OPERATING VS. BUILDING COSTS

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Current Reality

1. Service Level Expectations Remain High
2. Revenues are Not What They Were and Will Not Be …
3. The Public Expects Us to Continue to Finding Ways to Reduce Spending on Operations but Maintain / Improve Infrastructure
Typical CIP Structure

- Portion of General Fund Revenues Used for R&R and CIP for New Projects
- R&R and CIP Funding Has Been Reduced or Eliminated to Balance Budgets
- What Amount Can Be / Should Be Spent on R&R and CIP?
  - Protect Resources to Pay For Operating Expenses while Increasing R&R and CIP Funding
Keys Moving Forward

1. Develop a Needs Based CIP and R&R Program: “Tell the Story”
   - Needs will Exceed Resources
   - Show Unfunded Projects in Budget Documents

2. Create Capacity
   - Partnerships
   - Dedicated / Service Based Revenues
Capital Funding Approaches

1. Resource Based
   - Available Funding Defines Program

2. Needs-Based
   - Capital Plan Defines Funding Requirements
   - Comprehensive Planning
   - Outcome Focused
Needs Based CIP

- Use Multi-Year Planning Models
  - Operating Budget
    - Includes Repair and Replacement
  - Capital Budget
    - Include Operating Costs / Savings
Needs Based CIP

- Establish Performance Standards
  - Pavement Condition Index (PCI)
  - Parks and Recreation Structures

- Create a Ratings System for CIP Projects
  - Criteria: Regulatory, Alignment with General Plan
Fire/EMS Service Partnership: Town of Paradise Valley, AZ and City of Phoenix, AZ

- **Background**
  - Paradise Valley was previously served by Private Provider
  - Paradise Valley borders Phoenix
  - Phoenix desired coverage improvements near Paradise Valley
Fire/EMS Service Partnership:
Town of Paradise Valley, AZ and
City of Phoenix, AZ

Terms

- Paradise Valley Built and Maintains
  Two Fire Stations
- Direct Operating Costs split 50/50
  ($3M per)
- Paradise Valley Implementing Fire
  Service Fee
  - Fee for Service Model
Program’s KEY Elements

Most of the Cost of a Fire/EMS program is related to Readiness

- 90%-95% Readiness vs. 5%-10% Calls for Service
  - Readiness=24/7 Staffing, Training, Stations/Equipment, Dispatch
- ~80% of Calls are EMS
- ~20% for Fire / Other
Program’s KEY elements (continued)

The Demand for Fire/EMS is strongly related to the presence of people (Functional Population)

- **Current Land Use (Occupied Space):**
  - ~90% Residential (~5,600 properties)
  - ~10% Nonresidential (41 properties)

- ~80% of Total 2011 Calls for Service were EMS
Rate structure outcomes

1. Yields $3.0M to Cover FY 2014 Estimated Costs

2. Approximate Occupied Space
   - Residential: $2.7M (90%)
   - Nonresidential: $0.3M (10%)

3. Nonresidential Rates:
   - Correlation to Residential Base Rate
   - Acknowledges Different Land Uses (e.g. resort vs. school)
Proposed Residential Rates

$2.7M revenue
~ 5,600 Homes

<table>
<thead>
<tr>
<th>Tier 1 (Base)</th>
<th>Tier 2</th>
<th>Tier 3</th>
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<tbody>
<tr>
<td>$360 Base + Tiers</td>
<td>3,000 SF or less</td>
<td>3,001-6,000 SF</td>
</tr>
<tr>
<td>% of Homes</td>
<td>25%</td>
<td>55%</td>
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<tr>
<td>Rate: Month/Annual</td>
<td>$30/$360</td>
<td>$40/$480</td>
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Nonresidential rate examples

The Calculation is Based on Use, Square Footage, Functional Population and $360 Residential Base Rate for 3,000 Square Feet

<table>
<thead>
<tr>
<th></th>
<th>Retail/ Resort</th>
<th>Public/ Institutional</th>
<th>Office</th>
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<tbody>
<tr>
<td>A. Square Feet</td>
<td>280,845</td>
<td>175,844</td>
<td>52,360</td>
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<tr>
<td>B. Units (A / 3,000 SF)</td>
<td>94</td>
<td>59</td>
<td>17</td>
</tr>
<tr>
<td>C. Functional Population Factor</td>
<td>55%</td>
<td>61%</td>
<td>63%</td>
</tr>
<tr>
<td>D. Equivalent Homes (B x C)</td>
<td>52</td>
<td>36</td>
<td>11</td>
</tr>
<tr>
<td>E. Bill (D x $360)</td>
<td>$18,720</td>
<td>$12,960</td>
<td>$3,960</td>
</tr>
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Bed Tax: Tourism Related Activities

- **Background**
  - Dedicated Tax Paid by Occupants of Hotels/Motels that must be spent on “Tourism Related Activities”

- **Application**
  - Used to Construct Tourism Related Facilities such as community gathering locations, land acquisition, stadium expansions, etc.
Court Enhancement Funds

- **Background**
  - Dedicated Fees that Must be Used to Enhance Court Operations

- **Application**
  - Used to Pay for Court Facility Expansions, Security Infrastructure, new / replacement Technology
Questions?