

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

April 30, 2012

Call to Order

The meeting was called to order at 4:32 p.m. by Vice Mayor Jeff Brown, Chair.

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

Absent: None

Also attending: Town Manager John Kross, Assistant Town Manager/CFO Patrick Flynn, Budget Administrator Samantha McPike

Items for Discussion and Possible Action

A. Consideration and possible approval of January 24, 2012 minutes

Council Member Wheatley moved to approve the minutes of January 24, 2012. Council Member Oliphant seconded the motion. Motion carried 3-0 on a voice vote.

B. Consideration and possible approval of the Queen Creek FY2012/13 Operating budget as follows:

1. Background information (includes guiding principles for recommendations)

Town Manager Kross gave a brief presentation reviewing the new single-family housing starts, population growth and general fund employee count from FY2000/01 through FY2011/12. The Town is growing in population at less than 2.5%. The past budget adjustments with cuts to the general fund have been to match expenses to revenue. A majority of the cost of the general fund is employee costs.

The 2 goals for the recommended budget are fiscal sustainability and organization integrity. We are being strategic by addressing the structural budget challenges by reducing long-term costs so that these costs do not exceed revenue growth. We are trying to be less reliant on impact fees tied to housing construction. There are 3 priorities for funding. 1) Required by law to do 2) Should be doing 3) Nice to have category. In choosing the best options for the community, all of the projects do not fall into priority 1. Over the last 4-5 years, the Town has been restructuring the general fund.

2. Brief overview of 5-year financial plan and underlying assumptions

Assistant Town Manager/CFO Flynn gave 5 year overview. The long range financial plan is updated every year for the 5-year plan. Housing permits are one of the assumptions for the plan. We are projecting 125 housing starts for next fiscal year. Housing starts are projected to go to 183 in 5 years.

We are proposing to restore the employee merit pay at 1.5% for FY12/13, 2.5% in FY13/14 and 2.5% in FY14/15. This is a restoration to the cut in 2009. We built in a 10% increase in the health care costs and are able to remove the 10% increase and save this cost by moving to another vendor. The plan for the budget is done in the fall of the year. Then we apply assumptions for the budget such as a 6% increase in utilities and a 3% increase in fees.

3. Summary of town wide financial information (All funds including proposed recommendation for closing the financial gap)

In reviewing the next fiscal year's budget summary, the all funds financial gap is \$566,000. We are recommending several approaches to remove the gap.

- \$150,000 - Modified water fee schedule (establishment fees, late fees construction water fees, hydrant deposits)
- \$120,000 - Changing health care provider to maintain costs
- \$65,000 - Moving to a "hybrid" labor approach in Grounds Maintenance & Fleet
- \$231,000 - Will use unrestricted general fund balance to close the gap.

We are proposing to maintain our current level of service with no further reductions in employee numbers.

Town Manager Kross reviewed the financial summary noting the water fee area is a separate process and will come back at a separate meeting in the future.

Vice Mayor Brown asked staff for debt service costs associated with the operating funds. Assistant Town Manager/CFO Flynn said the Town's total debt service is \$13.8 million.

- \$3 million - Water enterprise fund. The debt service is built into rates.
- \$3.3 million – Sewer/Waste Water
- \$125,000 - Solid waste. The debt service is built into rates.
- \$850,000 – HPEC
- \$320,000 - Fire development
- \$1.0 million - Library

See the capital project section for a breakdown of debt service costs.

Town Manager Kross showed how property taxes are allocated. The Town received 15 cents on the dollar. About 67 cents on the dollar is for education. Vice Mayor Brown would like to make this slide available to the public and to also show how our amount did not grow from last year.

4. Operating budgets by department/cost center

Assistant Town Manager/CFO Flynn reviewed the operating budgets.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Non-Departmental	\$2,834,028	(17.5%)

We have a contingency of 3% for those unforeseen things that come up during the year. The sales tax rebate is \$1,550,000. We constructed Ellsworth Loop road which was a \$61m project. That is a great task to take on for our size town and we have created an improvement district to participate in the improvements to the road. Part of helping to off set the cost to the commercial

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sector we have provided a sales tax rebate of 50% of sales tax collection back to developments to help assist the payback for the road. This section also includes our auditing expenses.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Town Council	\$155,535	.3%

This increase includes professional development.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Town Manager	\$612,266	5.3%

