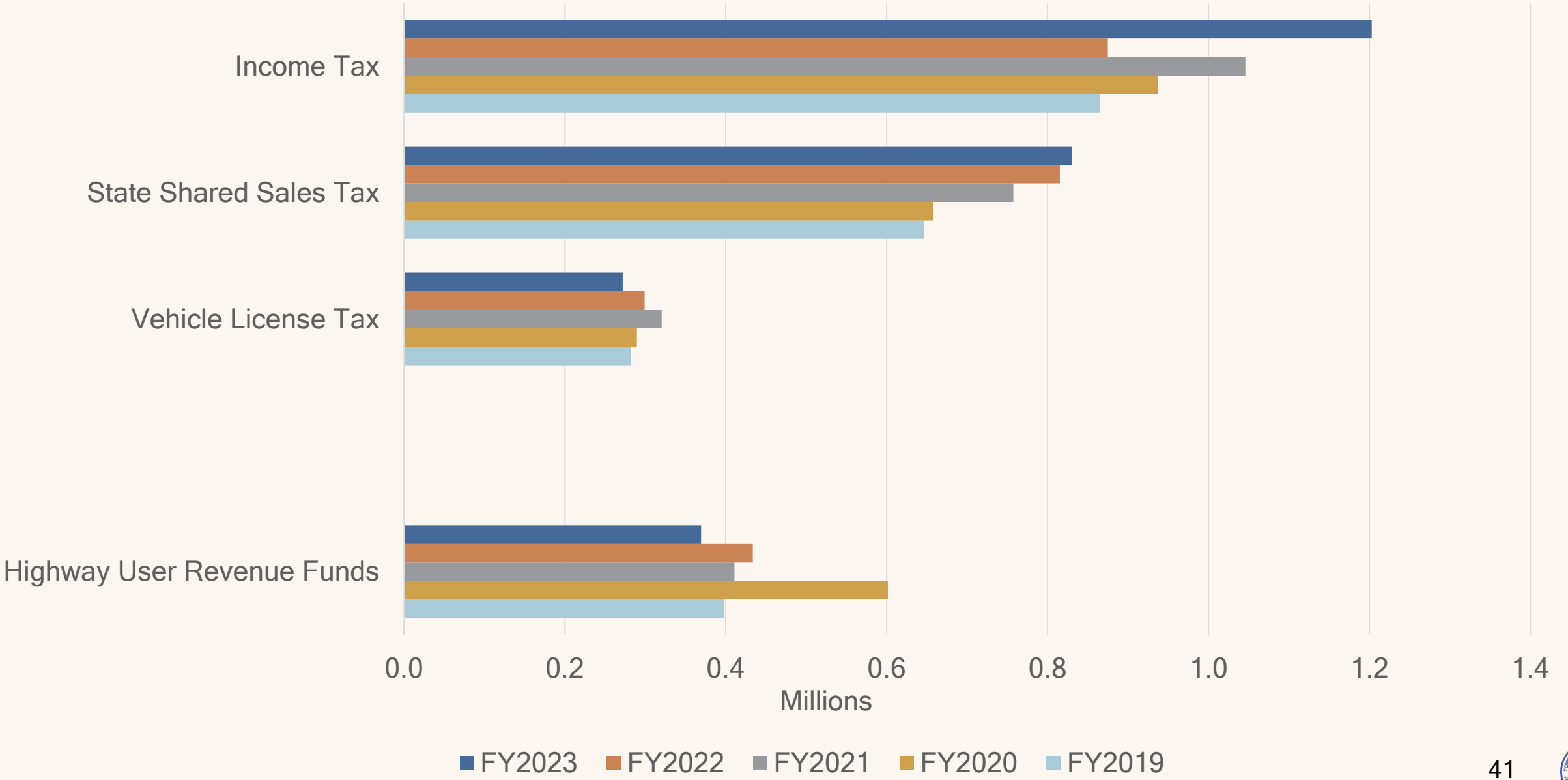
State Shared Revenues

FY2023 Year-to-Date December

Category	FY2020	FY2021	FY2022	FY2023	\$ Inc./ (Dec.)	% Inc./ (Dec.)
Income Tax	\$ 0.94 M	\$ 1.05 M	\$ 0.87 M	\$ 1.20 M	\$ 0.33 M	38%
State Shared Sales Tax	0.66	0.76	0.82	0.83	0.01	1%
Vehicle License Tax	0.29	0.32	0.30	0.27	(0.03)	-10%
Total	\$ 1.89 M	\$ 2.13 M	\$ 1.99 M	\$ 2.30 M	\$ 0.31 M	16%

