



Council Budget Committee

March 12, 2014



**Amended Agenda
Budget Committee**
Town of Queen Creek
22350 S. Ellsworth Road, Queen Creek, AZ 85142
Cholla Conference Room
March 12, 2014
3 p.m.

1. Call to Order

2. Items for Discussion and Possible Action

A. Consideration and possible approval of the February 12, 2014 minutes

B. Review of the Town's financial statements for the 6 months ending December 31, 2013

C. Review of the Town's 5-Year Financial Projection (FY14/15 - FY 18/19)

D. Discussion and possible action on funding options for financing growth in the Town – possible financing options and Capital Programs (follow-up from February 12, 2014 meeting)

3. Announcements

4. Adjournment

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the Budget Committee and the general public that the Budget Committee will hold a meeting open to the public as set forth above. Dated this 5th day of March 2014.

I, Joy Maglione, do hereby certify that I caused to be posted this 5th day of March 2014, the Amended Agenda for the Budget Committee in the following places: 1) Queen Creek Town Hall; 2) Queen Creek Library; 3) Queen Creek Community Center Bulletin Board.

Joy Maglione, Town Clerk Assistant

The Town of Queen Creek encourages the participation of disabled individuals in the services, activities, and programs provided by the Town. Individuals with disabilities, who require reasonable accommodation in order to participate, should contact the Town Clerk's Office at 480-358-3000.



Minutes
Budget Committee
Town of Queen Creek
22358 S. Ellsworth Road, Queen Creek, AZ 85142
Municipal Services Building, Saguaro Room
February 12, 2014
4 p.m.

1. Call to Order

The meeting was called to order by Chair Oliphant at 4:01 p.m. The following people were in attendance:

Committee Members: Vice Mayor/Chair Dawn Oliphant, Council Member Robin Benning, Council Member Jason Gad

Town Staff: John Kross, Town Manager; Patrick Flynn, Assistant Town Manager/CFO; Samantha McPike, Budget Administrator

2. Items for Discussion and Possible Action

Chair Oliphant welcomed the public to the meeting.

A. Consideration and possible approval of the May 6, May 7 and May 13, 2013 meeting minutes

Council Member Benning moved to approve the minutes of May 6, May 7 and May 13, 2013.

Council Member Gad seconded the motion. Motion carried unanimously on a voice vote.

B. Discussion and possible action on FY12/13 Audit Report; recommendations and Management responses

Before the Committee is the Town's auditor report for fiscal year 2013. The Town has received an unmodified audit opinion which is the highest opinion. The auditor also looks at the Town's operation from an internal control aspect and gives tips to improve. We received 5 findings. One finding was in the financial area. The auditors also made suggestions for IT, HPEC and Development Services. Sandy Cronstrom from CliftonLarsonAllen was present to go through the findings.

Auditor Finding #1 The auditors spend time on site going through financial records and conducting the audit of the Town. The Town has reviewed the audit adjustments. The Town concurs with the auditors finding.

Auditor Finding #2 This finding is a segregation of duties of collection of cash and accounting duties in the Development Services Department. With the introduction of new staff, we have addressed this finding and have a separation of duties.

Auditor Finding #3 This finding is recordkeeping at HPEC (Horseshoe Park & Equestrian Centre). There are events that go on out at HPEC and the auditors did not see backup for revenues collected. The auditors would like to see the number of RV rentals and be able account for them. To address this finding HPEC has started working with event promoters to find out what they need for the event and get one check from the promoter instead of individual checks for stalls. Staff is also looking at new software, Activenet, for HPEC.

Auditor Finding #4 This finding is regarding contract administration. The auditors sampled contracts to make sure we are in compliance. One of the contracts selected was with AZ Cutting Horse Association (AZCHA). AZCHA had asked for sunscreens to be put in place. The sunscreens were installed for the event and it was not recorded in a proper manner. HPEC now has steps to record this in a timely manner.

Auditor Finding #5 This finding is regarding access controls of the Town's computer system. The auditors interviewed IT staff and noted this minor issue. The auditors recommended someone review the computer rights, such as the payroll system, especially when people leave or are hired. IT staff is creating an end user right form for sign off and place the form in the personal file.

Council Member Gad moved to accept the auditor's report, associated recommendations, and staff response to these recommendations. Council Member Benning seconded the motion. Motion carried unanimously on a voice vote.

C. Discussion and possible action on funding options for financing growth in the Town

This is a follow up item from Town Council retreat. There was a general discussion on strategy for financing obligations for infrastructure as the Town grows. This discussion is regarding financing options for new parks, streets, fire stations, etc. The information will be provided at this meeting and staff will come back with priorities at the next meeting. These funding options will come back to Council at their first meeting in April.

Nick Dodd, Manager of RBC, reviewed the financing options available to the Town. The summary of financing options include pay-as-you-go, general obligation bonds, revenue bonds, excise tax bonds, improvement district bonds, and state agency options (WIFA). Staff would appreciate the Committee advising if they would like to pursue a certain option or not.

Pay-as-you-go

Pay-as-you-go (PAYG) is ideal because the money is in the bank to do the projects. You can use the money for any project, no restrictions. Development fees are in this category. The Town built most of Desert Mountain Park with cash and it cost over \$7m. HPEC was built and half was paid with development fees. Come August 2014 there is a state mandated reduction in development fees which will not cover past debt service in many cases. The Town has a mortgage on the library, which the development fees will cover 1/3. Public safety development fees have been cut in half.

Council policy is to have a 25% reserve level in the General Fund. The Town had a \$4m surplus from last year. There is the policy issue if we are above the 25% reserve level, does reinvestment in the community make sense? To build the 130 acre East Park, the study has a price tag of \$42.5m to build whole project which calculates to approximately 16-20 years.

Council Member Gad is a huge proponent of pay-as-you-go funding but for large capital projects we cannot do that. For projects that are not \$40-50m, pay-as-you-go is good. He would like to continue with PAYG first because we are not going to taxpayers and putting liability on them. He would like to sit on cash balance for the next 12 months because we do not know how the state mandated reduction in development fees will hit us. We should not draw down the reserve.

Vice Mayor Oliphant does not see supporting the reduction of 25% reserve balance because it affects the Town's ratings. She likes the pay-as-you-go funding option. She does not think the \$15m is sacred and would like to start giving it back to the residents with smaller projects.

Council Member Benning agrees the 25% is sacred but wants some additional safety because of legislature. If we had to take over operations at the library, we would be drawn below the 25%. The developer fees should provide for streets and parks.

General Obligation Bonding

The School Districts go out to voters for general obligation bonds.

General Obligation Bonds are the most commonly used form of debt for jurisdictions except the State. It is the best credit and the interest rate is the lowest. This comes with a built-in form of payment with a tax rate. You have to ask the voters for approval to be taxed to repay the debt. If property tax goes down, then the property tax rate would have to go up to pay for debt. On General Obligation bonds the Town would put together list of bonds for parks, public safety, and streets. Every project could be put to a vote. You would have to tell what the project is and how much you would spend. You could group public safety, parks, and streets together and the residents get a yes or no vote on each question. You have to disclose what the General Obligation bond would cost the resident. The voters are saying yes to debt and a means to pay

it. You give them today's rate. You can backfill with other revenue sources. There are also statutory limits that towns have. General Obligation bonds can do almost any governmental project.

General Obligation Debt Capacity has a 20% limit for lights, parks, and transportation. One can have debt up to 20%. There is another category of "all other" which is 6%. The 20% and 6% should be combined into 26% debt capacity. The Town has \$49m in General Obligation debt today.

The Town of Queen Creek net overlapping General Obligation debt includes State of Arizona, Maricopa County, Pinal County, College Districts, and School Districts. The Town has no outstanding General Obligation bond debt. Debt burden under 10% is manageable. It is a range that is not an overly burden on the residents.

Unique to Arizona is secondary assessed value which is the basis for repaying General Obligation bonds.

Even though development is picking up, we are still behind because of the lower property values. There is an 18 month lag in terms of reporting property values. Earlier this week, assessed values went up to \$240m which is a 25% increase. We had dropped 36% with the recession.

In Mayor Smith's State of the Town was the Apple project. The reason they were successful in attracting the company was the voter approved bonds to get needed infrastructure to entertain this company. The Town has the northern employment tier and there is no infrastructure. Is this part of the equation? Vice Mayor Oliphant was not sure if the community would support this type of project. Town Manager Kross said the voting of projects can be linked to economic times. If the project is specific, the voting outcome is more successful. Council Member Benning is gun shy now because we have some very conservative voters and they not want to pay one dime more. He wants to be careful about how much bond is issued for taxpayers to repay and would want to know what the bonds are for. The decision needs the full Town Council members. If we target something small and reasonable, we can get resident buy in.

There are a series of steps to issue a bond and it would take a couple of years. The year 2016 is a Town Council election year. Some communities have peers of the community on a committee to review what projects to consider sending to voters. If we look at a project like East Park, we have to be careful because there are people living outside Town boundaries using the park and not paying for the park with taxes. Timing may be skeptical because of just coming out of a recession. In 5 years the Town will have more residents which may lower the payment.

Assistant Town Manager/CFO Flynn said we are hearing from the Committee receptivity with caution.

Utility Revenue Bonds

WIFA is accommodating in loan programs. This is backed by utility revenues. These bonds could be used for all utility projects. Utility Revenue Bonds do require voter authorization.

Street and Highway Revenue Bonds

If the Town found another means to pay for annual pavement management costs, we could use these bonds. Requires voter authorization to use this bond capacity, if available.

Excise Tax Revenue Bond

Excise Tax Revenue bonds do not require voter approval. They only require approval by Town Council. You need 4 times debt service coverage before you can do one of these bonds. We did issue \$27m of excise tax bonds and it helped pay for many projects.

The Town has \$32m of excise tax bond capacity. We would have to identify a means of repayment.

Vice Mayor Oliphant said to bring back if there are new revenue sources.

Improvement District Bonds

The Town used Improvement District Bonds to build Ellsworth Loop Road. This is an excellent tool for infrastructure, especially on "bigger" projects.

Improvement District Bonds would not work to help SR24 as a joint municipality project because you have to assess the land and SR24 will be state land. There are tools to do that but the improvement district is not one.

Council Member Benning said it is hard to get developers on board with the industrial development because they all want to build homes.

If there is a way to make the northern industrial development work, then the Committee would like staff to bring this financing option back.

Community Facilities District

Developers love this financing option because infrastructure costs are shifted to the property tax bill. This is usually on new subdivisions and would be done while the developer develops the land.

Council Member Benning has heartburn with this funding option because there is a sense that what gets built with that money belongs to those tax payers. Also, when we have increase taxation on one group, their willingness from another entity is diminished.

The Committee felt this funding option does not feel right for Queen Creek.

D. Discussion and possible action on the Local Home Rule Expenditure Limit including the election timetable

This year is Home Rule election. The expenditure limit is based on whatever was spent in 1979/80 and could only go up based on population and inflation growth. Under the State expenditure limit, we would only have \$48 million. For FY14/15 we anticipate a \$90 million budget. We need to go out starting in March for the August election. If it should fail, we would have to live on \$48m for the next 2 years which would require a almost 50% reduction in Town budgets. Even if you had revenues coming in, you could not spend it. The Town of Queen Creek did not exist at the time the expenditure limit was set. Home Rule gets back to local control.

Council Member Benning moved to approve staff's recommendation moving forward with the Local Home Rule (Alternative Expenditure) limitation option and the timetable for the required Town election. Council Member Gad seconded the motion. Motion carried unanimously on a voice vote.

E. Building Fees

The Town was looking to raise building fees by 10%. After our review and seeing how the Town compares well with other cities, we are not going to recommend an increase. We will look at building fees again next fiscal year.

Council Member Gad gave praise to staff for looking at other cities and not going forward with increased fees.

F. Review of FY14/15 Budget Calendar

The next Budget Committee meeting is scheduled for March 12. Staff will go over the 5-year plan and 6 month financials at the next meeting.

3. Announcements

None

4. Adjournment

The meeting adjourned at 6:06 p.m.

TOWN OF QUEEN CREEK

Council Member Oliphant, Chair

Prepared by:

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 February 12, 2014 Budget Committee Meeting. I further certify that the meeting was duly called and that a quorum was present.

Marsha Hunt
Sr. Administrative Assistant

Passed and approved on: _____

Requesting Department:
Town Manager



TO: TOWN COUNCIL BUDGET COMMITTEE

FROM: PATRICK FLYNN, ASSISTANT TOWN MANAGER/CFO

THROUGH: JOHN KROSS, TOWN MANAGER

**RE: FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDING
DECEMBER 31, 2013**

DATE: MARCH 12, 2014

Attached are the Town's financial statements for the 6 months ending December 31, 2013. Highlights include:

- General fund revenues stood at approximately \$13.2 million whereas expenditures amounted to \$8.3 million for the six month period. For the same period from a year ago, general fund revenues amounted to \$11.9 million whereas expenditures totaled almost \$8.8 million. Building and construction sales tax revenue is the primary reason for this increase in revenue.
- Total local sales tax revenue for the six months amounted to \$9.4 million versus \$6.5 million from the same period of a year ago. Again, construction sales tax revenue is primarily driving the difference in sales tax revenue.
- Issuance of single family building permits are mostly on par from a year ago - 335 single family permits for the 6 months ending December 31, 2013 versus 339 permits from a year ago. The Town generates from \$20,000 to \$25,000 for each permit issued from construction sales tax, building and development fee revenue.
- Property tax revenue is down slightly year over year (3.6% decrease) due to further declines in the Town's overall assessed valuation. Fortunately, this should be the final year of declining assessed values. We recently received from the County Assessor the latest assessed value for the Town (approximately \$222 million, up over 21% from a year ago. This will translate in greater property tax revenue (about \$4.4 million) but still well below our peak property tax revenue of \$5.7 million achieved in FY10).

These are just a few of the points regarding our 2nd quarter financials. If you have any questions, feel free to call me.



