



PROPOSAL FOR

TOQUERVILLE CITY, UTAH

COMPREHENSIVE FINANCIAL SUSTAINABILITY PLAN



MAY 2020

LEWIS YOUNG ROBERTSON & BURNINGHAM, INC.


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May 29, 2020

Keen Ellsworth
Council Member
TOQUERVILLE CITY
212 N Toquer Blvd
Toquerville, UT 84774

Re: Scope of Services for Comprehensive Financial Sustainability Plan

Mr. Ellsworth:

Lewis Young Robertson & Burningham, Inc. (LYRB) is most grateful for the opportunity to serve as Financial Advisor (FA) to Toquerville City. We take our fiduciary role very seriously and work diligently to add value through comprehensive analysis of options and seeking creative solutions to enhance the City's financial sustainability. As the City now seeks to pursue new prospects for its future, LYRB welcomes the opportunity to provide additional solutions to the City as it considers its options.

As the City explores new opportunities with potential development projects, that may include residential, commercial and road projects, there are several factors that the City should consider when making these pivotal decisions. Taking into consideration the long-term viability of the City, the need to provide municipal services while meeting potential project demands, these factors will influence the City's ability to support development. As such, LYRB proposes to prepare a comprehensive financial sustainability plan (CFSP) for the City in order to give the City a tool that calculates these factors with an eye on the future for prudent decisions today.

LYRB's approach will assess and evaluate the City's existing financial and operational conditions in order to provide recommendations to adequately fund the City's operations and understand what support, if any, the City can allocate to the potential project. Our study will link the City's long-term goals with implementation strategies over a long-term planning horizon through the development of a comprehensive financial plan. The scope of services below outlines the steps necessary to complete this analysis.

LYRB will further help the City develop a financial and management plan that will ensure implementation of the overall plan by providing financial benchmarks and describing key practices to maintain the City's sustainability. It is important that the goals are defined at the start of the project to guide the work and ensure that the final plan is tailored to the City's needs. LYRB will start working immediately with Officials to evaluate the City's situation, discuss strengths or weaknesses, and define a pathway that will best fit the City's long-term needs.

In response to the City's request, LYRB submits this proposal to assist the City in continuing to strengthen its position by creating a sustainable financial plan. Upon your review, we welcome your feedback with any adjustments for final approval.

Respectfully submitted,

David Robertson
Vice President

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PROJECT UNDERSTANDING

Lewis Young Robertson & Burningham, Inc. (LYRB) has been requested to advise Toquerville City (the City) in establishing a comprehensive financial sustainability plan (CFSP) to measure influences from potential development within the City. The following scope outlines the necessary tasks and associated cost to assist the City with these projects. LYRB will assist the City with the collection and analysis of operational revenue and expenditure data, in conjunction with identifying existing and available financing tools, that could be utilized to fund ongoing plans within the City. LYRB will then create a CFSP model to forecast long-term sustainability for use of the City Council, staff, stakeholders and residents in establishing a finance plan for the City.

The CFSP is a means to link community-based goals with implementation strategies over a long-term planning period. The CFSP is a written implementation plan, an updateable management and communication tool, as well as a decision-making process/tool to be used by staff and elected officials. The CFSP will provide a tangible benefit to the City and its residents in maintaining the long-term viability of the City as it provides municipal services to its residents and contemplates incentives for potential development projects to enhance the lives of its citizens and visitors.

As the City is looking to facilitate a road project, and potential related development, to bypass the existing main street area for those travelers likely heading to Zion National Park or simply passing through (the “Project”), the CFSP tool will identify financial impacts of the development and potential cost sharing measures. Where the Project will allow for future development and can redefine certain areas, the City is naturally very interested in participating and providing direction as appropriate. The City has identified the Project Area with an intended scope and is working with developers within the Project Area accordingly. The CFSP will ensure the City has the resources necessary to provide municipal services and remain functionally and fiscally viable into the future while supporting the Project as the City is able. The CFSP will provide a standard means to both gather input from the staff, elected officials and the public, and provide communication of City policy objectives and practices to stakeholders as it considers options to operate the City and provide developmental incentives.

GENERAL FUND CFSP DETAILED WORK PLAN

TASK 1: PROJECT INITIATION

The project initiation meeting will build on existing synergies to provide an opportunity for LYRB to continue to understand, in detail, all relevant issues & establish the appropriate lines of communication. This meeting establishes consensus around the key issues that affect the City and the study at hand. LYRB staff will utilize this meeting to help the City begin the process of gathering and reviewing planning information, growth projections, historic demands, future capital project needs and financial information.

LYRB will help the City develop key financial and management policies that will ensure implementation of the plan, provide financial benchmarks such as cash reserves, debt service coverage ratios, and describe key management policies such as including inflationary increases to revenue and expenditure budgets each year, and the schedule of plan updates. LYRB will start working immediately with the City to evaluate the City’s situation, discuss strengths or weaknesses with possible funding alternatives, and define policies that will best fit the City’s needs.