Category	FY2020	FY2021	FY2022	FY2023	\$ Inc./ (Dec.)	% Inc./ (Dec.)
Highway Users Revenue Fund	\$ 0.60 M	\$ 0.41 M	\$ 0.43 M	\$ 0.37 M	\$ (0.06 M)	-14%

State Shared Revenue Fiscal Year-to-Date December



State Shared Revenue Annual Forecast

Category	FY2022 Actual	FY2023 Budget	FY2023 Estimate	FY2024 Forecast	\$ Inc./.(Dec.)	% Inc./.(Dec.)
Income Tax	\$ 1.71 M	\$ 2.44 M	\$ 2.41 M	\$ 2.75 M	\$ 0.34 M	14%
State Shared Sales Tax	1.81	1.88	1.82	1.84	0.02	1%
Vehicle License Tax	0.69	0.60	0.62	0.69	0.07	11%
Total	\$ 4.21 M	\$ 4.92 M	\$ 4.85 M	\$ 5.28 M	\$ 0.43 M	9%

Category	FY2022 Actual	FY2023 Budget	FY2023 Estimate	FY2024 Forecast	\$ Inc./.(Dec.)	% Inc./.(Dec.)
Highway Users Revenue Fund	\$ 1.07 M	\$ 1.00 M	\$ 0.91 M	\$ 0.94 M	\$ 0.03 M	3%



Charges for Services/Other

- Licenses and Permits
- Fines and Forfeitures
- Franchise Fees
- Other
 - In Lieu payments
 - Investment earnings
 - Charges for services
 - Rents and leases
 - Miscellaneous



Licenses and Permits

- Applications, plan review, inspections, permits etc.
- Business licenses, special event permits

Set to recover all or portion of cost

Key drivers: new construction, remodel/renovation, pools

- Authority: Town Council
- Report published on city website
- 60-day notice before Council action

Updates to be considered as part of FY2024 budget



Fines and Forfeitures

- Court fines, vehicle impound fees, public safety fees, process service, etc.

Set to recover all or portion of cost

Key drivers: civil traffic and parking cases, criminal cases, protective orders

- Authority: Town Council/State Legislature
- Report published on city website
- 60-day notice before Council action



Franchise Fees

- Electric, gas, cable, and other utilities sited in the public right-of-way

Set as a percent of revenue (customer bill)

Key driver: Weather patterns and customer usage

- Authority: Public vote
- Long-term agreements
- Public notice



Other Sources

- In-lieu payments
 - Development agreements for change from hospitality to residential
- Investment earnings
 - Subject to market conditions
 - Strategy to be reviewed and discussed during FY2023
- Post office sales
 - Rates set by federal government
- Rents and leases
 - Ambulance facility rental
 - Wireless telecommunications towers
 - Set by agreement