Town of Queen Creek
 Statement of Revenues and Expenditures
 FY14 Budget vs Actual
 For the 6 months ending December 31, 2013

	FY 13 Actual (3)	FY 14 Revised Budget	FY 14 YTD Actual As of 12/31/2013	FY 14 % of Budget	FY 13 YTD Actual 12/31/2012	% change FY 14 to FY 13
General Fund						
Revenues						
Town Sales Tax	\$ 11,411,916	\$ 10,160,000	\$ 6,706,372	66.0%	\$ 5,115,169	31.1%
Sales Tax Recovery	121,395	60,000	59,776	99.6%	41,004	45.8%
Business Licenses	73,235	70,000	39,840	56.9%	33,405	19.3%
Building Revenue	3,690,006	2,505,600	2,091,299	83.5%	1,568,625	33.3%
Liquor License Revenue	3,000	3,000	0	0.0%	1,500	-100.0%
State Sales Tax	2,144,767	2,278,000	1,083,742	47.6%	1,024,070	5.8%
Urban Revenue Sharing	2,692,719	2,941,000	1,470,485	50.0%	1,346,360	9.2%
Motor Vehicle Tax	875,104	879,000	429,291	48.8%	392,650	9.3%
Town Facility Rentals	165,919	147,000	101,256	68.9%	90,582	11.8%
Telecommunications Revenue	122,485	99,000	51,994	52.5%	49,079	5.9%
Recreation User Fees	225,426	173,600	103,592	59.7%	111,960	-7.5%
Investment Income	359,012	225,000	232,759	100+%	68,843	100+%
Gas Franchise Revenue	64,408	67,000	21,096	31.5%	20,450	3.2%
Cable Licensing Fee	145,358	152,000	82,754	54.4%	72,603	14.0%
Departmental Support Revenue	1,539,468	1,380,967	684,063	49.5%	787,866	-13.2%
Other Revenue	509,889	100,000	13,936	13.9%	324,589	-95.7%
Fund Balance Applied (2)		669,612	0	0.0%	-	0.0%
SubTotal General Fund Revenue	\$ 24,144,108	\$ 21,910,779	\$ 13,172,255	60.1%	\$ 11,048,755	19.2%
Revenues - Transfers In from Other Funds:						
Transfer In from Water Enterprise Fund	\$ 1,178,530	\$ 0	\$ 0	100.0%	\$ 707,118	-100.0%
Transfer In from Town Center Fund	304,248	0	0	100.0%	152,124	-100.0%
Total General Fund Revenue	25,626,886	21,910,779	13,172,255	60.1%	11,907,997	10.6%
General Fund Expenditures (1)						
Town Council/Town Manager/Town Clerk	\$ 969,182	\$ 1,236,163	\$ 533,850	43.2%	\$ 470,012	13.6%
Legal Services	230,694	353,850	80,293	22.7%	85,501	-6.1%
Management Services	1,233,590	1,345,753	523,881	38.9%	607,202	-13.7%
Workforce & Technology	1,562,465	2,308,751	753,084	32.6%	652,154	15.5%
Development Services	5,323,852	7,262,402	3,177,454	43.8%	2,190,026	45.1%
Economic Development	944,599	1,114,689	470,705	42.2%	458,863	2.6%
Utilities	768,676	784,400	351,597	44.8%	310,046	13.4%
Non-Departmental - operating	2,599,392	3,606,653	485,250	13.5%	313,743	54.7%
SubTotal General Fund Expenditures (1)	\$ 13,632,451	\$ 18,012,660	\$ 6,376,113	35.4%	\$ 5,087,548	25.3%
Non-Departmental - Transfers to Other Funds:						
Transfer to Emergency Services Fund	\$ 2,180,974	\$ 2,315,785	\$ 1,157,892	50.0%	\$ 1,090,487	6.2%
Transfer to Parks Development Fee Fund	656,088	0	0	100.0%	328,044	-100.0%
Transfer to Public Safety Development Fee Fund	263,376	0	0	100.0%	131,688	-100.0%
Transfer to Fire Development Fee Fund	230,232	0	0	100.0%	115,116	-100.0%
Transfer to Horseshoe Park Equestrian Centre	431,544	689,305	344,652	50.0%	252,666	36.4%
Transfer to Town Buildings & Vehicles Dev Fee Fund	505,332	0	0	100.0%	252,666	-100.0%
Transfer to Library Development Fee Fund	841,620	393,029	196,512	50.0%	420,810	-53.3%
Transfer to Drainage & Transportation Fund	1,641,984	0	0	100.0%	820,992	-100.0%
Transfer to Sewer/Waste Water Fund	500,004	500,000	250,002	50.0%	250,002	0.0%
Total General Fund Expenditures	\$ 20,883,605	\$ 21,910,779	\$ 8,325,171	38.0%	\$ 8,750,019	-4.9%



Town of Queen Creek
Statement of Revenues and Expenditures
FY14 Budget vs Actual
For the 6 months ending December 31, 2013

	FY 13 Actual (3)	FY 14 Revised Budget	FY 14 YTD Actual As of 12/31/2013	FY 14 % of Budget	FY 13 YTD Actual 12/31/2012	% change FY 14 to FY 13
Sewer Utility and WasteWater						
Revenues						
Sewer User Fees	\$ 3,490,963	\$ 3,919,851	\$ 1,991,403	50.8%	\$ 1,716,063	16.0%
Development Fees	3,415,054	2,328,224	1,836,802	78.9%	1,768,400	3.9%
Transfers In from Other Funds	2,842,056	750,000	375,000	50.0%	1,421,028	-73.6%
Interest Income	15,135	0	95	100+	6,765	-98.6%
Fund Balance Applied (2)		69,865	0	0.0%	0	0.0%
Total Revenue	\$ 9,763,208	\$ 7,067,940	\$ 4,203,300	59.5%	\$ 4,912,256	-14.4%
Total Expenditures (1)	\$ 5,826,756	\$ 7,067,940	\$ 3,186,593	45.1%	\$ 2,837,577	12.3%
Solid Waste Enterprise Fund						
Revenues						
Recycling Revenue	\$ 47,834	\$ 20,000	\$ 7,886	39.4%	\$ 26,363	-70.1%
User Fees	1,471,989	1,704,087	829,117	48.7%	701,070	18.3%
Cart Fees	81,900	67,500	51,000	75.6%	50,250	1.5%
Total Revenue	\$ 1,601,724	\$ 1,791,587	\$ 888,003	49.6%	\$ 777,682	14.2%
Total Expenditures (1)	\$ 1,412,789	\$ 1,791,587	\$ 691,527	38.6%	\$ 545,535	26.8%
Water Enterprise Fund						
Revenues						
Water Sales	\$ 9,170,316	\$ 12,222,867	\$ 6,129,198	50.1%	\$ 5,414,209	13.2%
Other Revenue	1,578,287	1,008,691	1,179,027	100+	114,611	100+
Loan Proceeds - H2O Acquisition and Operations		44,118,505	0	0.0%	0	0.0%
Fund Balance Applied (2)		159,541	0	0.0%	0	0.0%
Total Revenue	\$ 10,748,603	\$ 57,509,604	\$ 7,308,225	12.7%	\$ 5,528,820	32.2%
Total Expenditures (1)	\$ 9,859,700	\$ 57,509,604	\$ 5,765,378	10.0%	\$ 5,814,690	-0.8%
Drainage and Transportation Fund						
Revenues						
Government Agency Reimbursements	\$ 0	\$ 2,112,500	\$ 2,268,675	100+	\$ 0	100+
Developer Contributions & Reimbursements	3,398,303	0	132,086	100+	2,658,980	-95.0%
Construction Sales Tax 2%	1,738,540	1,317,000	1,665,776	100+	595,815	100+
Transfers In from Other Funds	1,796,436	553,665	276,834	50.0%	898,218	-69.2%
Interest Income	28,241	0	0	100.0%	28,241	-100.0%
Fund Balance Applied (2)		4,999,262	0	0.0%	0	0.0%
Total Revenue	\$ 6,961,521	\$ 8,982,427	\$ 4,343,371	48.4%	\$ 4,181,254	3.9%
Total Expenditures (1)	\$ 3,896,029	\$ 8,982,427	\$ 2,014,588	22.4%	\$ 1,889,333	6.6%
Highway User Revenue Fund						
Revenues						
HURF Revenues	\$ 1,438,837	\$ 1,487,000	\$ 697,083	46.9%	\$ 676,505	3.0%
Pinal County Taxes	15,895	15,000	8,401	56.0%	13,143	-36.1%
Loan Proceeds	130,542	0	0	100.0%	130,542	-100.0%
Interest Income	5,480	0	0	100.0%	0	0.0%
Fund Balance Applied (2)		61,089	0	0.0%	0	0.0%
Total Revenue	\$ 1,590,753	\$ 1,563,089	\$ 705,484	45.1%	\$ 820,190	-14.0%
Total Expenditures (1)	\$ 1,120,001	\$ 1,563,089	\$ 240,130	15.4%	\$ 99,004	100+



Town of Queen Creek
Statement of Revenues and Expenditures
FY14 Budget vs Actual
For the 6 months ending December 31, 2013

	FY 13 Actual (3)	FY 14 Revised Budget	FY 14 YTD Actual As of 12/31/2013	FY 14 % of Budget	FY 13 YTD Actual 12/31/2012	% change FY 14 to FY 13
Local Transportation Assistance Fund						
Revenues						
Fund Balance Applied (2)	\$ 0	\$ 143,140	\$ 0	0.0%	\$ 0	0.0%
Interest Income	1,899	0	0	100.0%	0	0.0%
Total Revenue	\$ 1,899	\$ 143,140	\$ 0	0.0%	\$ 0	0.0%
Total Expenditures (1)	\$ 0	\$ 143,140	\$ 2,927	2.0%	\$ 0	100+%
Municipal Town Center Fund						
Revenues						
Sales Tax Revenue	\$ 430,284	\$ 435,117	\$ 211,902	48.7%	\$ 192,066	10.3%
Town Facility Rental	20,900	15,000	19,910	100+%	3,500	100+%
Other Revenue	8,818	6,500	5,600	86.2%	3,422	63.6%
Total Revenue	\$ 460,002	\$ 456,617	\$ 237,412	52.0%	\$ 198,988	19.3%
Total Expenditures (1)	\$ 405,362	\$ 456,617	\$ 28,481	6.2%	\$ 229,769	-87.6%
Street Lighting Improvement Districts (SLIDs)						
Revenues						
Assessment Tax	\$ 332,783	\$ 400,000	\$ 199,442	49.9%	\$ 170,996	16.6%
Other Revenue	0	24,000	0	0.0%	0	0.0%
Total Revenue	\$ 332,783	\$ 424,000	\$ 199,442	47.0%	\$ 170,996	16.6%
Total Expenditures (1)	\$ 395,272	\$ 424,000	\$ 162,389	38.3%	\$ 145,645	11.5%
Parks, Open Space Development Fund						
Revenues						
Development Fees	\$ 2,471,997	\$ 1,946,250	\$ 1,410,860	72.5%	\$ 1,350,880	4.4%
Transfers In from Other Funds	656,088	0	0	100.0%	328,044	-100.0%
Interest Income	9,921	0	0	100.0%	0	0.0%
Total Revenue	\$ 3,138,006	\$ 1,946,250	\$ 1,410,860	72.5%	\$ 1,678,924	-16.0%
Total Expenditures (1)	\$ 1,195,536	\$ 1,946,250	\$ 945,454	48.6%	\$ 855,611	10.5%
Town Buildings & Vehicles Development Fund						
Revenues						
Development Fees	\$ 856,798	\$ 817,815	\$ 418,397	51.2%	\$ 481,567	-13.1%
Transfers In from Other Funds	505,332	0	0	100.0%	252,666	-100.0%
Total Revenue	\$ 1,362,130	\$ 817,815	\$ 418,397	51.2%	\$ 734,233	-43.0%
Total Expenditures (1)	\$ 737,198	\$ 817,815	\$ 642,338	78.5%	\$ 644,156	-0.3%
Transportation Development Fund						
Revenues						
Development Fees	\$ 562,990	\$ 553,665	\$ 236,919	42.8%	\$ 367,893	-35.6%
Total Revenue	\$ 562,990	\$ 553,665	\$ 236,919	42.8%	\$ 367,893	-35.6%
Total Expenditures (1)	\$ 154,452	\$ 553,665	\$ 276,834	50.0%	\$ 77,226	100+%



Town of Queen Creek
Statement of Revenues and Expenditures
FY14 Budget vs Actual
For the 6 months ending December 31, 2013

	FY 13 Actual (3)	FY 14 Revised Budget	FY 14 YTD Actual As of 12/31/2013	FY 14 % of Budget	FY 13 YTD Actual 12/31/2012	% change FY 14 to FY 13
Library Development Fund						
Revenues						
Development Fees	\$ 885,044	\$ 616,500	\$ 465,800	75.6%	\$ 463,060	0.6%
Transfers In from Other Funds	841,620	393,029	196,512	50.0%	420,810	-53.3%
Interest Income	3,285	0	0	100.0%	0	0.0%
Total Revenue	\$ 1,729,949	\$ 1,009,529	\$ 662,312	65.6%	\$ 883,870	-25.1%
Total Expenditures (1)	\$ 1,012,881	\$ 1,009,529	\$ 975,173	96.6%	\$ 977,525	-0.2%
Public Safety Development Fund						
Revenues						
Development Fees	\$ 463,124	\$ 332,625	\$ 244,294	73.4%	\$ 246,946	-1.1%
Interest Income	942	0	0	100.0%	0	0.0%
Transfers In from Other Funds	263,376	0	0	100.0%	131,688	-100.0%
Total Revenue	\$ 727,442	\$ 332,625	\$ 244,294	73.4%	\$ 378,634	-35.5%
Total Expenditures (1)	\$ 349,913	\$ 332,625	\$ 166,314	50.0%	\$ 174,956	-4.9%
Emergency Services Fund						
Revenues						
Town Sales Tax	\$ 1,406,801	\$ 1,207,000	\$ 830,603	68.8%	\$ 630,659	31.7%
Property Tax Revenues	3,886,608	3,628,882	1,955,283	53.9%	2,027,637	-3.6%
QC County Island Fire District	0	912,000	456,334	50.0%	0	100+%
Fire Revenues	37,608	45,000	21,600	48.0%	16,358	32.0%
Other Revenue	41,889	30,000	7,536	25.1%	26,885	-72.0%
Loan Proceeds	0	518,696	0	0.0%	0	0.0%
Transfers In from Other Funds	2,180,974	2,648,410	1,324,206	50.0%	1,090,487	21.4%
Fund Balance Applied (2)	0	42,656	0	0.0%	0	0.0%
Total Revenue	\$ 7,553,880	\$ 9,032,644	\$ 4,595,562	50.9%	\$ 3,792,026	21.2%
Total Expenditures (1)	\$ 6,848,329	\$ 9,032,644	\$ 3,751,337	41.5%	\$ 3,294,918	13.9%
Fire Development Fund						
Revenues						
Development Impact fees	\$ 492,742	\$ 388,395	\$ 242,720	62.5%	\$ 277,749	-12.6%
Transfer In from Other Funds	230,232	95,300	47,652	50.0%	115,116	-58.6%
Total Revenue	\$ 722,974	\$ 483,695	\$ 290,372	60.0%	\$ 392,865	-26.1%
Total Expenditures (1)	\$ 348,750	\$ 483,695	\$ 13,062	2.7%	\$ 15,470	-15.6%
Community Events Fund						
Revenues						
Contributions/Donations	\$ 15,509	\$ 25,000	\$ 15,406	61.6%	\$ 8,309	85.4%
Fund Balance Applied	0	10,000	0	0.0%	0	0.0%
Total Revenue	\$ 15,509	\$ 35,000	\$ 15,406	44.0%	\$ 8,309	85.4%
Total Expenditures (1)	\$ 17,114	\$ 35,000	\$ 18,547	53.0%	\$ 8,007	100+%
Horseshoe Park Equestrian Centre						
Revenues						
Horseshoe Park Revenue	\$ 471,642	\$ 525,000	\$ 137,068	26.1%	\$ 148,772	-7.9%
Transfer In from Other Funds	431,544	689,305	344,652	50.0%	215,772	59.7%
Total Revenue	\$ 903,186	\$ 1,214,305	\$ 481,720	39.7%	\$ 364,544	32.1%
Total Expenditures (1)	\$ 968,899	\$ 1,214,305	\$ 457,493	37.7%	\$ 425,227	7.6%



