

Budget Committee Minutes
Town of Queen Creek
22358 S. Ellsworth Road
Queen Creek, AZ 85142

January 24, 2012

Call to Order

The meeting was called to order at 4:34 p.m. by Vice Mayor Jeff Brown, Chair.

Committee members present: Vice Mayor Jeff Brown, Council Member Dawn Oliphant, Council Member Julia Wheatley

Absent: None

Also attending: Town Manager John Kross, Budget Administrator Samantha McPike, Greg Flynn and Marsha Hunt

Items for Discussion and Possible Action

A. Consideration and possible approval of the April 25, 2011 and May 2, 2011 minutes

Council Member Wheatley moved to approve the minutes of April 25, 2011 and May 2, 2011.

Council Member Oliphant seconded the motion. Motion carried 3-0 on a voice vote.

B. Review of the Town's financial statements for the six months ending December 31, 2011

Town Manager Kross reviewed the financial statements for the six months ending December 31, 2011. A good part of our financial stability is from the restructuring that has been done over the last year. The 2010 census has given the Town more state shared revenue because of our population growth from 16,000 to over 26,000. The third area that is strong is the utility area.

General fund revenues exceed expenditures and are 6.7% ahead of the same period last year. Town sales tax is down. Much of this is construction-related, however holiday sales are not fully reflected in this financial report because of the reporting lag. We have issued 55 housing starts for this time period; we are projecting about 120 housing starts for the year. The other issue is the change mid-year of the development impact fees. We had to reduce the housing impact fee by over \$2,000 per housing permit. Vice Mayor Brown asked what categories are most affected by the reduction in housing impact fees. Budget Administrator McPike said the Town buildings and parks were affected most by this reduction.

Town Manager Kross reviewed the aggregate line item revenues. Town sales tax is projected at \$9.3m which is down 1.7% from last fiscal year. Building revenue is budgeted at \$685,000 and is down almost 23% from last fiscal year. This reduction is a reflection of the permitting coming across the counter. State sales tax is strong. Urban revenue sharing is up 40% from last fiscal year. Motor vehicle tax is up almost 44% from last fiscal year. The telecommunications revenue is ahead of projections because of timing of payments. Investment income is down which is not too surprising because of interest rates. We projected \$226,000 in investment income. The total general fund revenue is at a 6.7% increase year over year.

A lot of expenditures occur in the spring which is one reason expenditures are at 40% of budget. This timing of expenditures is typical. Additionally, the \$3m in cost savings from last year is reflected in year over year decreases in expenditures.

The committee reviewed the development fund reserves. Because of the six years of recessions, the transfers are reflected here. Vice Mayor Brown asked for a report of where the money is coming from. Ms. McPike will provide the committee with a breakout based on the auditor general's schedule.

Council Member Wheatley asked what is the contract amount for legislative affairs. Mr. Kross said it is \$54,000, however we are not moving forward with that which will be a cost savings. Part of this cost savings will pay for the new contract with John Flynn for fire. Ms. McPike said the lobbyist is paid from the drainage and transportation fund.

Ms. McPike reviewed the various funds. The sewer utility enterprise fund expenditures are less than revenues but there is a transfer out to fund waste water which is upside down. The solid waste enterprise fund is barely in the red. There was a substantial recycling revenue program this year which will help close this gap. The water enterprise fund is in black and sales are up 5% from last year. The main revenue in the drainage and transportation fund is sales tax and development fee. Expenditures are primarily carry forward funds for existing projects and debt services.

HURF (Highway User Revenue Fund) is in black which is for street maintenance. We do most of our street maintenance in the spring. The municipal town center fund is doing well from sales tax revenue. This is just the extra ¼ % sales tax in the town center. Street lighting pays for itself however there is a small administrative fee. The parks, open space development fund is running in the red. This is one place where general fund transfers are used for debt service. The transportation development fund is right at what it should be. The library development fund had a monetary contribution/donation from Fulton. The public safety development fund is where we pay on the truck lease for emergency services. The Town's property tax revenue will come in May. The parks and recreation trust fund is for the senior program and various other volunteer and partnering programs. The community events fund contribution/donation of \$35,000 was for Roots 'N Boots. Council Member Wheatley asked if there was a transfer last year for Roots 'N Boots. Ms. McPike replied yes. The water capital fund is funded solely out of water. They did not have transfers this year. Horseshoe Park & Equestrian Center (HPEC) is even with regards to revenue and expenditures. They have shows coming in which are seasonal. The special assessment improvement fund the transfer in is from drainage and transportation fund with the expenditure out to pay for debt service. Town Manager Kross said that debt service is for Ellsworth Loop road. The five year forecast will show how that gets reconciled.

C. Review of the Town's FY12/13 Budget Calendar

Town Manager Kross said the Town's FY12/13 budget calendar has been placed on the council member's calendar for future meetings. The next Budget Committee meeting will be April 30 and May 7. We had a budget kickoff meeting with the departments. We will ask the departments what their CIP needs are even though there are not funds available.

March 5 is when the not-for-profit packets are due. The Budget Committee will review these packets as they come forth. The final budget adoption date is June 6. The tax levy will be adopted based on Arizona law which will be after the final budget adoption. The new fiscal year will begin on July 1.

Ms. McPike said there is a more in depth calendar located on the Town's intranet site called the Nucleus.

Council Member Wheatley said they had talked about having a separate evening for the not-for-profits presentations. Town Manager Kross said last year the budget committee did not have formal presentations by the not-for-profits but they were present to answer questions. The budget committee agreed to keep the same procedure as last year.