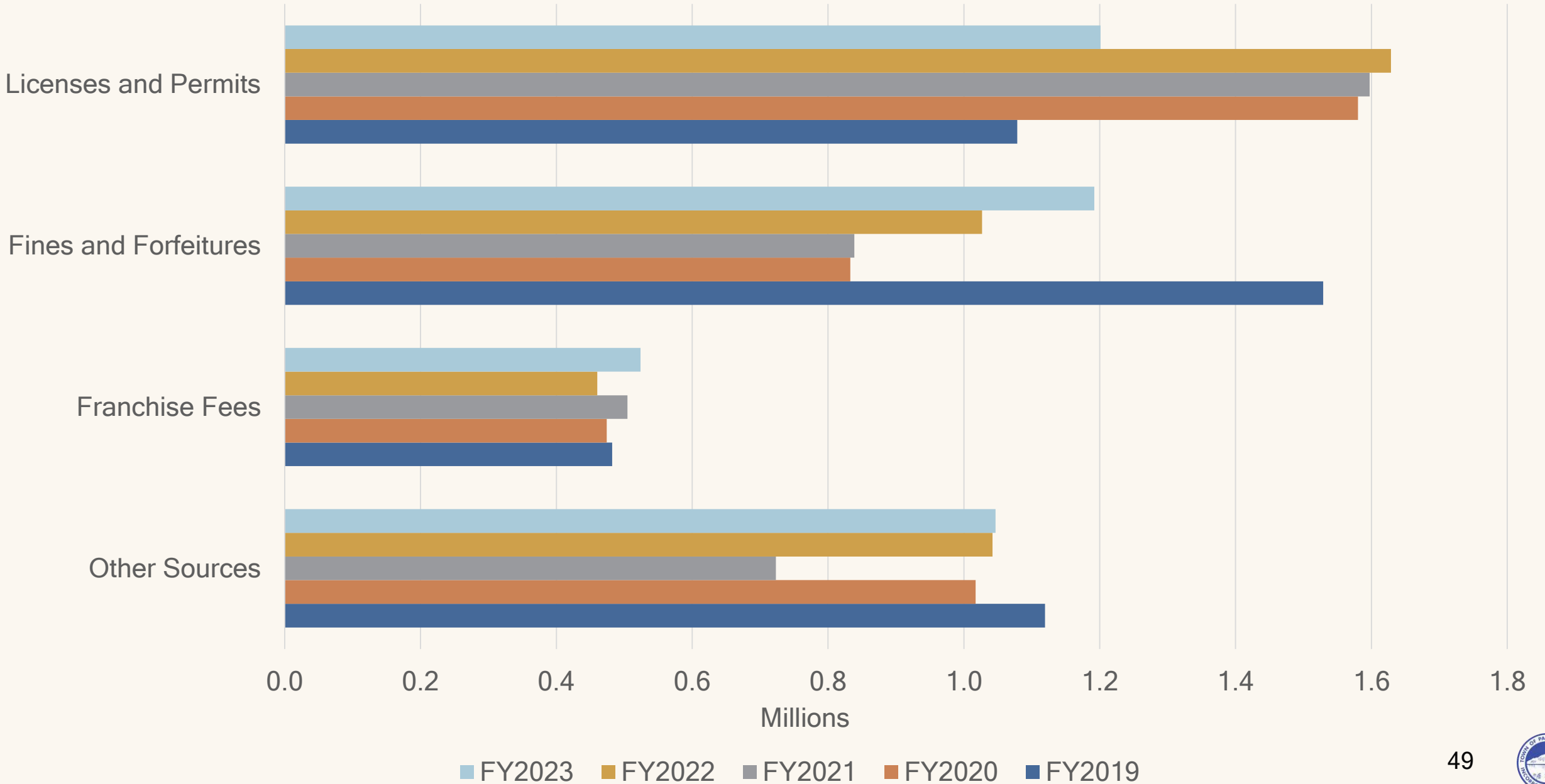


Other Revenues

FY2023 Year-to-Date December

Category	FY2020	FY2021	FY2022	FY2023	\$ Inc./ (Dec.)	% Inc./ (Dec.)
Licenses and Permits	\$1.58 M	\$1.60 M	\$1.63 M	\$1.20 M	\$ (0.43 M)	-26%
Fines and Forfeitures	0.83	0.84	1.03	1.19	0.16	16%
Franchise Fees	0.47	0.50	0.46	0.52	0.06	13%
Other Sources	1.02	0.72	1.04	1.05	0.01	1%
Total	\$3.90 M	\$3.66 M	\$4.16 M	\$3.96 M	\$ (0.20 M)	-5%

Other Sources Fiscal Year-to-Date December



Other Revenue Annual Forecast

Category	FY2022 Actual	FY2023 Budget	FY2023 Estimate	FY2024 Forecast	\$ Inc./ (Dec.)	% Inc./ (Dec.)
Licenses and Permits	\$ 3.07 M	\$ 1.61 M	\$ 2.41 M	\$ 2.48 M	\$ 0.07 M	3%
Fines and Forfeitures	2.27	1.14	2.76	2.84	0.08	3%
Franchise Fees	1.39	1.24	1.54	1.59	0.05	3%
Other Sources	0.53	1.59	2.79	2.58	(0.21)	-8%
Total	\$ 7.26 M	\$ 5.58 M	\$ 9.50 M	\$ 9.49 M	\$ (0.01 M)	0%