Town of Queen Creek
 Statement of Revenues and Expenditures
 FY14 Budget vs Actual
 For the 6 months ending December 31, 2013

	FY 13 Actual (3)	FY 14 Revised Budget	FY 14 YTD Actual As of 12/31/2013	FY 14 % of Budget	FY 13 YTD Actual 12/31/2012	% change FY 14 to FY 13
Special Assessment Improvement						
Revenues						
Transfer In - TOQC assessment	\$ 2,076,012	\$ 2,077,260	\$ 1,038,630	50.0%	\$ 1,038,006	0.1%
Other property assessments	1,801,837	1,840,990	1,248,023	67.8%	1,205,898	3.5%
Total Revenue	\$ 3,877,849	\$ 3,918,250	\$ 2,286,653	58.4%	\$ 2,243,904	1.9%
Total Expenditures (1)	\$ 3,917,225	\$ 3,918,250	\$ 3,918,250	100.0%	\$ 3,917,000	0.0%

Notes:

(1) Actual amounts contained in this report reflect for the most part cash basis accounting - cash receipts and cash expenditures. Expenditures do not include encumbrances or requisitions.

(2) Fund Balance Applied reflect monies that were received in prior years and are being used now to balance or fund these program budgets. In any year revenue that exceeds expenditures flow to fund balance reserves in the respective fund and vice versa. In funds in which expenditures exceed revenues, fund balance reserves are being drawn down. Some of this condition is due to capital projects in which monies were received in prior years and are now being spent.

(3) FY13 Actuals are based on period 12 (June) financials for budget purposes. The Town's CAFR based on audit results reports the Town's final financial results for FY12-13.

Requesting Department:

Town Manager's Office



TO: TOWN COUNCIL BUDGET COMMITTEE

FROM: SAMANTHA MCPIKE, BUDGET ADMINISTRATOR

THROUGH: PATRICK FLYNN, ASSISTANT TOWN MANAGER/CFO

RE: REVIEW OF THE TOWN'S PRELIMINARY FINANCIAL FORECAST FOR THE 5 YEARS BEGINNING JULY 1, 2014

DATE: MARCH 12, 2014

Discussion:

Staff would like to review with Budget Committee the preliminary financial forecast for the 5 years beginning July 1, 2014. Although the Town annually produces a 5 year forecast only the first year of the forecast is ever considered and eventually adopted by the Council as part of the budget process. That being said staff will continue to revise the 5 year forecast annually to ensure revenue and expenditure trends, policy changes and regulations to Federal and State law are captured.

A financial forecast is only as good as its assumptions. The assumptions utilized in formulating this financial forecast have been included in this packet and will be reviewed with the committee to ensure we are in agreement. Included in our forecast are development fees which per legislation will be updated to comply with new state law August 1, 2014. Fee amounts and offsets to fees are part of the assumptions. The Town assumption for new housing starts in fiscal year 2014-15 is 550. We have forecasted 550 housing starts annually for the remaining 4-years of the financial plan.

After all has been said and done we are projecting a collective surplus for next fiscal year budget.

Included as attachments to this memo are; a financial summary, detail fund information on revenue and expenditures and assumptions which were used throughout the forecast.

**Proposed FY 14/15 Budget
Financial Summary**

Fund Type	Fund	Revenues	Expenditures	CIP Funding & Reserves	Surplus/Deficit
Operating Funds	Includes approved compensation and classification.				
	General Fund	\$ 26,950,000	\$ 19,543,000		\$ 7,407,000
	Emergency Services	\$ 7,276,000	\$ 9,009,000		\$ (1,733,000)
	Water Enterprise	\$ 19,649,000	\$ 15,814,000	\$ 3,835,000	\$ -
	Sewer & Waste Water Funds	\$ 7,939,000	\$ 5,962,000	\$ 1,977,000	\$ -
	Solid Waste	\$ 1,996,000	\$ 1,996,000	\$ -	\$ -
	Total	\$ 63,810,000	\$ 52,324,000	\$ 5,812,000	\$ 5,674,000
Special Revenue Funds					
	Town Center Fund	\$ 543,000	\$ 51,000		\$ 492,000
	Drainage & Transportation	\$ 10,274,000 *	\$ 9,498,000	\$ 776,000	\$ -
	Parks, Trails & Open Space Development	\$ 1,893,000	\$ 1,151,000	\$ 742,000	\$ -
	Town Buildings & Vehicles Development	\$ 258,000	\$ 687,000		\$ (429,000)
	Library Development	\$ 342,000	\$ 1,009,000		\$ (667,000)
	Transportation Development	\$ 642,000	\$ 642,000		\$ -
	Fire Development	\$ 241,000	\$ 173,000	\$ 68,000	\$ -
	Public Safety Development	\$ 98,000	\$ 235,000		\$ (137,000)
	Highway User Revenue Fund	\$ 1,550,000	\$ 3,121,000		\$ (1,571,000)
	Total	\$ 15,841,000	\$ 16,567,000	\$ 1,586,000	\$ (2,312,000)
Other Funds					
	Street Lightings Districts	\$ 518,000	\$ 518,000		\$ -
	Special Assessments	\$ 3,921,000	\$ 3,921,000		\$ -
	Community Events	\$ 35,000	\$ 35,000		\$ -
	Total	\$ 4,474,000	\$ 4,474,000	\$ -	\$ -
	Sub Total	\$ 84,124,000	\$ 73,366,000	\$ 7,398,000	\$ 3,361,000
	Minus Inner-Fund Transfers	\$ 3,704,403	\$ 3,704,403		
	Grand Total	\$ 80,420,598	\$ 69,660,597	\$ 7,398,000	\$ 3,361,000

* Includes fund balance for projects approved Janaury 2013 (\$10 million).

Town of Queen Creek
Five Year Long Range Financial Projection
FY 2015 - 2019

	FY15	FY16	FY17	FY18	FY19
	Projected	Projected	Projected	Projected	Projected
NSF	550	550	550	550	550
GENERAL FUND (REVENUE)					
DEPARTMENTAL SUPPORT REVENUE	1,451,000	1,494,000	1,539,000	1,585,000	1,633,000
CITY SALES TAX	13,570,000	14,035,000	14,701,000	15,147,000	15,773,000
SALES TAX RECOVERY	160,000	120,000	100,000	100,000	100,000
BUSINESS LICENSES	80,000	84,000	87,000	89,000	92,000
BUILDING REVENUES	3,046,000	3,138,000	3,232,000	3,329,000	3,428,000
LIQUOR LICENSE	2,000	3,000	3,000	3,000	3,000
STATE SALES TAX	2,441,000	2,573,000	2,714,000	2,850,000	2,992,000
INCOME TAX - URBAN REVENUE SHR	3,141,000	3,257,000	3,379,000	3,548,000	3,725,000
MOTOR VEHICLE TAX	924,000	956,000	988,000	1,022,000	1,057,000
TOWN FACILITY RENTALS	200,000	206,000	212,000	219,000	225,000
CELL TOWER RENTALS	125,000	128,000	132,000	135,000	139,000
RECREATION USER FEES	223,000	230,000	237,000	244,000	251,000
HORSESHOE PARK REVENUE	536,000	547,000	558,000	569,000	569,000
INTEREST INCOME	252,000	230,000	180,000	150,000	130,000
GAS FRANCHISE REV	68,000	70,000	72,000	74,000	75,000
CABLE LICENSING FEE	156,000	158,000	161,000	164,000	166,000
MISCELLANEOUS REVENUE	75,000	75,000	75,000	75,000	75,000
FUND BALANCE	500,000	0	0	0	0
General Fund Revenue	26,950,000	27,302,000	28,369,000	29,301,000	30,433,000
GENERAL FUND (EXPENDITURES)					
TOWN COUNCIL	215,000	219,000	223,000	227,000	232,000
TOWN MANAGER	859,000	890,000	923,000	956,000	991,000
TOWN CLERK	257,000	243,000	268,000	260,000	269,000
MANAGEMENT SERVICES	1,339,000	1,387,000	1,437,000	1,489,000	1,544,000
DEVELOPMENT SERVICES	7,529,000	7,623,000	7,878,000	8,241,000	8,621,000
WORKFORCE & TECHNOLOGY	1,831,000	1,891,000	1,953,000	2,017,000	2,084,000
ECONOMIC DEVELOPMENT*	1,529,000	1,581,000	1,635,000	1,691,000	1,749,000
HORSESHOE PARK	1,339,000	1,381,000	1,425,000	1,470,000	1,516,000
UTILITIES	881,000	934,000	990,000	1,020,000	1,050,000
LEGAL	350,000	361,000	371,000	382,000	394,000
NON DEPARTMENTAL OPERATING	3,027,000	3,167,000	3,324,000	3,441,000	3,593,000
General Fund Operating Expenditures	18,543,000	19,044,000	19,775,000	20,524,000	21,351,000
CONTINGENCY	500,000	500,000	500,000	500,000	500,000
TRANSFER TO WASTE WATER - DEBT SERVICE	500,000	0	0	0	0
Variance	7,407,000	7,758,000	8,094,000	8,277,000	8,582,000

* Includes HPEC expenditures

Town of Queen Creek
Five Year Long Range Financial Projection
FY 2015 - 2019

	FY15	FY16	FY17	FY18	FY19
	Projected	Projected	Projected	Projected	Projected
NSF	550	550	550	550	550
SEWER UTILITY ENTERPRISE / WASTE WATER					
SEWER USER FEES	4,394,000	4,925,000	5,520,000	6,127,000	6,801,000
WASTE WATER CAPACITY FEE	2,795,000	2,795,000	2,795,000	2,795,000	2,795,000
TRANSFER IN	750,000	250,000	0	0	0
Sewer / Waste Water Revenue	7,939,000	7,970,000	8,315,000	8,923,000	9,597,000
Sewer / Waste Water Expenditures	5,962,000	6,046,000	6,123,000	6,194,000	6,049,000
CIP	1,977,000	1,924,000	2,193,000	2,728,000	3,547,000
Variance	0	0	0	0	0
SOLID WASTE					
RECYCLING REVENUE	20,000	22,000	24,000	26,000	29,000
CARTS FEES	90,000	90,000	90,000	90,000	90,000
USER FEES	1,886,000	2,010,000	2,138,000	2,272,000	2,408,000
Solid Waste Revenue	1,996,000	2,122,000	2,252,000	2,388,000	2,527,000
Solid Waste Expenditures	1,996,000	2,056,000	2,149,000	2,246,000	2,348,000
Cart Reserve	0	65,000	103,000	142,000	179,000
Variance	0	0	0	0	0
QUEEN CREEK WATER					
ESTABLISHMENT & SERVICE FEES	36,000	39,000	42,000	45,000	48,000
METER SALES	639,000	639,000	639,000	535,000	406,000
WATER SALES	14,819,000	15,470,000	16,130,000	16,780,000	17,430,000
IRRIGATION SALES	225,000	225,000	225,000	225,000	225,000
SEWER SALES	155,000	162,000	168,000	175,000	182,000
SOLID WASTE SALES	32,000	33,000	34,000	36,000	37,000
INTEREST INCOME	19,000	19,000	19,000	19,000	19,000
MISCELLANEOUS REVENUE	20,000	20,000	20,000	20,000	20,000
WATER CAPACITY FEE	3,705,000	3,705,000	3,705,000	3,705,000	3,705,000
Queen Creek Water Revenue	19,649,000	20,314,000	20,978,000	21,540,000	22,075,000
Queen Creek Water Expenditures	15,814,000	16,451,000	16,442,000	16,729,000	16,879,000
CIP Funding & Reserve	3,835,000	3,863,000	4,537,000	4,811,000	5,196,000
Variance	0	0	0	0	0

Town of Queen Creek
Five Year Long Range Financial Projection
FY 2015 - 2019

	FY15	FY16	FY17	FY18	FY19
	Projected	Projected	Projected	Projected	Projected
NSF	550	550	550	550	550
DRAINAGE & TRANSPORTATION					
CONSTRUCTION SALES TAX 2%	3,032,000	2,891,000	2,891,000	2,891,000	2,891,000
INTEREST INCOME	200,000	180,000	150,000	130,000	130,000
TRANSFER IN (TRANSPORTATION DEVELOPMENT FEE)	642,000	642,000	642,000	642,000	642,000
FUND BALANCE	6,401,000	2,850,000	0	0	0
Drainage & Transportation Revenue	10,274,000	6,563,000	3,683,000	3,663,000	3,663,000
Drainage & Transportation Expenditures	9,498,000	5,759,000	2,906,000	3,919,000	2,695,000
CIP Funding & Reserve	776,000	803,000	776,000	0	968,000
Variance	0	0	0	(256,000)	0
STREET PROJECTS-HURF					
PINAL COUNTY TAX COLLECTION	15,000	15,000	16,000	17,000	17,000
HURF FUNDS	1,535,000	1,591,000	1,647,000	1,709,000	1,774,000
Street Projects-HURF Revenue	1,550,000	1,606,000	1,663,000	1,726,000	1,791,000
Street Projects-HURF Expenditures	3,121,000	3,121,000	3,121,000	3,121,000	2,921,000
Variance	(1,571,000)	(1,515,000)	(1,458,000)	(1,395,000)	(1,130,000)
TOWN CENTER					
SALES TAX=.25%	481,000	508,000	539,000	559,000	588,000
TOWN FACILITY RENTALS	52,000	52,000	52,000	52,000	52,000
SIGNAGE REVENUE	7,000	7,000	7,000	7,000	7,000
CONTRIBUTIONS/DONATION	4,000	4,000	4,000	4,000	4,000
Town Center Revenue	543,000	571,000	601,000	621,000	650,000
Town Center Expenditures	51,000	53,000	54,000	56,000	57,000
Variance	492,000	518,000	547,000	566,000	593,000
ST. LIGHTING DISTRICT-SLIDS					
SLID ESTABLISHMENT FEE RECOVER	30,960	35,340	37,380	39,180	41,040
ASSESSMENT TAX	516,000	589,000	623,000	653,000	684,000
St. Lighting District-Slids Revenue	518,000	591,000	624,000	654,000	685,000
St. Lighting District-Slids Expenditures	518,000	591,000	624,000	654,000	685,000
Variance	0	0	0	0	0

