



REQUEST FOR CITY COUNCIL ACTION

MEETING DATE:

January 6, 2021

DEPARTMENT:

City Administration

DIVISION:

Administration

- ☐ Motion
- ☐ Resolution
- ☐ Ordinance - Introduction
- ☒ Ordinance - Adoption
- ☐ Public Hearing

TITLE:

Budget Amendment

SUMMARY RECOMMENDATION:

Amend the Fiscal Year 2021 Annual Budget to authorize a transfer of appropriations in certain Funds with a corresponding increase in revenue and expenditure capacity in certain other Funds and declaring an emergency without exceeding the overall Fiscal Year 2021 Annual Budget. (City Administration) (Philip Rodriguez)

REPORT:

By separate Ordinance, City Council will decide whether to authorize the sale and delivery of pledged revenue and/or revenue refunding obligations (bonds) to fund in excess of \$140 million in unfunded Public Safety Personnel Retirement System (PSPRS) liabilities for Tier 1 and Tier 2, current and former Police and Fire employees.

Due to Arizona statutory budget restrictions which prohibit a city or town from spending more than its current annual budget, two different payments will need to be made to PSPRS; one in February, 2021, and July, 2021 respectively. The first payment will be approximately \$35 million, subject to final issuance, to be paid to PSPRS immediately upon the issuance and sale of the bonds, with the balance of funds to be held by the City until the second payment of approximately \$110 million can be paid immediately after adoption of the Fiscal Year 2022 Annual Budget.

In order to pay this unanticipated \$35 million in Fiscal Year 2021, City Council approval to authorize a transfer of appropriations is required. The transfer of appropriations in certain Funds will have a corresponding increase in revenue and expenditure capacity in certain other Funds within the Fiscal Year 2021 Annual Budget. Due to this transfer involving part or all of any unencumbered appropriation balance from one department, office or agency to another, the transfer must be approved by ordinance. The proposed Ordinance will not increase the Fiscal Year 2021 budget from the total amount previously adopted by City Council. The actual decreases and increases in budgetary authority by Fund are shown in detail in Schedule A attached to the proposed Ordinance.

The PSPRS unfunded liabilities carry a presumed interest rate of 7.3%. Every day the City must carry this interest creates additional unfunded liability, so it is in the public and taxpayer's interest and welfare to pay down these unfunded liabilities at the lowest interest rate possible at the earliest time possible. For this reason, the proposed Ordinance includes an emergency clause for the health, safety and welfare, making the ordinance effective immediately if approved by 5 of 7 City Council members.

At the October 26-27 City Council Vision and Goal setting event, City Council identified the issuance of bonds to fix the Public Safety Personnel Retirement System (PSPRS) shortfall as their number one priority under the Strategic Outcome of Respected and Responsible. As a trusted steward of City resources, the immediate payment of the approximately \$35 million in unfunded liability immediately upon the sale of the bonds will substantially reduce the amount of interest accumulating on that portion of the liability. This action will further necessitate a one-time increase to the Fiscal Year 2022 Annual Budget by approximately \$110 million in order to make the remaining payment to PSPRS in July, 2021. Upon final payment, the reduction in PSPRS obligations will assist the City in savings of approximately \$64 million over the next 18 years.

FISCAL REQUIREMENTS	CITY FUNDS:	\$0.00	BUDGETED:	\$0.00
	STATE FUNDS:	\$0.00	AVAILABLE TO TRANSFER:	\$0.00
	FEDERAL FUNDS:	\$0.00	IN CONTINGENCY:	\$0.00
	OTHER SOURCES:	\$0.00 \$0.00 \$0.00	FUNDING FOR THIS ITEM IS FOUND IN THE FOLLOWING ACCOUNT / FUND / CIP:	
	TOTAL:	\$0.00		
	FISCAL IMPACT STATEMENT:			
ADDITIONAL INFORMATION	SUPPORTING INFORMATION NOT ATTACHED TO THE CITY COUNCIL ACTION FORM THAT IS ON FILE IN THE OFFICE OF THE CITY CLERK:			
	1. 2. 3. 4. 5. IF CITY COUNCIL ACTION INCLUDES A CONTRACT, LEASE OR AGREEMENT, WHO WILL BE RESPONSIBLE FOR ROUTING THE DOCUMENT FOR SIGNATURE AFTER CITY COUNCIL APPROVAL? <input type="radio"/> Department <input checked="" type="radio"/> City Clerk's Office <input checked="" type="checkbox"/> Document to be recorded <input type="checkbox"/> Document to be codified			
SIGNATURES	CITY ADMINISTRATOR:		DATE:	
	Philip A. Rodriguez		12/10/2020	
	REVIEWED BY CITY ATTORNEY:		DATE:	
	Richard W. Files (Electronic Signature)		12/10/2020	
RECOMMENDED BY (DEPT/DIV HEAD):		DATE:		
WRITTEN/SUBMITTED BY:		DATE:		
Philip Rodriguez		12/10/2020		