The majority of the increase is in the restoration of professional development. Vice Mayor Brown said it was brought up at the council retreat to bring back in the budget the professional development. This was very important to town council.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Town Clerk	\$191,418	(13.6%)

This budget is down because there is no election next year.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Management Services (Finance)	\$535,692	1.9%
Management Services (Budget)	\$111,194	(.4%)
Management Services	\$232,650	(11.8%)
Management Services (Recreation)	\$521,902	(10.8%)

Management Services recreational programs is down because we are out sourcing programs such as soccer. We are keeping the senior program and special interest programs

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Development Services (Facilities)	\$394,342	1.9%
Development Services (Admin)	\$753,583	16.5%
Development Services (Traffic)	\$279,535	(25.8%)
Development Services (Planning)	\$216,784	1.7%
Development Services (Fleet)	\$429,110	1.5%
Development Services (Building Safety)	\$259,390	(1.2%)
Development Services (Engineering)	\$423,932	(17.7%)
Development Services (Street Maint)	\$1,072,303	10.6%
Development Services (Parks Maint)	\$940,171	(5.8%)
Development Services (Neigh. Pres.)	\$224,442	20%

Administration is up because we brought in to this budget a divisional manager that was budgeted elsewhere. The second part of the increase in administration is for contractual services to cover increased housing permits. This will not be spent if housing permits are not submitted. The entire area of fleet maintenance was outsourced. We will bring back 3 FTE (full time employees) into this budget and will cut some outsourcing. The Gilbert IGA has done a great job to help us out. The turn around with the IGA is 3-10 days and if we brought the fleet in-house the turn around would be 48 hours. Street Maintenance is up primarily for contractual services for the striping program which is the same amount reduced in the traffic budget. Vice Mayor Brown asked if the parks FTE get assigned townwide or is HPEC budget coming out of

here. Rich Purcell said generally the parks maintenance staff are townwide which includes covering the washes and about 400 acres of town owned properties. CFO Flynn said there is a cross charge that occurs for the enterprise funds (HPEC, Water, Sewer, Fire). Neighborhood preservation is up because we added 2 park rangers to this budget.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Workforce & Technology (HR)	\$418,689	6%
Workforce & Technology (IT)	\$1,177,107	1.9%

Professional development was reduced during the recession and we are restoring some reimbursement for staff. The program is being introduced as a shared program. If an employee is in a credited program, they can receive up to \$2,000 if they also contribute the same amount for tuition. Before the recession the reimbursement was about \$4,500 and the employee did not need to come up with costs (the \$4,500 was the cost for a bachelor degree program). The funds available will cover about 10 employees. IT is up for capital improvements to our switch which is old and needs to be replaced. Our network plugs into the switch which is 7 years old. We cannot get replacement parts through the manufacturer. This is to sustain our business.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Economic Development (C&M)	\$510,798	16.7%
Economic Development (ED)	\$347,113	7.9%

Communications & Marketing is up because we are looking at a web redesign to update our website. This increase is also our resident survey which we have not done in the last 3 years. Economic Development is up because professional development is being restored into this cost center.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Legal Services	\$337,000	16.2%

This covers all that comes in from Mariscal, Weeks including property matters. It is based on an increase of \$1500 a month. Vice Mayor Brown asked how often do we look at how Mariscal, Weeks is competitive in the market. Town Manager Kross said we have looked at the options including in-house options. Part of it has to do with current issues. There may be new costs for taking on continuing issues with a new firm. We feel it is a competitive number.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Utility	\$740,000	(.1%)
Solid Waste	\$1,553,577	18.9%
Sewer Utility Enterprise	\$2,310,181	(9.2%)
Water Division	\$7,604,154	(7%)

In the Solid Waste enterprise fund budget 70% of our fee goes to RAD for collecting trash. Revised cost for buying trash cans for subdivisions coming on board. If a property is annexed into the town, it would cover itself. The Sewer LGIP (Local Government Investment Pool) is our portion of the operating cost of the Greenfield plant. The Water division debt service consumes 40%.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
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Emergency Services (Admin)	\$739,015	6.1%
Emergency Services (Operations)	\$2,564,460	4%
Emergency Services (Training)	\$144,027	15.2%
Emergency Services (Fire Prev)	-	(100%)
Emergency Services (Resource)	\$341,572	(7.4%)
Emergency Services (Medical)	\$221,547	43.1%
Emergency Services (Safety)	-	(100%)
Emergency Services (Public Safety)	\$1,805,208	4.1%