Town of Queen Creek
Five Year Long Range Financial Projection
FY 2015 - 2019

		FY15	FY16	FY17	FY18	FY19
		Projected	Projected	Projected	Projected	Projected
	NSF	550	550	550	550	550
PARKS, OPEN SPACE RECREATION						
DEVELOPMENT IMPACT FEES						
		1,893,000	1,893,000	1,893,000	1,893,000	1,893,000
Parks, Open Space Recreation Revenue						
		1,893,000	1,893,000	1,893,000	1,893,000	1,893,000
Parks, Open Space Recreation Expenditures						
		1,151,000	1,151,000	1,151,000	1,152,000	1,147,000
	CIP Reserves	742,000	742,000	742,000	741,000	746,000
	Variance	0	0	0	0	0
TOWN BUILDING & VEHICLES DEVEL						
DEVELOPMENT IMPACT FEES						
		258,000	258,000	258,000	258,000	258,000
Town Building & Vehicles Devel Revenue						
		258,000	258,000	258,000	258,000	258,000
Town Building & Vehicles Devel Expenditures						
		687,000	686,000	684,000	682,000	684,000
	Variance	(429,000)	(428,000)	(426,000)	(424,000)	(426,000)
TRANSPORTATION DEVELOPMENT						
DEVELOPMENT IMPACT FEES						
		642,000	642,000	642,000	642,000	642,000
Transportation Development Revenue						
		642,000	642,000	642,000	642,000	642,000
Transportation Development Expenditures						
		642,000	642,000	642,000	642,000	642,000
	Variance	0	0	0	0	0
LIBRARY DEVELOPMENT						
DEVELOPMENT IMPACT FEES						
		342,000	342,000	342,000	342,000	342,000
Library Development Revenue						
		342,000	342,000	342,000	342,000	342,000
Library Development Expenditures						
		1,009,000	1,010,000	1,009,000	1,006,000	1,008,000
	Variance	(668,000)	(668,000)	(667,000)	(664,000)	(666,000)
PUBLIC SAFETY DEVELOPMENT						
DEVELOPMENT IMPACT FEES						
		98,000	98,000	98,000	98,000	98,000
Public Safety Development Revenue						
		98,000	98,000	98,000	98,000	98,000
Public Safety Development Expenditures						
		235,000	242,000	249,000	256,000	264,000
	Variance	(137,000)	(144,000)	(151,000)	(158,000)	(166,000)

Town of Queen Creek
Five Year Long Range Financial Projection
FY 2015 - 2019

	FY15	FY16	FY17	FY18	FY19
	Projected	Projected	Projected	Projected	Projected
NSF	550	550	550	550	550
EMERGENCY SERVICES					
SALES TAX=.25 %	1,694,000	1,751,000	1,833,000	1,888,000	1,966,000
PROPERTY TAX	4,337,000	4,554,000	4,782,000	5,021,000	5,272,000
FIRE REVENUE	45,000	45,000	45,000	45,000	45,000
QC COUNTY ISLAND FIRE DISTRICT	915,000	915,000	915,000	915,000	915,000
MISCELLANEOUS REVENUE	50,000	50,000	50,000	50,000	50,000
TRANSFER IN FROM PS DEVELOPMENT FEE	235,000	242,000	249,000	256,000	264,000
Emergency Services Revenue	7,276,000	7,557,000	7,874,000	8,176,000	8,512,000
Emergency Services (Fire) Expenditures	4,910,000	4,996,000	5,090,000	5,263,000	5,443,000
Emergency Services (Public Safety) Expenditures	4,099,000	4,223,000	4,350,000	4,482,000	4,617,000
Variance	(1,734,000)	(1,663,000)	(1,567,000)	(1,569,000)	(1,548,000)
FIRE DEVELOPMENT					
FIRE DEVELOPMENT IMPACT FEES	241,000	241,000	241,000	241,000	241,000
Fire Development Revenue	241,000	241,000	241,000	241,000	241,000
Fire Development Expenditures	173,000	173,000	173,000	173,000	0
CIP Reserves	68,000	68,000	68,000	68,000	241,000
Variance	0	0	0	0	0
COMMUNITY EVENTS FUND					
CONTRIBUTIONS/DONATIONS	25,000	25,000	25,000	25,000	25,000
FUND BALANCE	10,000	0	0	0	0
Community Events Fund Revenue	35,000	25,000	25,000	25,000	25,000
Community Events Fund Expenditures	35,000	25,000	25,000	25,000	25,000
Variance	0	0	0	0	0
SPECIAL ASSESSMENT IMPROVEMENT					
PROPERTY ASSESSMENTS	1,843,000	1,842,000	1,842,000	1,842,000	1,842,000
TRANSFER IN	2,078,000	2,077,000	2,077,000	2,077,000	2,077,000
Special Assessment Improvement Revenue	3,921,000	3,919,000	3,919,000	3,919,000	3,920,000
Special Assessment Improvement Expenditures	3,921,000	3,919,000	3,919,000	3,919,000	3,920,000
Variance	0	0	0	0	0
Total Revenues	84,124,000	82,012,000	81,776,000	84,409,000	87,352,000
Total Expenditures	73,366,000	70,689,000	68,986,000	71,543,000	71,236,000
CIP Funding & Reserves	7,398,000	7,466,000	8,418,000	8,490,000	10,878,000
Total Variance	3,361,000	3,858,000	4,371,000	4,375,000	5,238,000

Town of Queen Creek
Long Range Finance Plan Assumptions for
FY 2015 Revenue and Expense Projections

1. Revenues

- a. Town Sales Tax
 - i. Projected FY14 plus 3-4% growth
 - ii. 4-6% growth projection annually after FY15
- b. Construction Sales Tax
 - i. Projected FY14 plus 3-4% growth
 - ii. FY15-FY19 assumes no additional growth
- c. Property Tax – based on assessed value and new growth plus 5% annually
- d. Impact Fees and Capacity Fees*
 - i. FY11: 125
 - ii. FY12: 194
 - iii. FY13: 650
 - iv. FY14: 335 YTD
 - v. FY15 - FY19: 550

*additional NSF added for water capacity fee due to H2O service area
- e. State Shared – JLBC 4 sector projections (projection from League due in March)
- f. Building revenue – regression analysis
- g. Utilities
 - i. Solid Waste – based on newly approved rates and anticipated expenditures
 - ii. Water & Sewer assumption based on 6-year program approved by Council in FY11-12 and H2O operations based on information provided to WIFA to secure financing

2. Expenditures

- a. General Fund
 - i. Sales Tax Rebate – assume 6.5% growth FY15
 - ii. Transfers Out – sewer \$500K year 3 of 3 (based on sewer approved program)
 - iii. Contingency built in at 3% - moving based on total expenditures
 - iv. Not for profit funding included in department base budgets at \$300,000
 - v. Contractual services 3% annually – based on actual contracts as prudent
 - vi. Fees and services, materials, professional development based on actual spending patterns and projected Western CPI
 - vii. Salary & Fringes
 - 1. 8% health
 - 2. ASRS increase from 11.54% to 11.60% both employee and employer
 - 3. Merit system 1-3% based on performance review date
 - 4. Council approved Fox Lawson Compensation and Classification
 - viii. Utilities – adjusted to actual due to increase in Town street lighting in FY15 then 3-5% increase annually
- b. Sewer

- i. Debt service according to schedule
 - ii. Contingency built in at 3% - moving based on total expenditures
 - iii. Department Support based on analysis of cost
 - iv. Same Commodity and Salary & Fringe assumptions as General Fund
- c. Solid Waste
 - i. Department Support based on analysis of cost
 - ii. Same Commodity and Salary & Fringe assumptions as General Fund
- d. Water
 - i. Contingency built in at 3% - moving based on total expenditures
 - ii. Transfer Out – sewer \$250K year 3 of 4 (based on sewer approved program)
 - iii. Department Support based on analysis of cost
 - iv. Same Commodity and Salary & Fringe assumptions as General Fund
 - v. Debt service according to schedule
- e. Drainage & Transportation
 - i. Debt Service
 - ii. Maricopa County Flood Control District repayment FY15-17
 - iii. Street Light Improvement District's from SRP FY18
 - iv. CIP funding and reserves based on previously approved projects
- f. HURF
 - i. Expenditures based upon anticipated needs for pavement maintenance program – approximately \$3.1 million annually
- g. Town Center – continuation of QC Inc
- h. Street Light Improvement District's – assuming new sub-divisions
- i. Development Fee Funds – debt service only in base long range
- j. Fire
 - i. Contingency built in at 3% - moving based on total expenditures
 - ii. Department Support based on analysis of cost
 - iii. Same Commodity and Salary & Fringe assumptions as General Fund
 - iv. PS-ASRS increase from 10.35% to 11.05% employee and from 14.09% to 13.69% employer
- k. HPEC
 - i. All expenditures based on actual spending patterns
 - ii. Same Commodity and Salary & Fringe assumptions as General Fund
 - iii. Department Support based on analysis of cost



TO: TOWN COUNCIL BUDGET COMMITTEE

FROM: PATRICK FLYNN, ASSISTANT TOWN MANAGER/CFO

THROUGH: JOHN KROSS, TOWN MANAGER

**RE: DISCUSSION AND POSSIBLE ACTION ON FINANCING
GROWTH IN THE TOWN – POSSIBLE FINANCING OPTIONS
AND CAPITAL PROGRAMS**

DATE: MARCH 12, 2014

Staff Recommendation

Staff recommends that the Budget Committee move forward with the Pay-As-You-Go option for funding capital projects and include the monies in our upcoming 5 year CIP program.

For the bonding options, staff would recommend deferring this topic to the fall, convene a citizen’s committee to review capital projects needed in the Town, bonding options for funding them, plus the means for paying debt service with recommendations back to the Committee and Council by February 2015.

Relevant Council Goals

KRA 1 (Capital Improvement Program)
KRA 5 (Financial Management Sustainability)

Discussion

At your last Budget Committee meeting (2/12/14), staff provided the Committee an overview of all the different options for financing growth in the Town. Options ranged from pay-as-you-go funding to various types of bond financing. In addition, we briefly discussed the future viability of using development fees for funding future capital projects, given the 8/1/14 reduction in these fees. Future development fees (post 8/1/14) will be used to fund prior debt service costs (projects done previously). In many cases, these fees will not cover prior debt commitments and thus the General fund will need to contribute dollars. You will see this when we provide an overview to the Town’s 5 year financial plan and the impact of the new development fee structure.

Anyway for this meeting, we want to provide the Committee with some specifics using the different financing options outlined in your last meeting. In addition, we

want to show some possible capital programs going forward using this proposed funding.

Included in this staff report is the financing option material from your last meeting (Exhibit B). In addition we have included a “draft” of our 5 year capital program (Exhibit A) being proposed by Town departments for capital needs within the Town. I want to focus on the capital projects included in the program.

For your information, we will continue to seek grants and use other people’s monies (developer) when possible to finance projects. That said, given the state of finances at both the federal and state level, the likelihood of seeing grant monies is low. The same is true with other people’s money. Much of the move today from the business community (builders et al) is to push the costs onto government. Until this changes, much of the funding efforts will be placed on the Town and its residents or it just does not happen.

Possible Financing Options

Option I – Pay-As-You-Go – Reduce the Drainage & Transportation Fund Balance Reserve by \$5m (projected 6/30/14 remaining balance post this reduction (\$3.5m)). Similar to the reduction done in January 2012 of \$10m, reduces the reserve by another \$5m for capital projects.

Option II – Pay-As-You-Go – Reduce the Town Unrestricted General Fund reserve balance by \$10m (projected 6/30/14 remaining balance in this reserve, post this reduction \$10.5m or approximately 40% of general fund revenues). Council policy for this reserve is a minimum of 25% of General Fund revenue.

Option III – General Obligation Bonding – Seek voter approval (possibly in 2016) for \$10 million of general obligation bonding utilizing secondary property tax revenue to pay the debt service.

- Projected Annual Debt Service Cost (4.5% interest rate over a 20 year period) - \$750k/year
- Projected Secondary Property Tax Rate - \$.23/\$100 assessed value (based on \$325 million of Town assessed value in 2016)
- Impact on \$250,000 home - \$57 annually

Option IV – Excise Tax Bonding . Council authorizes \$10 million of bonding for capital projects. Projected annual debt service costs (5% interest over 20 year period) - \$800k annually. Options for paying annual debt service include

- A \$5 surcharge on each water bill/month - \$600k annual revenue
- Equalize the local sales tax rate to 2 ½% townwide – generates \$750-800k annually
- Increase the Town sales tax rate by 1/4% (exclusive of construction) – generates approximately \$1.2m annually (Any difference would help do more pay-as-you-go funding)

Potential Capital Program

A. Pay-As-You-Go (PAYG) funding option - \$15m program

Possible capital projects include

- Police/Fire Station Shared Use Building (\$12m)
- Selected Road Improvements (see list) (\$3m)

B. Pay-As-You-Go funding option (\$15m) plus \$10m of general obligation bonding – total \$25m program

Possible capital projects.

- Police/Fire Station Shared Use Building (\$12m)
- East Park (Phase I) (\$11m)
- Selected Road Improvements (\$2m)

C. Pay-As-You-Go funding option (\$15m) General Obligation Bonding (\$10m)

Plus \$10 million of excise tax bonding – total program \$35m

Possible capital projects.