TASK 2: COORDINATION WITH CITY OFFICIALS REGARDING NEW EXPENDITURES AND CAPITAL NEEDS

LYRB will coordinate with the City regarding new expenditures, revenue assumptions, and proposed capital projects and answer questions that may arise through the initial phase of this project. To reduce costs, LYRB will also begin constructing the financial model with feedback from these early meetings.

TASK 3: EXPENDITURE EVALUATION

LYRB will develop a pro forma of all new City expenditures to maintain the current level of service. Discussions can be had on what new services should be considered or the need to increase future levels of service as the City grows and new needs are realized. LYRB recommends that the City establish criteria regarding what new expenditures will be included in this plan. Utilizing historic financial information and budgets, as well as interviews

with City officials, LYRB will project annual expenditures for a ten-year planning horizon. Expenditures may include the following: operation and maintenance expenses for all relevant municipal services, annual replacement costs, new capital needs, and/or debt service costs. The anticipated effects of inflation during the study period will be factored into the calculations. The funding of depreciation, which is traditionally a non-cash item, will also be evaluated. Funding a capital repair and replacement budget, or depreciation, can reduce the City's need to issue debt and therefore decrease future interest expense.

TASK 4: DEVELOP REVENUE PROJECTIONS

LYRB will develop a revenue model to forecast revenues for a ten-year period. This information will be generated based on existing revenue sources consistent with historic trends. LYRB will forecast available revenues to fund the CFSP as a baseline scenario to determine any deficiencies and establish base service measurements. Additional considerations include new property tax revenues, RDA related projects, and sales tax revenue growth.

Once the City understands these cash flows, it can identify funds that could potentially be shared with developers as appropriate incentives, cost sharing measures or offsetting costs absorbed by the development. The means of sharing revenues could be through tax sharing agreements, capturing tax increment or other means. LYRB will help the City identify these opportunities and advise it on proper policies and protocols to effectively share these resources.

TASK 5: FINANCING PLAN

From the findings of the baseline analysis, LYRB will develop a financing plan that will ensure revenue sufficiency within the General Fund to optimally use City resources. The analysis will be designed to address the following objectives.

- ☞ Revenue Sufficiency: The analysis must ensure revenue sufficiency to meet operation and maintenance (O&M) obligations, construct necessary infrastructure (repair & replacement and new capital expense), meet bond covenants, and enhance the overall creditworthiness of the City
- ☞ Revenue Stability: LYRB will develop scenarios that will mitigate excessive property tax fluctuations in the future.
- ☞ Affordability: LYRB will determine a taxation structure that promotes affordability relative to comparable community's and industry benchmarks.
- ☞ Business Retention: LYRB will review the taxation policy relative to the City's general business incentive policies for businesses to ensure sustainable economic growth.
- ☞ Developer Incentives: LYRB will identify and recommend incentives that could promote development within the City. The analysis will ensure sustainability of the City and consider comparable circumstances to allow the City to participate appropriately with potential financial resources.

The resulting analysis will provide the City with an estimate of year-end fund balances and revenues available for operations and capital repair, while ensuring equity and maintaining proper financial ratios. The ultimate outcome of this Task will be a fully functional cash flow model that will allow for alternative scenarios to be reviewed. This model will include graphic displays for easy understanding of key inputs and results. LYRB will also work with the City to account for capital outlay funds that are already obligated or planned for future use. This will help provide a more accurate forecast of the funds available for new projects in the future.

TASK 6: REVIEW FINDINGS

After preparing the preliminary scenario in Task 5, LYRB will meet with key City Officials and stakeholders to review and receive comments. During this meeting LYRB will:

- ☞ Review a summary of the model inputs and assumptions;
- ☞ Review the estimated revenue forecast under the baseline model;
- ☞ Review the timing of future capital improvements, the inclusion of depreciation, and how this affects revenue sufficiency;
- ☞ Review the impact of all model inputs on potential incentive tools;
- ☞ Evaluate needed revenues, including bonding scenarios, to fully fund a proposed Capital Facilities Plan;



- ☞ Evaluate the prioritization and timing of projects relative to revenues generated; and,
- ☞ Evaluate next steps and establish consensus regarding project finalization.

Likely outcomes of Task 6 will be the development of additional scenarios to be modeled.

TASK 7: UPDATE/ADDITIONAL SCENARIOS

After receiving feedback in Task 6, LYRB will update the model and prepare additional scenarios for the City to review. Once these are accepted by City Officials, LYRB will review with additional City Staff as needed.

TASK 8: DOCUMENTATION AND PRESENTATION

Based upon the needs and desires of the City, LYRB will prepare a report that documents the methodology, assumptions, and findings of our analysis. LYRB will prepare an informational presentation for the City, elected officials, stakeholders and/or the public. LYRB's scope includes two (2) formal presentations of all findings and recommendations.

PROPOSED FEE

The total combined price for the services provided as defined in the Scope of Work is expected to not exceed **\$25,000**. LYRB will be given a travel allowance as approved by the City. Increases to the scope of services will not be assessed until mutually agreed upon.

Should this arrangement be acceptable, please accept this scope of services by signing below for our collective records.

Toquerville City

By: _____

Name: _____

Title: _____

Lewis Young Robertson & Burningham, Inc.

By: David Robertson

David Robertson
Vice President