Property Taxes

Town of Paradise Valley Council does not levy property taxes

- Amount based on valuation of property
- Valuation established by county
- Uncollected amount tied to the property
- Can be paid with monthly mortgage payment

- Primary used for any general government purpose
- Secondary is restricted to repayment of bond principal and interest



Budget Calendar



Date	Activity	Subject
March 23	Study Session	Overview and Revenue Forecast
April 13	Study Session	Department Operating Budgets
April 27	Study Session	Operating Budget Follow Up Capital Improvement Projects
May 11	Meeting: Action Item	Tentative Budget Adoption
May 20 & 24	Publication	Tentative Budget Notice of Public Hearing
May 25	Special Meeting: Action Item	Public Hearing Final Budget Adoption



Questions?



Land Assets

Overview of Town Owned Property

Type	Number of Parcels	Acreage
Town Hall Complex	10	14.45
Fire Stations	2	2.98
Goldwater Memorial	1	1.17
Lots	4	2.43
Right-of-Way	20	32.44
Total	37	53.47

Categories of Property

Property with Town/Public Facilities

- Town Hall, Ambulance 'House', Courts
- Look at long-term need

Vacant Properties

- Future Uses
- Long-term potential
 - Investment
 - Need in the future
 - Land use control
 - Conservation

Rights of Way

- Public benefit v. Private requests
 - Importance of maintenance, access, future need



Rationale for Selling Property

Positives for selling:

- Revenue shortage/cash flow issues
- Property costly to maintain
- Used for land swap during negotiations
- Is more economical to sell than keep

Concerns about selling property:

- Provides only one-time funds
- Property may be useful in future
- Investment in Land often better than other available governmental investments
- Lose Town control over future use of property.
- Have other options to regulate Use
 - Sign property to enforce no trespass





Property with Town/Public Facilities

- Town Hall, Ambulance 'House', Courts
- Look at long-term need

Town Hall, Police, Public Works, Court



Location	SE Corner of Lincoln & Invergordon
Lot Size	629,264 square feet
APN	174-61-006B, 174-61-006C, 174-61-006D, 174-61-006E, 174-61-010B, 174-61-006C, 174-61-006D, 174-61-013C, 174-61-013D, 174-61-007A
Current Use	Town Facilities
Future Use	Town Facilities
Adj Parcels	Single Family Residences and right-of-way

Fire Station #91



Location	Tatum, near Caida Del Sol
Lot Size	41,164 square feet
APN	168-68-001F
Current Use	Fire Station
Future Use	Fire Station
Adj Parcels	Single Family Residence to the west and south, vacant land to the north/east

Fire Station #92



Location	SW Corner of Lincoln and Casa Blanca
Lot Size	88,550 square feet
APN	174-61-004
Current Use	Fire Station
Future Use	Fire Station
Adj Parcels	Municipal Court to the west, right-of-way to the north and east, Single Family Residence to the south

Goldwater Memorial



Location	NE Corner of Lincoln and Tatum
Lot Size	51,098 square feet
APN	169-09-012
Current Use	Public Memorial
Future Use	Public Memorial
Adj Parcels	2 Single Family Residences to the north and east, right-of-way to the south and west



Vacant Properties

- Future Uses
- Long-term potential
 - Investment
 - Need in the future
 - Land use control