- Police/Fire Station Shared Use Building (\$12m)
- East Park (Phase I) (\$11m)
- Selected Road Improvements (\$12m)

Utility Capital Cost

For utility capital programs, we anticipate using the new capacity fees currently in this hearing and approval process to finance many of these projects. If capacity fees are insufficient, we either wait for sufficient dollars or seek additional utility financing through programs like the WIFA program to fund the project. Of course any such financing would require us to review water and sewer rates and fees to ensure sufficient dollars are generated to support any new debt including required debt service coverage.

Closing

In closing, we could show many different potential capital programs depending on the amount of financing. The Town has almost \$60 million of General Obligation bonding capacity with the recent 2014 assessed valuation and another \$30 million of excise tax bonding capacity. Because General Obligation bonding has a built-in mechanism to pay debt service costs (secondary property tax revenue) plus is tax deductible if one is itemizing their federal and state deductions, it is always the preferred choice to other financing options given lower interest rates.

We are looking forward to your input on this important matter.

FY 15 – FY 19

Preliminary 5 Year Capital
Improvement Program (CIP)

Draft Only

(For discussion purposes only)

FY2015-2019 CIP Budget - Parks

PARKS & OPEN SPACE RECREATION DEVELOPMENT FUND	FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
REVENUES						
Parks Development Fee	\$1,893,000	\$1,893,000	\$1,893,000	\$1,893,000	\$1,893,000	\$9,465,000
TOTAL REVENUES	\$1,893,000	\$1,893,000	\$1,893,000	\$1,893,000	\$1,893,000	\$9,465,000
EXPENDITURES						
DEBT SERVICE						
2007 Bond	\$983,632	\$983,678	\$978,757	\$979,602	\$980,493	\$4,906,162
GADA loan 2009	\$167,775	\$167,700	\$172,325	\$172,225	\$166,375	\$846,400
TRAIL SYSTEM DEVELOPMENT						
Trail Head: Future trail from DMP to Crismon		\$112,500	\$112,500			\$225,000
Trail: Trail Gap Improvements		\$375,000	\$375,000			\$750,000
Trail: QC Wash Landscaping	\$200,000	\$200,000				\$400,000
PARK DEVELOPMENT						
DMP - Stage	\$50,000	\$100,000				\$150,000
New Park - Phase I	\$3,666,667	\$3,666,667	\$3,666,666			\$11,000,000
Town Center: Public Open Space		\$3,000,000				\$3,000,000
TOTAL EXPENDITURES	\$5,068,074	\$8,605,545	\$5,305,248	\$1,151,827	\$1,146,868	\$21,277,562
Variance	-\$3,175,074	-\$6,712,545	-\$3,412,248	\$741,173	\$746,132	

FY2015-2019 CIP Budget - Town Buildings

TOWN BUILDINGS		FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
REVENUES							
	Town Building Development Fee	\$258,000	\$258,000	\$258,000	\$258,000	\$258,000	\$1,290,000
TOTAL REVENUES		\$258,000	\$258,000	\$258,000	\$258,000	\$258,000	\$1,290,000
EXPENDITURES							
<i>DEBT SERVICE</i>							
	Town Buildings	\$686,612	\$685,826	\$683,661	\$681,712	\$683,865	\$3,421,676
<i>PRC</i>							
	Corporation Yard - Phase I	\$600,000	\$600,000	\$600,000			\$1,800,000
	Town Hall: Council Security & Executive Area Renovations	\$450,000					\$450,000
	Lighting Improvements: Parking Lot Lights N of MSB	\$150,000					\$150,000
	Town Center Parking Deck				\$1,150,000	\$1,150,000	\$2,300,000
TOTAL EXPENDITURES		\$1,886,612	\$1,285,826	\$1,283,661	\$1,831,712	\$1,833,865	\$8,121,676
Variance		-\$1,628,612	-\$1,027,826	-\$1,025,661	-\$1,573,712	-\$1,575,865	

FY2015-2019 CIP Budget - Library

LIBRARY	FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
REVENUES						
Library Development Fee	\$342,000	\$342,000	\$342,000	\$342,000	\$342,000	\$1,710,000
TOTAL REVENUES	\$342,000	\$342,000	\$342,000	\$342,000	\$342,000	\$1,710,000
EXPENDITURES						
DEBT SERVICE						
Library Debt	\$1,009,446	\$1,009,967	\$1,008,677	\$1,006,300	\$1,008,078	\$5,042,468
PRC						
Parking: South Parking Lot	\$200,000					\$200,000
Solar Panels			\$750,000			\$750,000
TOTAL EXPENDITURES	\$1,209,446	\$1,009,967	\$1,758,677	\$1,006,300	\$1,008,078	\$5,992,468
Variance	-\$867,446	-\$667,967	-\$1,416,677	-\$664,300	-\$666,078	

DRAINAGE & TRANSPORTATION	FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
REVENUES						
Construction Sales Tax 2%	\$3,032,000	\$2,891,000	\$2,891,000	\$2,891,000	\$2,891,000	\$14,596,000
Govt. agency reimbursements						\$0
Interest Income	\$200,000	\$180,000	\$150,000	\$130,000	\$130,000	\$790,000
Transfer In from Transportation Development Fund	\$641,745	\$641,745	\$641,745	\$641,745	\$641,745	\$3,208,725
Fund Balance	\$6,400,613	\$2,849,998	\$0	\$0	\$0	\$9,250,611
TOTAL REVENUES	\$10,274,358	\$6,562,743	\$3,682,745	\$3,662,745	\$3,662,745	\$27,845,336
EXPENDITURES						
DEBT SERVICE						
Improvement District Debt Service Transfer	\$2,077,998	\$2,077,203	\$2,076,938	\$2,077,070	\$2,077,468	\$10,386,677
2007 Bond	\$643,144	\$643,174	\$639,957	\$640,509	\$641,091	\$3,207,875
CONSTRUCTION SERVICES						
Rittenhouse West of Vestar	\$3,342,126					\$3,342,126
Ocotillo UPRR Crossing	\$1,385,000					\$1,385,000
Ellsworth Road: Ocotillo to Rittenhouse	\$1,673,487	\$2,849,998				\$4,523,485
Ocotillo Road: Power to Recker	\$1,500,000					\$1,500,000
Ocotillo Road: Crismon to 218th Place	\$833,334	\$833,333	\$833,333			\$2,500,000
Ocotillo Road: Hawes to Sossaman	\$2,066,667	\$2,066,667	\$2,066,666			\$6,200,000
Queen Creek Road: Ellsworth to Crismon	\$4,200,000					\$4,200,000
Sossaman Road: Appleby to Twin Acres	\$462,500	\$462,500				\$925,000
Sossaman Road: South of Rittenhouse	\$1,500,000					\$1,500,000
Intersection: Power/Chandler Heights	\$1,600,000					\$1,600,000
Bell Road	\$450,000					\$450,000
Rittenhouse Road Bridge	\$1,100,000	\$1,100,000				\$2,200,000
Riggs Road: Ellsworth to Rittenhouse	\$2,050,000	\$2,050,000	\$2,050,000	\$2,050,000		\$8,200,000
Hawes Road: Rittenhouse to Victoria	\$1,300,000	\$1,300,000	\$1,300,000	\$1,300,000		\$5,200,000
Drainage: Power Road Channel - Riggs to Chandler Heights			\$1,333,334	\$1,333,333	\$1,333,333	\$4,000,000
Intersection: Ocotillo/Victoria	\$250,000					\$250,000
Town Center: Lighting Retro Fit	\$850,000	\$850,000				\$1,700,000
Entry Monuments	\$175,000					\$175,000
Sidewalk: South of QC Library	\$85,000					\$85,000
QC Olive Mill Relocation	\$1,666,667	\$1,666,667	\$1,666,666			\$5,000,000
Rittenhouse Road: 69kv Pole Relocation	\$300,000					\$300,000
Infrastructure Improvements: NE Town Employment Center		\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$7,000,000
Infrastructure Improvements: Box Canyon		\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000
Ellsworth Road: Ryan to Germann	\$3,500,000					\$3,500,000
Rittenhouse Road: Turn Lanes	\$950,000					\$950,000

DRAINAGE & TRANSPORTATION		FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
	Town Center: Ocotillo Road - Loop to Loop (Right-of-Way Acquisition)	\$2,500,000					\$2,500,000
	Combs Road: UPRR/Rittenhouse	\$175,000					\$175,000
	Intersection: Germann/Rittenhouse/UPRR	\$1,625,000	\$1,625,000	\$1,625,000	\$1,625,000		\$6,500,000
	Bike Lanes	\$600,000	\$600,000				\$1,200,000
MAJOR EQUIPMENT							
	SLID's				\$1,200,000		\$1,200,000
STUDIES							
	Infrastructure Maintenance & Operations	\$170,000					\$170,000
OTHER							
	Maricopa County Flood Control Payment	\$376,708	\$188,354	\$188,354			\$753,416
	Property Acquisition - SE Corner of Ellsworth/Ocotillo	\$1,500,000					\$1,500,000
TOTAL EXPENDITURES		\$40,907,631	\$22,562,896	\$18,030,248	\$14,475,912	\$8,301,892	\$104,278,579
Variance		-\$30,633,273	-\$16,000,153	-\$14,347,503	-\$10,813,167	-\$4,639,147	

FY2015-2019 CIP Budget - Fire

FIRE DEVELOPMENT FUND	FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
REVENUES						
Fire Development Fee	\$241,000	\$241,000	\$241,000	\$241,000	\$241,000	\$1,205,000
Transfer in from General Fund						\$0
Fund Balance						\$0
TOTAL REVENUES	\$241,000	\$241,000	\$241,000	\$241,000	\$241,000	\$1,205,000
EXPENDITURES						
DEBT SERVICE						
Apparatus Lease/Purchase	\$173,318	\$173,318	\$173,318	\$173,318	\$0	\$693,272
VEH						
Battalion Truck	\$85,000					\$85,000
Brush Truck		\$60,000				\$60,000
Pumper (Type 1)				\$618,700		\$618,700
EQU						
Heart Monitors (3)	\$83,103[1]					\$83,103
DES SER						
Fire Station #411	\$667,960[2]					\$667,960
Prototype Neighborhood Fire Station	\$252,960[2]					\$252,960
Prototype Neighborhood Fire Station Site Design w/ Owner's Rep			\$479,303			\$479,303
CON						
Fire Station #411		\$4,543,475				\$4,543,475
Prototype Neighborhood Fire Station				\$2,726,086		\$2,726,086
Fire/Police Shared Use Building	\$4,000,000	\$4,000,000	\$4,000,000			\$12,000,000
TOTAL EXPENDITURES	\$5,262,341	\$8,776,793	\$4,652,621	\$3,518,104	\$0	\$22,209,859
Variance	-\$5,021,341	-\$8,535,793	-\$4,411,621	-\$3,277,104	\$241,000	

FY2015-2019 CIP Budget - PS

PUBLIC SAFETY DEVELOPMENT FUND	FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
REVENUES						
Public Safety Development Fee	\$98,000	\$98,000	\$98,000	\$98,000	\$98,000	\$490,000
TOTAL REVENUES	\$98,000	\$98,000	\$98,000	\$98,000	\$98,000	\$490,000
EXPENDITURES						
<i>OTHER</i>						
Transfer Out to EMS for Maricopa County Sheriff contract	\$235,000	\$242,000	\$249,000	\$256,000	\$264,000	\$1,246,000
TOTAL EXPENDITURES	\$235,000	\$242,000	\$249,000	\$256,000	\$264,000	\$1,246,000
Variance	-\$137,000	-\$144,000	-\$151,000	-\$158,000	-\$166,000	

FY2015-2019 CIP Budget - WW

WASTE WATER DEVELOPMENT FUND	FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
REVENUES						
Waste Water Capacity Fee*	\$1,977,000	\$1,924,000	\$2,193,000	\$2,728,000	\$2,795,000	\$11,617,000
TOTAL REVENUES	\$1,977,000	\$1,924,000	\$2,193,000	\$2,728,000	\$2,795,000	\$11,617,000
EXPENDITURES						
CONSTRUCTION SERVICES						
Power Rd Lift Station - Ocotillo	\$800,423					\$800,423
Rittenhouse Rd 24" Sewer Extension to Ryan Alignment	\$700,000					\$700,000
Ocotillo Rd: 188th to Power					\$500,000	\$500,000
GWRP Plant Expansion	\$806,342	\$1,046,158	\$9,026,250	\$9,026,250		\$19,905,000
Cloud Rd: Ellsworth to 220th St		\$680,000				\$680,000
Cloud Rd: Signal Butte to 220th		\$750,000				\$750,000
Signal Butte: Riggs to Cloud			\$500,000			\$500,000
Ryan Rd: Ellsworth to Crismon				\$2,000,000		\$2,000,000
TOTAL EXPENDITURES	\$2,306,765	\$2,476,158	\$9,526,250	\$11,026,250	\$500,000	\$25,835,423
Variance	-\$329,765	-\$552,158	-\$7,333,250	-\$8,298,250	\$2,295,000	
* Only capacity fee revenue available for CIP. Total forecasted FY14-15 waste water capacity fee is \$2,795,000, approximately \$818,000 will be utilized to cover debt service.						