Administration is up because of health care costs and retirement services are going up. The Operations budget is up because of health care and retirement. There is money for overtime in the recommended budget. Vice Mayor Brown asked if we have contractual obligations for automatic aid response. Chief Summers said the 4 person staff on our fire trucks has to do with medical service we deliver. We want to provide that advance life support at the first responder. Staffing is a critical part of the service. If there is a fire, there needs to be someone at the hydrant, one at the engine and need to have at least 2 people before going into a fire. Vice Mayor Brown asked if it is more economical to provide overtime or do we need more staff. Chief Summers said we looked at that closely over this last year. Assistant Chief Knight said we looked at the calendar year and 33% of the shifts we ran 3 people on the trucks. This will reduce from 33% to about 11% and brings in line with automatic aid. CFO Flynn said Training is up because health care and retirement costs are up. Medical is up because we are recommending a patient care software. That is a \$15,000 piece of software in the materials budget. Assistant Chief Knight said the software is called EPCR. It is a touch and drop down menu from an iPad to send to the hospital before we arrive with the patient. It will also provide better statistical information and we will be able to identify shortfalls in training. The City of Mesa has tried different vendors. There are 3 primary vendors in our area. Anything that will interface with our current software will enhance reporting. Chief Summers said it will help save time by plugging information in the field. It will help with the improvement in the quality of the reports which have a potential for liability. Assistant Chief Knight said the hospitals are part of the planning group. The hospitals are set up for Mesa's software. CFO Flynn said there is \$13,000 in the fringes for medical physicals. The other reason for the increase is that we are replacing some EMS equipment. Public Safety is MCSO and is only a portion is funded here. The jail fee of \$90,000 is coming to us directly.

<u>Description</u>	<u>2013 Preliminary</u>	<u>Percentage from FY12</u>
Horseshoe Park	\$937,547	18.1%

This current fiscal year we set up HPEC as a separate fund to track revenues. The debt service of \$850,000 is not tracked here. There is a big marketing push in that budget. The other area driving the increase is we are recommending some of the part-time labor be brought to full time. Arena maintenance is also driving the increase. Our contractual service is also going up because of events. Vice Mayor Brown said this is the one that concerns me because of longevity. Sales tax receipts are down and we do not have a hotel in town. HPEC is limited to offerings and attractiveness to the town. The town is clamoring for a dog park. To make up for those costs without a hotel and sales tax of 2% go to town. Not sure how much would be required to cover the red ink. It would be better to address this with the full council. CFO Flynn said there is a study we are conducting with BSI. We will get some type of measurement of what is being

spent in the town. We do not know how much is spent at Target or restaurants. HPEC is capturing events and it is at least waking up the hotels. They have to do their own studies to justify if there is enough other business in town to support the occupancy levels when there are no events at HPEC.

5. Summary of non-profit group funding recommendations

Assistant Town Manager/CFO Flynn reviewed the not for profit funding requests.

Entity	Program	Requested Monetary	Requested In Kind	Manager's Recommended Monetary	Manager's Recommended In Kind
Friends of Horseshoe Park	Roots 'N Boots FY13	\$20,000	\$18,748	\$20,000	\$18,748
QC Performing Arts Center	Performing Arts Center	\$110,000		\$100,000	
Boys & Girls Club	QC Branch/ Teen Program	\$75,000		\$75,000	
Child Crisis Center	Family Resource Center	\$5,000		\$2,400	
Child Crisis Center	AZ Adoption & Foster Care	\$2,500		\$2,400	
QC Chamber of Commerce	Chamber of Commerce	\$60,000		\$55,000	
Kiwanis Club	4 th of July Celebration	\$2,000	\$3,000		\$3,500
A New Leaf	La Mesita Family Homeless Shelter	\$3,500		-	-
Holiday Festival & Parade Com.	Parade		\$5,000		\$3,500
American Legion	9/11 Memorial	\$1,273	\$3,727	\$1,273	\$3,727
TOTAL		\$279,273	\$30,475	\$256,073	\$29,475

Friends of HPEC will be giving a presentation in May on the Roots 'N Boots event. He is hearing we will see a check coming back for a portion of the \$20,000 given for this year's event.