Scottsdale and Doubletree



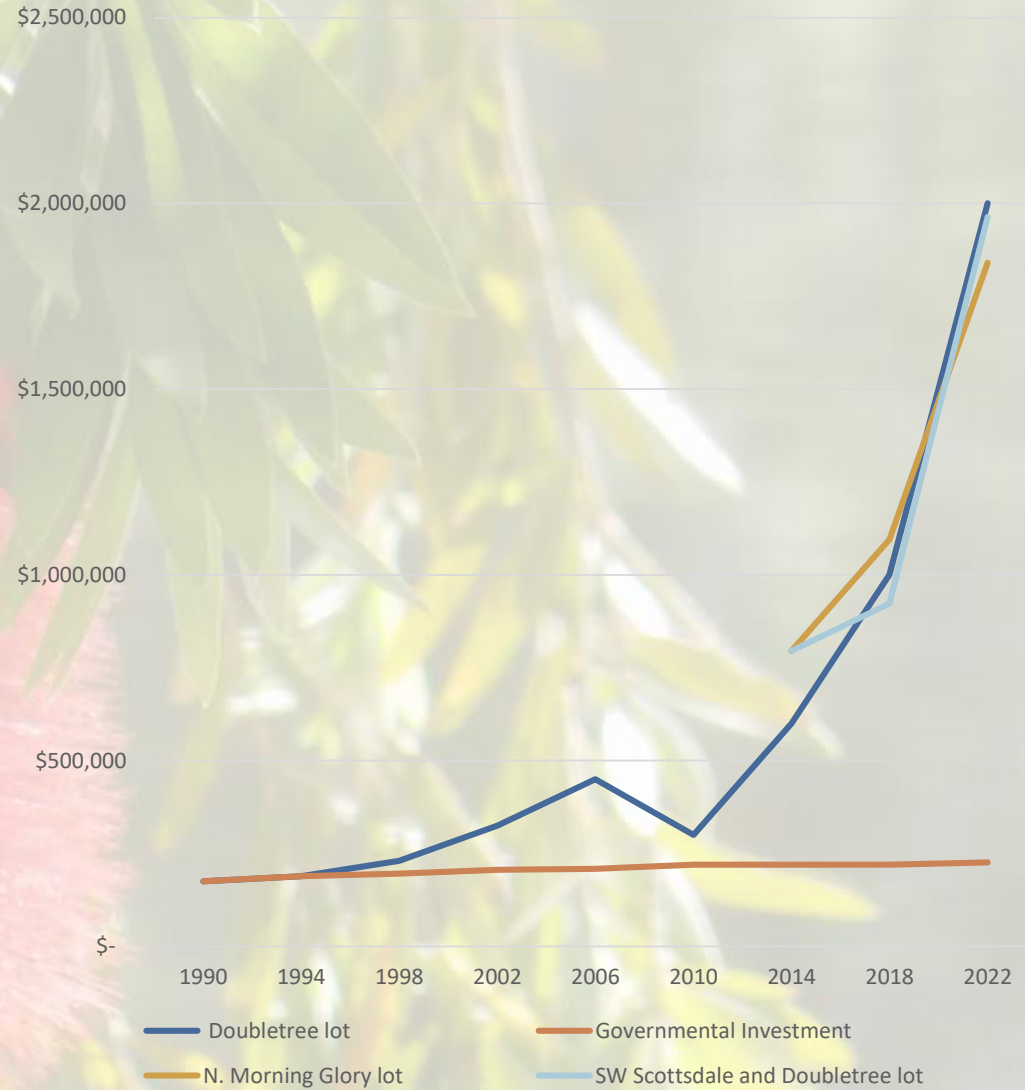
Location	NW Corner of Scottsdale Road and Doubletree
Lot Size	58,691 square feet
APN	175-61-057
Current Use	Vacant Lot
Future Use	Police training/gun range, staging area; PV Entry visual park/monument; or sell as excess property thru public bid
Adj Parcels	Vacant lot to the west sold for \$175,000 in 1990. Currently estimated value over \$2M/acre. 10.4 fold increase.

Vacant lots on Mummy Mountain



Location	Mummy Mountain
Lot Size	19,806; 27,204 square feet
APN	1. 169-01-003F, 2. 169-49-037U
Current Use	Vacant. 1. Settlement Agreement. 2. Gift to Town 1984
Future Use	Transfer Paradise Valley Mountain Preserve Trust in future
Adj Parcels	Single Family Residences and vacant but developable hillside lots