WATER CAPITAL PROJECTS	FY 14-15 Requested	FY 15-16 Requested	FY 16-17 Requested	FY 17-18 Requested	FY 18-19 Requested	Total 5 year Projection
REVENUES						
Water Capacity Fee	\$3,705,000	\$3,705,000	\$3,705,000	\$3,705,000	\$3,705,000	\$18,525,000
TOTAL REVENUES	\$3,705,000	\$3,705,000	\$3,705,000	\$3,705,000	\$3,705,000	\$18,525,000
EXPENDITURES						
CONSTRUCTION SERVICES						
Sossaman - 2 Wells	\$1,350,000	\$2,000,000	\$1,000,000			\$4,350,000
Queen Creek & Meridian Rd 5600' of 12 inch main	\$150,000					\$150,000
Signal Butte to Meridian 3200 ' of 12 inch main	\$50,000					\$50,000
Combs & Rittenhouse Bore Phase I	\$336,000					\$336,000
Gantzel Secondary Well		\$250,000				\$250,000
Well-site security	\$505,000	\$745,000	\$420,000			\$1,670,000
12" Railroad Crossing Ocotillo, 214th & Rittenhouse	\$250,000					\$250,000
12" line & service replacements Heritage Loop to Ellsworth Loop	\$50,000					\$50,000
Fulton Parkway - La Jara Farms 12" line	\$425,000					\$425,000
Sossaman well transmission line to Sossaman site 1800'		\$216,000				\$216,000
Germann Transmission		\$744,000				\$744,000
Empire to Hunt 12 inch water line 2200' to loop upper zone			\$264,000			\$264,000
Pecan North Well			\$250,000			\$250,000
Mesa Tie-in			\$350,000			\$350,000
Loop Rd to Ellsworth Rd 12 inch main 1300' & Bore	\$156,000					\$156,000
Box Canyon Water Storage Facility				\$150,000	\$1,747,000	\$1,897,000
16" Schnepf Line - Rittenhouse to Ellsworth				\$1,500,000		\$1,500,000
Emergency Generator Controls				\$1,155,000		\$1,155,000
Barney Well, Reservoir, Booster Station				\$3,000,000		\$3,000,000
Box Canyon Transmission					\$1,680,000	\$1,680,000
Ocotillo Transmission					\$444,000	\$444,000
Plaza Down Town: 6 inch ACP 3,000' water line & 54 Service replacement	\$375,000					\$375,000
Shea Secondary Well	\$250,000					\$250,000
Ironwood Secondary Well					\$1,250,000	\$1,250,000
Engineering Design for Future Rd Projects	\$250,000					\$250,000
TOTAL EXPENDITURES	\$4,147,000	\$3,955,000	\$2,284,000	\$5,805,000	\$5,121,000	\$21,062,000
Variance	-\$442,000	-\$250,000	\$1,421,000	-\$2,100,000	-\$1,416,000	

1. Reference Supplemental Budget Request FY15
2. Reference Capital Project Request Narrative



Funding Options for Financing Growth in the Town of Queen Creek

February 2014



RBC Capital Markets®

Disclaimer



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Introduction

This book has been prepared for the Town of Queen Creek, Arizona (the “Town”) to provide summaries of the Town’s current debt outstanding and the Town’s potential capacity for the issuance of additional debt. It also contains a general summary of financing options available to cities and towns in Arizona, as well as summaries of rating categories.

The Town’s interest payments on existing debt are generally made semi-annually and occur on January 1 and July 1. Unless noted otherwise, all outstanding bonded debt figures have been calculated as of July 2, 2013.

In the following sections are summaries of the Town’s outstanding bonded debt obligations. The Town currently has the following three types of debt outstanding:

- Excise Tax Bonds
- Improvement District Bonds
- Loans with the Water Infrastructure Financing Authority of Arizona (WIFA)

Financing Options

SECTION I



Summary of Financing Options

The Town has numerous options available for financing its capital needs. On the following pages are summaries of each of the financing options listed below:

- Pay-as-you-go funding
- General obligation bonds
- Revenue bonds
 - Utility revenue bonds
 - Street and highway revenue bonds
- Excise Tax Bonds
- Improvement District Bonds
- State Agency Options



Summary of Financing Options

PAY-AS-YOU-GO FUNDING

Legal Purposes(s)

- Any lawful or necessary purposes

Characteristics

- Least costly funding method
- No debt incurred

Limitation

- Available funds

Types of Projects Financed

- All projects are possible
- Given municipalities' finances, this approach is usually most applicable for smaller maintenance and improvement projects



Summary of Financing Options

GENERAL OBLIGATION BONDS

Legal Purpose(s)

- Any lawful or necessary purpose

Characteristics

- "Full faith and credit" bonds
- Secured by unlimited property tax pledge
- Debt service can be paid from property taxes or enterprise revenues, e.g. water and sewer system revenues, highway user revenues
- Generally lowest cost financing approach

Limitations

- Subject to voter authorization
- Pursuant to Arizona Constitution, principal outstanding may not exceed:
- 20% of net secondary assessed value for water, sewer, lighting, parks, open spaces, recreational purposes, public safety, law enforcement, fire and emergency facilities and streets and transportation facilities and an additional 6% of net secondary assessed value for all other purposes.

Types of Projects Financed

- All projects are possible
- Projects with strong public support
- Non-revenue supported projects such as:
 - Flood control projects
 - Parks improvements
 - Administrative buildings
- Where bonding capacity allows:
 - water and sewer projects
 - major street projects



General Obligation Debt Capacity

The ability of the Town to incur general obligation debt is governed by constitutional and statutory provisions of Arizona law, including the requirement of a vote of the electorate to authorize such bonds. Under the provisions of the Arizona Constitution, as amended in 1980 and 2006, outstanding general obligation bonded debt for water, sewer, lighting, parks, open space/recreational purposes, acquisition and development of public safety, law enforcement, fire/emergency facilities and streets/transportation facilities may not exceed 20% of a municipality's net secondary assessed valuation. Outstanding general obligation bonded debt for all other purposes may not exceed an additional 6% of a municipality's net secondary assessed valuation.

Town of Queen Creek Net Direct G.O. Debt Capacity

Based on the Town's Net Secondary Assessed Valuation for fiscal year 2013-14 of \$188,229,704, the Town has the following general obligation bond capacity in the 6% and 20% categories:

Water, Sewer, Light, Parks and Open Space, Transportation and Public Safety Purpose Bonds		All Other General Obligation Bonds	
2013-14 Net Secondary Assessed Valuation ⁽¹⁾	\$188,229,704	2013-14 Net Secondary Assessed Valuation ⁽¹⁾	\$188,229,704
20% Constitutional Limitation	37,645,941	6% Constitutional Limitation	11,293,782
Net Direct General Obligation		Net Direct General Obligation	
Bonded Debt Outstanding	0	Bonded Debt Outstanding	0
Unused 20% Limitation Borrowing Capacity	<u>\$37,645,941</u>	Unused 6% Limitation Borrowing Capacity	<u>\$11,293,782</u>

(1) Fiscal year 2013-14 SAV is actual, as reported by the Maricopa County Assessor's Office. Includes \$185,170,156 portion located in Maricopa County and \$3,059,548 portion located in Pinal County.

General obligation debt margins change each year due to changes in net secondary assessed valuation and the retirement of the Town's outstanding debt, if any.

Town of Queen Creek Net Direct Overlapping G.O. Debt

Overlapping Jurisdiction	2013-14 Secondary Assessed Valuation	Net Outstanding Bonded Debt	Proportion Applicable to the Town of Queen Creek		2013-14 Combined Tax Rate Per \$100 Assessed (a) (b)
			Approx. Percent	Amount	
State of Arizona	\$52,594,377,492	None	0.36%	None	None
Maricopa County	32,229,006,810	None	0.57%	None	\$2.3220
Pinal County	2,005,343,534	None	0.15%	None	4.7880
Maricopa County Community College District	32,229,006,810	\$712,735,000	0.57%	\$4,094,984	1.5340
Pinal County Community College District	2,005,343,534	91,340,000	0.15%	\$139,357	2.2507
Higley Unified S.D. No. 60	421,985,256	61,195,000	10.04%	6,144,800	7.7132
Chandler Unified S.D. No. 80	2,005,024,947	193,825,000	0.36%	690,354	6.4602
Queen Creek Unified S.D. No. 95	225,793,747	36,565,000	60.04%	21,953,388	8.1626
Town of Queen Creek	188,229,704	0	100.00%	0	1.9500
Total Direct and Overlapping General Obligation Bonded Debt				<u>\$32,883,525</u>	

Source: State of Arizona Department of Revenue and Arizona Tax Research Association



General Obligation Debt Capacity

Town of Queen Creek Debt Burden

Direct and overlapping net debt are compared to the net secondary assessed valuation and full cash value of all taxable property to calculate debt burden. The Town's estimated full cash value for 2013-14 is \$1,644,069,812 (\$1,615,460,427 net full cash value from the Maricopa County portion of the Town, and \$28,609,385 net full cash value from the Pinal County portion of the Town). Additionally, the net debt figures can be compared to population to determine net debt per capita.

Town of Queen Creek Debt Burden			
	% of 2013-14 Net Secondary Assessed Valuation	% of 2013-14 Full Cash Value	Per Capita
	\$188,229,704	\$1,644,069,812	27,708
Direct Debt (\$0)	0.00%	0.00%	\$0.00
Direct and Overlapping Debt (\$32,883,525)	17.47%	2.00%	\$1,186.79

An aspect of debt analysis that relates to debt burden is tax base. A strong tax base permits a municipality to issue property tax supported General Obligation bonds without unduly burdening taxpayers. Shown below are the Town's Net Secondary Assessed Valuations since fiscal year 2009-10.

Town of Queen Creek Net Secondary Assessed Valuation

Fiscal Year	Net Secondary Assessed Value	% Change
2013-14	\$188,229,704	-3.24%
2012-13	194,542,093	-10.75%
2011-12	217,963,181	-25.52%
2010-11	292,649,346	-17.85%
2009-10	356,236,370	-0.11%

Source: Arizona Tax Research Association



General Obligation Debt Capacity

Shown below are the Town's Primary and Secondary Tax Rates since fiscal year 2009-10.

Town of Queen Creek Primary and Secondary Tax Rates

Fiscal Year	Primary Tax Rate per \$100 Assessed Valuation	Secondary Tax Rate per \$100 Assessed Valuation	Total Combined Tax Rate
2013-14	\$1.9500	\$0.0000	\$1.9500
2012-13	1.9500	0.0000	1.9500
2011-12	1.9500	0.0000	1.9500
2010-11	1.9500	0.0000	1.9500
2009-10	1.9500	0.0000	1.9500

Source: *Arizona Tax Research Association*



General Obligation Debt Capacity

The table below shows a hypothetical \$10 million financing over a 20 year term at a 5% interest rate and the additional tax rate required to support such a financing.

Town of Queen Creek, Arizona
 Projected: General Obligation Bonds
\$10,000,000 - 20 Year Term - 5% Interest

Fiscal Year Ending June 30	Net Secondary Assessed Value (1)	Percent Change	Existing Primary Tax Rate per \$100 Assessed Valuation	\$10,000,000 Dated: 7/1/2014			Estimated Town Revenues @ 95% Collection Rate (2)	Additional Debt Tax Rate (2)
				Principal	Interest	Total		
2014	\$188,229,704	-3.24%	\$1.9500					
2015	190,112,001	1.00%		\$305,000	\$500,000	\$805,000	\$805,000	\$0.4457
2016	192,013,121	1.00%		315,000	484,750	799,750	799,750	0.4384
2017	193,933,252	1.00%		335,000	469,000	804,000	804,000	0.4364
2018	195,872,585	1.00%		350,000	452,250	802,250	802,250	0.4311
2019	197,831,311	1.00%		365,000	434,750	799,750	799,750	0.4255
2020	199,809,624	1.00%		385,000	416,500	801,500	801,500	0.4222
2021	201,807,720	1.00%		405,000	397,250	802,250	802,250	0.4185
2022	203,825,797	1.00%		425,000	377,000	802,000	802,000	0.4142
2023	205,864,055	1.00%		445,000	355,750	800,750	800,750	0.4094
2024	207,922,696	1.00%		470,000	333,500	803,500	803,500	0.4068
2025	210,001,923	1.00%		490,000	310,000	800,000	800,000	0.4010
2026	212,101,942	1.00%		515,000	285,500	800,500	800,500	0.3973
2027	214,222,961	1.00%		545,000	259,750	804,750	804,750	0.3954
2028	216,365,191	1.00%		570,000	232,500	802,500	802,500	0.3904
2029	218,528,843	1.00%		600,000	204,000	804,000	804,000	0.3873
2030	220,714,131	1.00%		630,000	174,000	804,000	804,000	0.3834
2031	222,921,273	1.00%		660,000	142,500	802,500	802,500	0.3789
2032	225,150,485	1.00%		695,000	109,500	804,500	804,500	0.3761
2033	227,401,990	1.00%		730,000	74,750	804,750	804,750	0.3725
2034	229,676,010	1.00%		765,000	38,250	803,250	803,250	0.3681
Totals				\$10,000,000	\$6,051,500	\$16,051,500		

Average Tax Rate \$0.4049

(1) Secondary assessed valuations through fiscal year 2014 are actual, as provided by the Arizona Tax Research Association. Fiscal years 2015 and thereafter assume 1% growth.
 (2) FY 2014 and thereafter assumes 95% tax collection rate.



General Obligation Debt Capacity

RESIDENTIAL PROPERTY (Assessed at 10% of full cash value)

Value for Tax Purposes (a)	Assessment Ratio	Assessed Value	Estimated Average Annual Cost (b)	Estimated Average Monthly Cost (b)
\$200,000	10%	\$20,000	\$80.99	\$6.75
300,000	10%	30,000	121.48	10.12

The tax impact over the term of the bonds on an owner-occupied residence valued by the County Assessor at \$200,000 is estimated to be \$80.99 per year for 20 years. (c)

COMMERCIAL AND INDUSTRIAL PROPERTY (Assessed at 19.5% of full cash value) (e)

Value for Tax Purposes (a)	Assessment Ratio (d)	Assessed Value	Estimated Average Annual Cost (b)	Estimated Average Monthly Cost (b)
\$2,500,000	19.5%	\$487,500	\$1,974.10	\$164.51

The tax impact over the term of the bonds on a commercial or industrial property valued by the County Assessor at \$2,500,000 is estimated to be \$1,974.10 per year for 20 years. (c)

AGRICULTURAL AND OTHER VACANT PROPERTY (Assessed at 16% of full cash value) (f)

Value for Tax Purposes (a)	Assessment Ratio (e)	Assessed Value	Estimated Average Annual Cost (b)	Estimated Average Monthly Cost (b)
\$100,000	16%	\$16,000	\$64.79	\$5.40

The tax impact over the term of the bonds on an agricultural or vacant land parcel valued by the County Assessor at \$100,000 is estimated to be \$64.79 per year for 20 years. (c)

- (a) Value for tax purposes is the value of your property as it appears on your tax bill and does not necessarily represent the market value. Beginning with fiscal year 2015-2016, this value cannot increase by more than 5% from the prior year if the property has not changed. For commercial and industrial property, only locally-assessed property is subject to this limit.
- (b) Cost based on the estimated average tax rate over the life of the bond issue and other financing assumptions which are subject to change.
- (c) Assumes the assessed valuation of the property grows or declines at half the rate of the District's total assessed value shown on the projected debt service schedule.
- (d) Assessment ratio will phase down to 19% in tax year 2014 and will be further reduced one-half of one percent for each year to 18% for tax year 2016 and thereafter.
- (e) Assessment ratio will be reduced to 15% in tax year 2016 and thereafter.