D. Review of the Town's preliminary financial forecast for the five years beginning FY12/13

Town Manager Kross said the Town has been doing five-year forecasts for many years. Exhibit A shows the general fund 5 year projections. This spreadsheet is good news. The total revenue for FY13 is projected at \$18.3m and expenditures are projected at \$15m. The \$3m variance is the profit. Keep that variance in mind when looking at FY13 fund summary in Exhibit B. This worksheet shows each fund's surplus and deficit amount. The deficit is the gap from debt service. The general fund, water enterprise and town center fund surplus of \$4.7m is recommended to close the deficit in the other funds. Last fiscal year we had a \$5.2m deficit to close. It is recommended using the Town's savings to close this \$375,000 deficit variance amount in FY13. The Town has not used savings in the past to close the deficit. The Town Manager will not recommend any labor reductions in the next fiscal year's budget. Vice Mayor Brown said that it was his hope that we would not have to go through additional reduction in force for next fiscal year. He asked if this information could be shared with staff for morale purposes. Town Manager Kross has already provided that information to staff. The departments will submit their supplemental requests in mid March for review. There are no funds for supplemental requests however if the committee would want to fund a supplemental request, we will have options. The Town Manager will share the budget committee's thoughts on the news of no reductions in force.

The Town Manager reviewed the budget assumptions. The next year is relative on reduced housing starts. We have recalibrated housing starts at 125 for FY13 with a 10% increase each following year. In the expenditure assumptions we have forecasted a 1.5% cost of living or merit for staff. After talking to the departments regarding supplemental requests, we will know if we can move in the direction of a cost of living or merit increase. It is anticipated that there will be

an increase in health care of 10% and possible increase in state retirement of 4%. Vice Mayor Brown said there were 2 years in a row that we did not have an increase in health care benefits. Town Manager Kross said even though we are part of the school district trust, the Town is rated individually for health care. The wellness program we have for Town staff does not impact family members. Utility costs projected to increase by 4%, contractual services are projected to increase by 4%, and professional development is projected to increase by 2% across the organization. The committee discussed areas where certifications are required to comply with state law.

The local property tax is projected to decline another 9%. Ms. McPike said we will know on February 10 the property tax decline. The assessor's office stated a 7% decline in property tax and we put in a 9% decline to be on the safe side. Vice Mayor Brown asked for a breakdown of property tax between residential and commercial. He would like to see what the assess value was from last year for residential and commercial. Town Manager Kross said \$216m and our peak point was \$356m in FY08-09. The peak amount is all in residential and commercial combined.

We have continued deferral of CIP (Capital Improvement Program) projects for the most part. There will always be traffic issues that will need service and be programmed for special attention. Most of what we get for funding goes to debt service. Vice Mayor Brown asked if staff could provide dollar amounts of what it would cost for pavement maintenance to be funded even though we don't have the money to catch up on what we have not been doing for the last few years.

The development impact fee structure remains in effect over a 5 year period. At the appropriate time we will bring to the committee a comprehensive update. Staff will have until 2014 to do the comprehensive study.

Vice Mayor Brown would like the committee to have time to come up with additional questions with regard to the 5 year forecast.

E. Consideration and possible action on a fiscal note for Council agenda purposes.

Council Member Wheatley asked for more clarity on expense items on the Town Council agenda with regard to the fund source. Anything over \$25,000 has to be approved by mayor and council. Even though the fund source is broken down in the staff report, placing the fund source on the agenda would help the public understand why the item is being discussed for approval. Showing the grant funds and the Town's matching funds and transfers would help the public understand. For example, if an item was funded at 95% with grant funding, the public would have a better understanding why it was being approved. Council Member Oliphant agrees it would show more transparency if the match funds were provided on the agenda. Town Manager Kross said the Town does not publish on line our staff reports. If we did, citizens could pick up that information from the Town's Web site. Other cities do publish staff reports and provide the funding source on agendas. Committee discussed should it be noted on the agenda if the expenditure is budgeted. An item may not be a budgeted item but was budgeted from fund

balance. Committee agreed not to state if budgeted or not because it could cause confusion for the public. Committee agreed not every expenditure needs to show the fund source.

Council Member Wheatley moved to approve to add grant dollar information and matching fund of any percent to the Town Council agenda. Council Member Oliphant seconded the motion. Motion carried 3-0 on a voice vote.

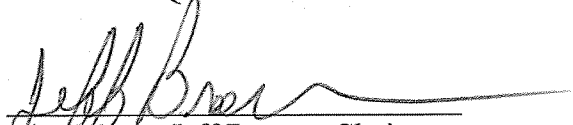
Announcements

None

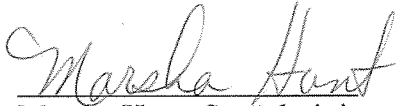
Adjournment

Vice Mayor/Chair Brown adjourned the meeting at 5:38 p.m.

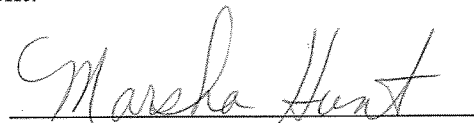
TOWN OF QUEEN CREEK


Vice Mayor Jeff Brown, Chair

ATTEST:


Marsha Hunt, Sr. Administrative Assistant

I, Marsha Hunt, do hereby certify that, to the best of my knowledge and belief, the foregoing minutes are a true and correct copy of the minutes of the January 24, 2012 meeting of the Queen Creek Town Budget Committee. I further certify that the meeting was duly called and that a quorum was present.


Marsha Hunt, Sr. Administrative Assistant

Passed and approved on April 30, 2012.