With regards to the Boys & Girls Club's request for the teen programming, the school district is looking at an after school program. The committee discussed including in the contract the terms we see as moving forward.

A New Leaf's request for the shelter does not serve any Queen Creek residents.

Council Member Oliphant asked at what point are looking at phasing to lower the Town's funding of the Chamber of Commerce. At what point as the Chamber grows and gets more memberships will we reduce our funding? Economic Development Director Cott said we have not analyzed any data. Council Member Oliphant was willing to support the Chamber for the upcoming fiscal year, but wanted to look at a reduction in the future years. She would like the Chamber to start that discussion with their board. Vice Mayor Brown echoed sentiments. Council Member Wheatley asked to see the Chamber's profit/loss statement for the year. Ms. Cott will provide that information for the committee.

Council Member Oliphant would like the Child Crisis Center to give a report to Council every 6 months. The report should include what they are about and what they do for our community.

Council Member Oliphant moved to approve the Queen Creek FY2012/13 Operating Budget as recommended by the Town Manager. Council Member Wheatley seconded the motion. Motion carried on a 3-0 voice vote.

C. Consideration and possible action on the Town FY2013-2017 Capital Improvement Plan (includes Development Funds) with emphasis on the FY12/13 Capital Program

Assistant Town Manager/CFO Flynn said we are recommending a little over \$2.4 million for projects in Drainage & Transportation, Parks/Trails & Open Space Development, Town Buildings & Vehicle Development and Fire Development.

In the Drainage & Transportation fund, exclusive of debt services, we are looking at land related to trail projects. We have a grant for trails in that geographical area of \$250,000 for land acquisition.

Construction Services includes:

- \$140,000 - Demolition of 4 town properties
- \$200,000 - Town center sidewalks
- \$300,000 – Ocotillo Road @ 220th Street traffic signal installation with a \$110,000 developer contribution
- The other projects are funded by grants and are a safety factor.

We have also included the unfunded capital projects for Drainage & Transportation.

The Parks, Open Space Recreation Fund shows debt service. The Construction Services for Queen Creek Wash improvement projects is funded by grant monies we do not want to lose. We have also included unfunded capital projects for Parks, Trails, Open Space Recreation which includes projects for Horseshoe Park & Equestrian Centre (HPEC) and Founders Park.

The Town Building & Vehicles Development Fee fund includes \$50,000 for the Council dais update. Unfunded projects were also included for this fund.

The Public Safety Development general fund is covering the sheriff services contract. The unfunded projects include the police station design and construction.

The Fire Development fund is the fire development impact fee. The vehicle expense is the leasing of our fire trucks. The major equipment expense of \$20,000 is to help further fund the phone system for the emergency operations center. Also included are the unfunded capital projects.

Vice Mayor Brown appreciated the listing of the unfunded projects and the priority level for each project.

Council Member Oliphant moved to approve the Queen Creek FY2013-2017 Capital Improvement Plan including Development Funds. Council Member Wheatley seconded the motion. Motion carried 3-0 on a voice vote.

Announcements

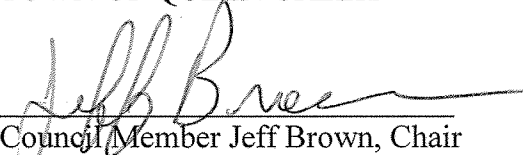
The May 16 Town Council meeting is the date for the tentative budget and at that time the dates for the public hearing on the budget will be announced.

Vice Mayor Brown thanked staff for their continued support to the town council. We have the best and most professional staff. The rest of the committee concurred.

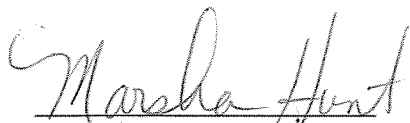
Adjournment

Vice Mayor/Chair Brown adjourned the meeting at 6:43 p.m.

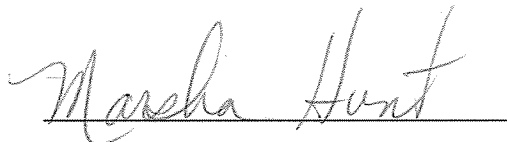
TOWN OF QUEEN CREEK


Council Member 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 April 30, 2012 meeting of the Queen Creek Town Budget Committee. I further certify that the meeting was duly called and that a quorum was present.



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Marsha Hunt, Sr. Administrative Assistant

Passed and approved on June 11, 2012.