Summary of Financing Options

UTILITY REVENUE BONDS

Legal Purpose(s)

- Acquiring, constructing or improving "utility undertaking"
- Utility undertakings include water, sewer, gas, electric light or power, and garbage disposal systems; airport buildings and facilities

Characteristics

- Not a general or "full faith and credit" obligation of Town
- Secured by revenues of the applicable utility undertaking
- Debt service paid from above revenues

Limitations

- Certain categories of expenditures are not subject to voter authorization
- Prior year's net revenues must exceed maximum annual debt service by a specific factor

Types of Projects Financed

- Water and sewer projects
- Airport projects



Summary of Financing Options

STREET AND HIGHWAY REVENUE BONDS

Legal Purposes(s)

- Improving, constructing or maintaining Town streets and highways
- Acquisition of necessary rights of way

Characteristics

- Not a general or "full faith and credit" obligation of Town
- Secured by Town's receipts of state-shared gas taxes and other highway user fees and charges
- Debt service paid from above receipts

Limitations

- Subject to voter authorization
- Maximum annual debt service for Junior Lien and Senior Lien Bonds may not exceed 66.6% of most recent year's receipts (e.g., one and one-half times coverage ratio of receipts to maximum annual debt service)

Types of Projects Financed

- Street and highway improvement projects



HURF Revenue Bonds Capacity

Highway User Revenue Fund (“HURF”) Bonds are secured by an irrevocable lien on and first pledge of all revenues received by the Town from taxes, fees, charges and other moneys collected by the State of Arizona and returned to the Town for street and highway purposes pursuant to Title 28, Chapter 18, Article 2, Arizona Revised Statutes. Although the Arizona Revised Statutes do not place a limitation on the principal amount of such bonds that may be issued, the legal documents governing their issuance will contain a debt service coverage test that must be met in order to issue bonds.

The Town of Queen Creek does not currently have any HURF Bonds outstanding. Based on the Town’s 2012 CAFR, HURF revenues were \$1,338,258, and HURF expenditures were \$1,329,358. In order to support any level of debt service, the operating expenditures would have to be reduced.

The table on the following page assumes a debt service coverage requirement of 1.5x and shows the estimated capacity for HURF Bonds.

The table on the following page demonstrates Maximum Bonded Debt to 1.5x coverage. As such, fiscal year 2011-12 revenues of \$1,338,258 could support an annual debt service amount of approximately \$888,000 at 1.5x coverage. Translated into a borrowing for 20 years at a TIC of 4.32%, the Town would be able to issue approximately \$11 million of HURF Revenue Bonds.

HURF Revenue Bonds Capacity



TOWN OF QUEEN CREEK, ARIZONA HURF Revenue Debt

Scenario: Maximum Bonded Debt, Down to 1.5x Debt Service Coverage - 20 Years

Fiscal Year	Revenues Available for HURF Bonds Debt Service (1)	Proposed: HURF Revenue Bonds Series 2014 Dated: 7/1/2014			Debt Service Coverage Ratio
		Principal	Interest	Debt Service	
2010	\$953,762				
2011	1,013,104				
2012	1,338,258				
2013	1,338,258				
2014	1,338,258				
2015	1,338,258	\$365,000	\$523,700	\$888,700	1.51
2016	1,338,258	375,000	516,400	891,400	1.50
2017	1,338,258	385,000	505,150	890,150	1.50
2018	1,338,258	400,000	489,750	889,750	1.50
2019	1,338,258	415,000	473,750	888,750	1.51
2020	1,338,258	435,000	457,150	892,150	1.50
2021	1,338,258	450,000	439,750	889,750	1.50
2022	1,338,258	470,000	417,250	887,250	1.51
2023	1,338,258	495,000	393,750	888,750	1.51
2024	1,338,258	520,000	369,000	889,000	1.51
2025	1,338,258	545,000	343,000	888,000	1.51
2026	1,338,258	575,000	315,750	890,750	1.50
2027	1,338,258	600,000	287,000	887,000	1.51
2028	1,338,258	630,000	257,000	887,000	1.51
2029	1,338,258	665,000	225,500	890,500	1.50
2030	1,338,258	695,000	192,250	887,250	1.51
2031	1,338,258	730,000	157,500	887,500	1.51
2032	1,338,258	770,000	121,000	891,000	1.50
2033	1,338,258	805,000	82,500	887,500	1.51
2034	1,338,258	845,000	42,250	887,250	1.51
		<u>\$11,170,000</u>	<u>\$6,609,400</u>	<u>\$17,779,400</u>	

(1) Represents actual revenues in 2010, 2011, and 2012 as of the respective Town of Queen Creek CAFRs. Revenues thereafter assume 0% growth.



Summary of Financing Options

EXCISE TAX REVENUE BONDS

Legal Purpose(s)

- Any lawful or necessary purposes

Characteristics

- May be secured by a pledge of specific revenues (e.g., excise taxes, enterprise revenues, state-shared revenues, etc.) or by annual appropriations
- If rated, generally one category below general obligation rating

Limitations

- No legal limitations
- Limited by existing legal documents which provide for minimum debt service coverage ratio of 2.0x
- Limited by general creditworthiness of Town and existing debt burden

Types of Town Projects Financed

- General projects for municipal buildings and improvements on land owned by the Town



Excise Tax Debt Capacity

Excise Tax Bonds issued by the Town may be secured by a pledge of Excise Taxes and State Shared Sales Taxes. The bonds do not constitute a general obligation of the Town and are not backed by general taxing power. Although the Arizona Revised Statutes do not place a limitation on the principal amount of such bonds that may be issued, the legal documents governing their issuance will contain a debt service coverage test that must be met in order to issue bonds.

The table on the following page shows the estimated capacity for Excise Tax Bonds assuming a pledge of Excise Taxes and State Shared Sales Taxes.

A borrowing supported by Excise Taxes and State Shared Sales Taxes for the Town of Queen Creek has a debt service coverage requirement of 2.0x of total revenues. Issuing additional debt down to 3.0x of total revenues may potentially risk a rating downgrade.

The table on the following page shows the debt currently supported by Excise Taxes and State Shared Sales Taxes and the remaining capacity for new debt, while maintaining 4.0x coverage. As such, fiscal year 2011-12 revenues of \$19,723,522 could support an aggregate annual debt service amount of approximately \$4.9 million at 4.0x coverage. Translated into a borrowing for 25 years at a TIC of 5.55%, the Town would be able to issue approximately \$32.8 million of Excise Tax Bonds secured by Excise Taxes and State Shared Sales Taxes.



Excise Tax Debt Capacity

TOWN OF QUEEN CREEK, ARIZONA Excise Tax Revenue Debt

Scenario: Maximum Bonded Debt, Down to 4.0x Debt Service Coverage - 25 Years

Fiscal Year	Revenues Available for Excise Tax Debt Service (1)	Existing Debt Service			\$32,855,000 Proposed: Excise Tax and State Shared Revenue Series 2014 Dated: 1/2/2014			Total Net New Debt Service			Debt Service Coverage Ratio
		Principal	Interest	Debt Service	Principal	Interest	Debt Service	Total Principal	Total Interest	Total Debt Service	
2011	\$15,975,899	\$1,155,000	\$1,862,647	\$3,017,647				\$1,155,000	\$1,862,647	\$3,017,647	5.29
2012	19,723,522	1,210,000	1,814,210	3,024,210				1,210,000	1,814,210	3,024,210	6.52
2013	19,723,522	1,255,000	1,762,942	3,017,942				1,255,000	1,762,942	3,017,942	6.54
2014	19,723,522	\$1,315,000	\$1,708,704	\$3,023,704	\$870,000	\$1,035,791	\$1,905,791	\$2,185,000	\$2,744,495	\$4,929,495	4.00
2015	19,723,522	1,375,000	1,651,599	3,026,599	135,000	1,766,738	1,901,738	1,510,000	3,418,336	4,928,336	4.00
2016	19,723,522	1,430,000	1,591,260	3,021,260	145,000	1,762,688	1,907,688	1,575,000	3,353,948	4,928,948	4.00
2017	19,723,522	1,490,000	1,523,823	3,013,823	160,000	1,756,888	1,916,888	1,650,000	3,280,710	4,930,710	4.00
2018	19,723,522	1,570,000	1,452,904	3,022,904	155,000	1,750,488	1,905,488	1,725,000	3,203,391	4,928,391	4.00
2019	19,723,522	1,640,000	1,382,249	3,022,249	160,000	1,744,288	1,904,288	1,800,000	3,126,536	4,926,536	4.00
2020	19,723,522	1,710,000	1,307,884	3,017,884	170,000	1,737,888	1,907,888	1,880,000	3,045,771	4,925,771	4.00
2021	19,723,522	1,795,000	1,224,911	3,019,911	180,000	1,729,388	1,909,388	1,975,000	2,954,299	4,929,299	4.00
2022	19,723,522	1,885,000	1,137,006	3,022,006	185,000	1,720,388	1,905,388	2,070,000	2,857,394	4,927,394	4.00
2023	19,723,522	1,980,000	1,044,519	3,024,519	190,000	1,711,138	1,901,138	2,170,000	2,755,656	4,925,656	4.00
2024	19,723,522	2,065,000	952,813	3,017,813	210,000	1,701,638	1,911,638	2,275,000	2,654,450	4,929,450	4.00
2025	19,723,522	2,165,000	855,650	3,020,650	215,000	1,692,188	1,907,188	2,380,000	2,547,838	4,927,838	4.00
2026	19,723,522	2,275,000	746,363	3,021,363	225,000	1,682,513	1,907,513	2,500,000	2,428,875	4,928,875	4.00
2027	19,723,522	2,385,000	631,525	3,016,525	240,000	1,671,825	1,911,825	2,625,000	2,303,350	4,928,350	4.00
2028	19,723,522	2,515,000	509,975	3,024,975	245,000	1,660,425	1,905,425	2,760,000	2,170,400	4,930,400	4.00
2029	19,723,522	2,235,000	381,800	2,616,800	665,000	1,648,175	2,313,175	2,900,000	2,029,975	4,929,975	4.00
2030	19,723,522	1,810,000	267,500	2,077,500	1,235,000	1,614,925	2,849,925	3,045,000	1,882,425	4,927,425	4.00
2031	19,723,522	1,725,000	177,000	1,902,000	1,475,000	1,550,088	3,025,088	3,200,000	1,727,088	4,927,088	4.00
2032	19,723,522	1,815,000	90,750	1,905,750	1,550,000	1,472,650	3,022,650	3,365,000	1,563,400	4,928,400	4.00
2033	19,723,522				3,540,000	1,387,400	4,927,400	3,540,000	1,387,400	4,927,400	4.00
2034	19,723,522				3,735,000	1,192,700	4,927,700	3,735,000	1,192,700	4,927,700	4.00
2035	19,723,522				3,940,000	987,275	4,927,275	3,940,000	987,275	4,927,275	4.00
2036	19,723,522				4,165,000	760,725	4,925,725	4,165,000	760,725	4,925,725	4.00
2037	19,723,522				4,405,000	521,238	4,926,238	4,405,000	521,238	4,926,238	4.00
2038	19,723,522				4,660,000	267,950	4,927,950	4,660,000	267,950	4,927,950	4.00
		\$35,180,000	\$18,638,233	\$53,818,233	\$32,855,000	\$36,527,391	\$69,382,391	\$68,035,000	\$55,165,624	\$123,200,624	

(1) Represents actual revenues in 2011 and 2012 dedicated to the payment of Debt Service for the specified Excise Tax Bonds, as listed in the most recent Continuing Disclosure Filing. Revenues thereafter assume 0% growth.



Summary of Financing Options

IMPROVEMENT DISTRICT BONDS

Legal Purpose(s)

- Numerous governmental purposes specified in statute
- Includes financing streets, curbs, gutters, sidewalks, sewers, waterworks, docks, levees, street lights, etc.

Characteristics

- Secured by assessments levied against property located within the district
- Backed by a contingent liability of Town's general fund
- Not subject to voter authorization, but may be rejected by a majority of property owners within the district
- Improvements to be made cannot be of general benefit to the Town as a whole

Limitations

- No legal limitations
- Limited by value of property within district
- Limited by general creditworthiness of Town and existing debt burden

Types of Projects Financed

- Local improvements



Summary of Financing Options

COMMUNITY FACILITIES DISTRICTS

Legal Purpose(s)

- A community facilities district is a political subdivision separate from a city or town and utilized for numerous governmental purposes as specified in the statutes, including financing for public infrastructure

Characteristics

- May issue general obligation, revenue and assessment bonds
- May be formed within the boundaries of a city, town or county
- May have a separate board of directors or the Town Council may act as board (as specified in statutes)
- General obligation bonds must be voter approved
- Formation is initiated by petition of the landowners in the district
- Once formed, CFDs have many of the same powers of a City or Town

Limitations

- Given “raw land” nature of most CFDs, value of land will determine amount of debt that can be issued

Types of Projects Financed

- “Public Infrastructure” as defined in Arizona Statutes
- Most projects which can be dedicated to a municipal entity



Summary of Financing Options

STATE AGENCY OPTIONS

There are several State Agencies in Arizona that have loan and/or grant programs that were designed to assist local governments in Arizona with financing their capital projects. They are:

- **The Water Infrastructure Finance Authority of Arizona (“WIFA”)**
- **Greater Arizona Development Authority (“GADA”)**
- **The Arizona Department of Transportation (“ADOT”) Help Loan Program**
- **The Arizona Department of Transportation Aeronautics Loan Program**

For specific information regarding any of the State Agencies listed above and more detailed information regarding their programs, please contact the respective agencies.

Existing Debt

SECTION II



General Obligation Bonds

The Town does not currently have any General Obligation Bonds outstanding. The Town's General Obligation Bonds are "full faith and credit" bonds, secured by ad valorem taxes levied without limit against all taxable property within the Town. The issuance of General Obligation Bonds, and the projects funded by General Obligation Bonds require voter approval.



Excise Tax Debt

The Town of Queen Creek, Arizona may issue debt secured by a pledge of excise taxes and state shared sales taxes. The Town’s current Excise Tax bond documents require a 2.0 times debt service coverage for existing Excise Tax debt and any additional Bonds to be secured by the Excise Tax and State Shared Sales Tax pledge. Current debt service coverage on Excise Tax debt outstanding is approximately 6.5 times.

The Town currently has four outstanding bond issues which are secured by a pledge of Excise Taxes and State Shared Sales Taxes. The table below shows the Excise Taxes and State Shared Sales Taxes for the past two fiscal years.