Land Value versus Governmental (LGIP) Investment





Rights of Way

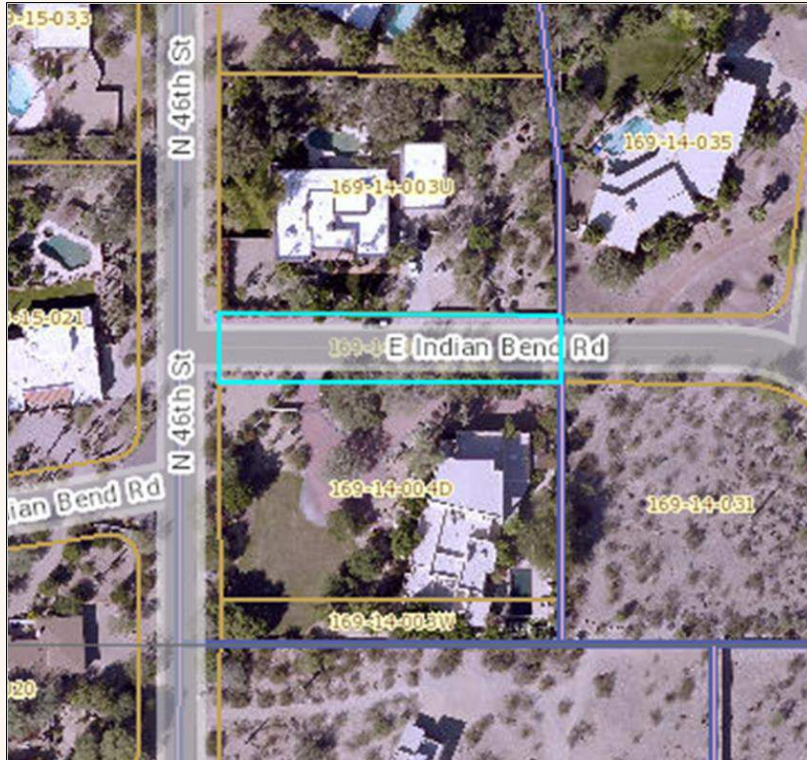
- Public benefit v. Private requests
- Importance of maintenance, drainage
- Access
- Different County recording of ROW

Right of Way C



Location	Tatum and McDonald
Lot Size	198,675 square feet
APN	169-20-101, 169-20-102, 169-20-103
Current Use	Right-of-way and open space
Future Use	Potential trail user drop-off to free up McDonald roundabout
Adj Parcels	Single Family Residences and right-of-way

Right of Way D



Location	46 th Street and Indian Bend
Lot Size	12,701 square feet
APN	169-14-004C
Current Use	Right-of-way
Future Use	Right-of-way
Adj Parcels	2 Single Family Residences to the north and south, right-of-way to the east and west

Right of Way E



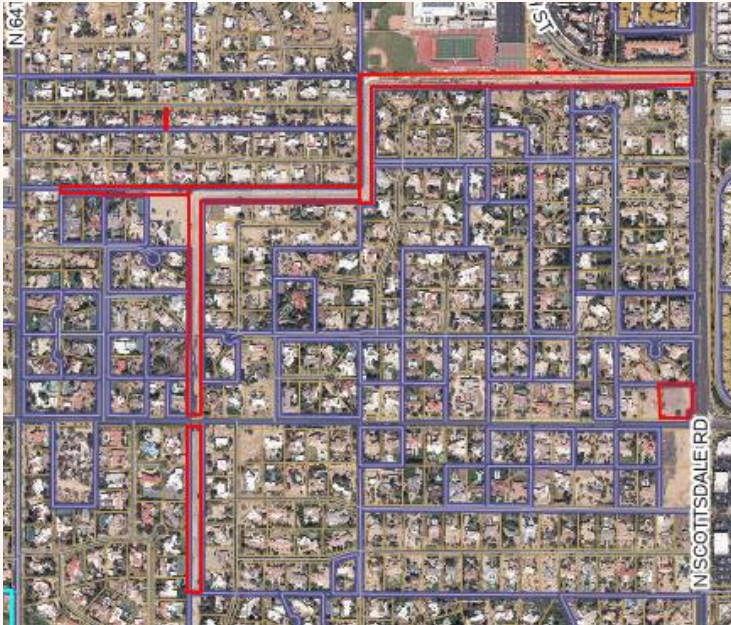
Location	Tatum between Caida Del Sol and Desert Jewel
Lot Size	243,193 square feet
APN	168-53-034C, 168-53-035, 168-73-001H, 168-68-001K
Current Use	Right-of-way
Future Use	Right-of-way
Adj Parcels	Single Family Residences, right-of-way

Right of Way F



Location	Morning Glory and Caballo
Lot Size	43,560 square feet
APN	168-59-001F
Current Use	Right-of-way
Future Use	Right-of-way
Adj Parcels	4 Single Family Residences, right-of-way to the north and south, City of Phoenix booster station

Right of Way G1 (Berneil Ditch)



Location	NE Corner of Town Limits
Lot Size	760,541 square feet
APN	175-61-051, 175-62-041, 174-32-009
Current Use	Drainage channel/Open Space
Future Use	Open Space with public pathway between Chaparral and CBI Golf
Adj Parcels	42 Single Family Residences, multiple right-of-ways, Chaparral High School