Table 1 – Actual Excise Tax and State Shared Revenue for the Fiscal Years Ended June 30		
Revenue Source	2011	2012
Transaction Privilege Sales Tax	\$11,170,005	\$12,794,246
State Shared Sales Tax	1,321,605	2,068,235
State Shared Income Tax	1,597,620	2,224,888
Licenses and Permits	1,085,361	1,434,909
Franchise Fees	201,515	258,266
Charges for Other Services	599,792	942,980
Total	\$15,975,899	\$19,723,522

Source: Town of Queen Creek Continuing Disclosure Annual Report – July 22, 2013

The Town’s level of receipts from State shared sales taxes are determined by statutory formulae and no assurances can be given that the amount of those components will not be reduced or eliminated by the State legislature in the future. The other revenue sources are levied by the Town and, while not guaranteed, are not subject to the level of legislative change that the State shared sales taxes are.



Excise Tax Debt

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2003A

\$5,530,000 of the total \$11,230,000 bond issue was loaned to the Town of Queen Creek. This portion of the issue has a final maturity date in 2028. The Town of Queen Creek used these funds for Wastewater system improvements.

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2004B

\$7,700,000 of the total \$10,360,000 bond issue was loaned to the Town of Queen Creek. This portion of the issue has a final maturity date in 2029. The Town of Queen Creek used these funds for construction of a development services building and the acquisition of land for municipal purposes.

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2005B

\$2,470,000 of the total \$64,100,000 bond issue was loaned to the Town of Queen Creek. This portion of the issue has a final maturity date in 2030. The Town of Queen Creek used these funds for the acquisition of land for a library and other municipal purposes.

Town of Queen Creek, Arizona Excise Tax and State Shared Revenue Obligations, Series 2007

The Town issued the Series 2007 Bonds for the purpose of providing funds for certain street intersection improvements, library improvements, park improvements and Town Hall improvements as well as to refinance and repay in full certain outstanding lease-purchase obligations. The bonds were issued with a final maturity in 2033.

Excise Tax Debt



In addition, the Town has two bond issues which are supported by a different pledge of revenues.

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2006A

\$11,555,000 of the total \$52,060,000 bond issue was loaned to the Town of Queen Creek. This portion of the issue has a final maturity date in 2036. The Town of Queen Creek used these funds for the construction of a library. The Queen Creek revenues pledged to this bond issue are State Transaction Privilege Taxes, State Urban Revenue Sharing and Library Development Fee Revenues.

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2008A

\$2,045,000 of the total \$27,760,000 bond issue was loaned to the Town of Picture Rocks. The Town of Queen Creek subsequently entered into a loan agreement with the Greater Arizona Development Authority to take over Picture Rocks' portion of the Series 2008A bonds. This portion of the issue has a final maturity date in 2023. The Town of Queen Creek used these funds for their HPEC Facility. The Queen Creek revenues pledged to this bond issue are a first lien pledge upon such amounts of the revenues from the Park Development fee and a third lien pledge upon such amounts of the State Shared Revenues.

Summary of Existing Queen Creek Excise Tax Debt				
Issue Date	Bond Issue	Original Principal	Outstanding Principal	Redemption Date
10/07/2003	GADA - Infrastructure Revenue Bonds, Series 2003A	\$5,530,000	\$4,210,000	08/01/2013 at 100
06/27/2004	GADA - Infrastructure Revenue Bonds, Series 2004B	7,700,000	5,795,000	08/01/2014 at 100
08/31/2005	GADA - Infrastructure Revenue Bonds, Series 2005B	2,470,000	1,980,000	08/01/2015 at 100
03/02/2006	GADA - Infrastructure Revenue Bonds, Series 2006A	11,555,000	10,060,000	08/01/2016 at 100
06/28/2007	Excise Tax and State Shared Revenue Obligations, Series 2007	27,135,000	23,195,000	08/01/2017 at 100
08/31/2008	GADA - Infrastructure Revenue Bonds, Series 2008A	2,045,000	1,370,000	08/01/2018 at 100
Total		<u>\$56,435,000</u>	<u>\$46,610,000</u>	

Listed below are schedules of the outstanding principal amount for the above-described Excise Tax bond issues.



Excise Tax Debt

Town of Queen Creek, Arizona Aggregate Excise Tax Debt

Remaining Principal and Interest Payments as of August 2, 2013 (1)

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
02/01/2014		\$1,125,964	\$1,125,964	
08/01/2014	\$1,675,000	1,125,964	2,800,964	\$3,926,929
02/01/2015		1,089,899	1,089,899	
08/01/2015	1,750,000	1,089,899	2,839,899	3,929,799
02/01/2016		1,051,330	1,051,330	
08/01/2016	1,825,000	1,051,330	2,876,330	3,927,660
02/01/2017		1,008,361	1,008,361	
08/01/2017	1,905,000	1,008,361	2,913,361	3,921,723
02/01/2018		963,177	963,177	
08/01/2018	2,000,000	963,177	2,963,177	3,926,354
02/01/2019		917,099	917,099	
08/01/2019	2,095,000	917,099	3,012,099	3,929,199
02/01/2020		869,154	869,154	
08/01/2020	2,185,000	869,154	3,054,154	3,923,309
02/01/2021		816,337	816,337	
08/01/2021	2,290,000	816,337	3,106,337	3,922,674
02/01/2022		760,478	760,478	
08/01/2022	2,410,000	760,478	3,170,478	3,930,956
02/01/2023		701,509	701,509	
08/01/2023	2,525,000	701,509	3,226,509	3,928,019
02/01/2024		642,444	642,444	
08/01/2024	2,465,000	642,444	3,107,444	3,749,888
02/01/2025		583,863	583,863	
08/01/2025	2,585,000	583,863	3,168,863	3,752,725
02/01/2026		518,719	518,719	
08/01/2026	2,715,000	518,719	3,233,719	3,752,438
02/01/2027		451,675	451,675	
08/01/2027	2,845,000	451,675	3,296,675	3,748,350
02/01/2028		380,838	380,838	
08/01/2028	2,995,000	380,838	3,375,838	3,756,675
02/01/2029		305,950	305,950	
08/01/2029	2,740,000	305,950	3,045,950	3,351,900
02/01/2030		237,438	237,438	
08/01/2030	2,335,000	237,438	2,572,438	2,809,875
02/01/2031		180,375	180,375	
08/01/2031	2,275,000	180,375	2,455,375	2,635,750
02/01/2032		124,875	124,875	
08/01/2032	2,390,000	124,875	2,514,875	2,639,750
02/01/2033		65,125	65,125	
08/01/2033	605,000	65,125	670,125	735,250
02/01/2034		50,000	50,000	
08/01/2034	635,000	50,000	685,000	735,000
02/01/2035		34,125	34,125	
08/01/2035	665,000	34,125	699,125	733,250
02/01/2036		17,500	17,500	
08/01/2036	700,000	17,500	717,500	735,000
	<u>\$46,610,000</u>	<u>\$25,792,470</u>	<u>\$72,402,470</u>	<u>\$72,402,470</u>

(1) Includes Series 2007 Bonds, and GADA loans Series 2003A, Series 2004B, Series 2005B, Series 2006A, and Series 2008A Bonds.



Improvement District Bonds

Improvement District Bonds issued by the Town are secured by special assessments levied upon the real property included within the improvement district. These bonds do not constitute a general obligation of the Town and are not backed by general taxing power, but the Town is contingently liable for their payment in the event that property owners within the District do not make payments. Statutory provisions require that improvement district bonds bear a single interest rate, have a final maturity no longer than twenty-five years and three months, and pay principal on January 1. The Town currently has one outstanding issue of Improvement District Bonds that

Improvement District No. 001: Improvement Bonds

The \$54,080,000 Ellsworth Road Improvement District Bonds were issued on October 5, 2006, with an interest rate of 5.00% and a final maturity of January 1, 2032. The Bonds were issued to provide funds for improvement costs such the construction and installation of certain street improvements, railroad facilities relocation, storm drain facilities and pump station, water and sanitary sewer facilities, landscaping, lighting, irrigation, and related improvements and related appurtenances. The Bonds have \$47,365,000 of principal outstanding and are currently callable as of July 1, 2011.

Listed below is the semi-annual schedule of the outstanding principal amount for the above-described Improvement District bond issue.



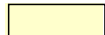
Improvement District Bonds

\$54,080,000
Town of Queen Creek, Arizona
Improvement District No. 001
Improvement Bonds
(Ellsworth Road ID)

Remaining Principal and Interest Payments as of July 2, 2013

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
01/01/2014	\$1,550,000	\$1,184,125	\$2,734,125	\$2,734,125
07/01/2014		1,145,375	1,145,375	
01/01/2015	1,630,000	1,145,375	2,775,375	3,920,750
07/01/2015		1,104,625	1,104,625	
01/01/2016	1,710,000	1,104,625	2,814,625	3,919,250
07/01/2016		1,061,875	1,061,875	
01/01/2017	1,795,000	1,061,875	2,856,875	3,918,750
07/01/2017		1,017,000	1,017,000	
01/01/2018	1,885,000	1,017,000	2,902,000	3,919,000
07/01/2018		969,875	969,875	
01/01/2019	1,980,000	969,875	2,949,875	3,919,750
07/01/2019		920,375	920,375	
01/01/2020	2,080,000	920,375	3,000,375	3,920,750
07/01/2020		868,375	868,375	
01/01/2021	2,180,000	868,375	3,048,375	3,916,750
07/01/2021		813,875	813,875	
01/01/2022	2,290,000	813,875	3,103,875	3,917,750
07/01/2022		756,625	756,625	
01/01/2023	2,405,000	756,625	3,161,625	3,918,250
07/01/2023		696,500	696,500	
01/01/2024	2,525,000	696,500	3,221,500	3,918,000
07/01/2024		633,375	633,375	
01/01/2025	2,655,000	633,375	3,288,375	3,921,750
07/01/2025		567,000	567,000	
01/01/2026	2,785,000	567,000	3,352,000	3,919,000
07/01/2026		497,375	497,375	
01/01/2027	2,925,000	497,375	3,422,375	3,919,750
07/01/2027		424,250	424,250	
01/01/2028	3,070,000	424,250	3,494,250	3,918,500
07/01/2028		347,500	347,500	
01/01/2029	3,225,000	347,500	3,572,500	3,920,000
07/01/2029		266,875	266,875	
01/01/2030	3,385,000	266,875	3,651,875	3,918,750
07/01/2030		182,250	182,250	
01/01/2031	3,555,000	182,250	3,737,250	3,919,500
07/01/2031		93,375	93,375	
01/01/2032	3,735,000	93,375	3,828,375	3,921,750
	\$47,365,000	\$25,917,125	\$73,282,125	\$73,282,125

Callable Bonds:



Call Dates:

7/1/11 @ 100%



Water Infrastructure Finance Authority Loans

The Water Infrastructure Finance Authority of Arizona (WIFA) is an independent agency of the state of Arizona that is authorized to finance the construction, rehabilitation and/or improvement of drinking water, wastewater, wastewater reclamation, and other water quality facilities/projects. Generally, WIFA offers borrowers below market interest rates on loans for up to one hundred percent of eligible project costs.

The loans are secured by a pledge of the net revenues of the respective Water and Wastewater Funds.

Listed below is a table of the outstanding principal amount of WIFA Loans as of July 2, 2013.

Summary of Existing Queen Creek Excise Tax Debt			
Issue Date	Bond Issue	Original Principal	Outstanding Principal
08/15/1998	WIFA Loan 1998	\$4,400,000	\$1,481,232
03/28/2005	WIFA Loan 2005	34,000,000	28,222,460
03/27/2008	WIFA Loan 2008	40,000,000	32,747,247
11/01/2013	WIFA Loan 2013	16,000,000	16,000,000
Total		<u>\$94,400,000</u>	<u>\$78,450,939</u>

Note: The 2013 WIFA Loan includes the \$16 million WIFA Loan portion of the H2O Water Company Acquisition only. This does not include the subordinate lien Seller Carry-back portion of this transaction.

Bond Ratings

SECTION III



Bond Ratings

Town of Queen Creek Bond Ratings

Type of Bond	Most Recent Issue	Moody's	S&P	Fitch
General Obligation	-	-	-	-
Excise Tax	Series 2007	-	A+	A+
Improvement District	Series 2006	A3	BBB+	A-
HURF Revenue	-	-	-	-

Key to Municipal Ratings

Aaa/AAA

Bonds which are rated Aaa/AAA are judged to be of the best quality. They carry the smallest degree of investment risk and interest payments are protected by a large or by an exceptionally stable margin and principal is secure.

Aa/AA

Bonds which are rated Aa/AA are judged to be of high quality by all standards. Margins of protection are slightly less than Aaa/AAA securities.

A/A

Bonds which are rated A/A possess many favorable investment attributes and are considered to be upper medium grade obligations. Factors giving security to principal and interest are considered adequate.

Baa/BBB

Bonds which are rated Baa/BBB are considered medium grade obligations; they are neither highly protective nor poorly secured. Interest payments and principal security appear adequate for the present but may not be reliable over any great length of time.



Underlying Debt Ratings of Select Issuers

Below are debt ratings for select jurisdictions within the State of Arizona. When available, the general obligation (“GO”) rating is shown. If the issuer does not have a GO rating, the highest rating of the issuer is shown.

Entity	County	Population	Rating Type	Moody's	S&P	Fitch
Sierra Vista	Cochise	45,794	*	Aa3	AA	AA-
Flagstaff	Coconino	66,322	GO	Aa2	AA	-
Avondale	Maricopa	76,870	GO	-	AA-	-
Gilbert	Maricopa	219,666	GO	Aa1	AA	-
Goodyear	Maricopa	69,018	GO	Aa2	AA-	-
Queen Creek	Maricopa	27,708	*	-	A+	A+
Surprise	Maricopa	119,530	*	-	A	A+
Tempe	Maricopa	164,659	GO	Aa1	AAA	AAA
Bullhead City	Mohave	39,516	*	A1	A+	A+
Kingman	Mohave	28,335	*	-	AA-	AA-
Oro Valley	Pima	41,275	*	-	AA-	AA-
Apache Junction	Maricopa	36,928	*	A2	-	-
Casa Grande	Pinal	50,296	GO	-	AA-	AA
Chino Valley	Yavapai	10,783	*	-	A+	-
Prescott	Yavapai	39,865	GO	Aa2	AA-	AA
Prescott Valley	Yavapai	38,964	*	Aa3	AA-	AA-
Sedona	Yavapai	9,981	*	-	A	-

* Reflects Senior Most Rating(s) of the Issuer.