Right of Way G2



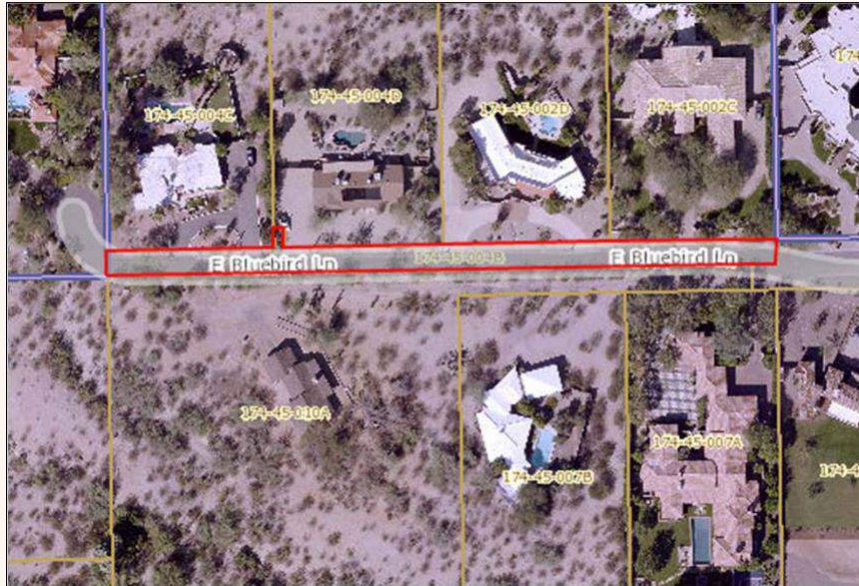
Location	Near Invergordon & Fanfol
Lot Size	48,988 square feet
APN	175-62-040B
Current Use	Vacant and occupied by encroachments from neighboring properties
Future Use	Sell as excess property using public bids, abandon, or consider as ROW
Adj Parcels	10 Single Family Residences on the north, west and south, Berneil channel to the east

Right of Way I



Location	Northern and Mockingbird
Lot Size	43,647 square feet
APN	174-39-001
Current Use	Right-of-way
Future Use	Right-of-way
Adj Parcels	8 Single Family Residences to the south, right-of-way to the north and west

Right of Way J



Location	Bluebird and Mockingbird
Lot Size	16,636 square feet
APN	174-45-004B
Current Use	Right-of-way
Future Use	Right-of-way
Adj Parcels	8 Single Family Residences to the north, south, and west and right- of-way to the east

Right of Way L



Location	SW Corner of Scottsdale and Hummingbird
Lot Size	1,582 square feet
APN	174-48-010
Current Use	Right-of-way
Future Use	Right-of-way or dispose and sell to Scottsdale and adjacent property owner
Adj Parcels	1 Single Family Residence to the west, Scottsdale Plaza Resort southwest, right-of-way to the east, north and south

Right of Way L1



Location	NW Corner of Scottsdale and Cheney
Lot Size	1,321 square feet
APN	174-48-011
Current Use	Right-of-way
Future Use	Right-of-way or dispose and sell to Scottsdale and adjacent property owner
Adj Parcels	1 Single Family Residence to the west, right-of-way to the east, north and south

Right of Way M1



Location	NE Corner of McDonald and Mockingbird
Lot Size	2,041 square feet
APN	174-66-030
Current Use	Right-of-way
Future Use	Right-of-way
Adj Parcels	2 Single Family Residences to the east, right-of-way to the west, north and south

Right of Way M2



Location	Near Caron and Invergordon
Lot Size	2,261 square feet
APN	175-62-072
Current Use	Pedestrian connection via sidewalk
Future Use	Keep pedestrian connection or dispose and sell to neighboring property owners
Adj Parcels	2 Single Family Residences on the east and west, right-of-way to the north and south

Right of Way O



Location	Between Lincoln and Ocotillo, near 66 th Place
Lot Size	23,654 square feet
APN	None available
Current Use	Vacant
Future Use	Sell as excess property using public bids or utilize for pedestrian connection
Adj Parcels	9 Single Family Residences on the east and west, right-of-way to the north and south



Questions and Council Direction