



MINUTES
Budget Committee
22350 S. Ellsworth Rd, Queen Creek, AZ
Town Hall, Council Chambers
April 25, 2018
8:00 a.m.

1. Call to Order and Roll Call

Chair Robin Benning called the meeting to order at 8:00 a.m. The following people attended:

Committee Members: Council Member Dawn Oliphant, Council Member Robin Benning, Council Member Jake Hoffman (arrived 8:07 a.m.)

Town Staff: John Kross, Town Manager; Scott McCarty, Finance Director; Gloria Moore, Budget Administrator; Bruce Gardner, Assistant Town Manager

2. Public Comment:

There were no public comments.

3. Items for Discussion and Possible Action

A. Consideration and possible approval of the April 6 and April 12, 2017 Budget Committee minutes

Motion to approve the April 6 and April 12, 2017 minutes as presented.

1st: Oliphant

2nd: Benning

VOTE: Unanimous

B. Discussion and possible approval of the Queen Creek FY 2018/19 Town Manager's Recommended Budget

1. FY 2018/19 budget overview and long-range financial projection

Town Manager John Kross gave an overview of the budget process and how it relates to the Town's vision and various master plans. Mr. Kross gave a summary of the recommended budget of \$229.4M and said it maintains existing service levels. He said the driving factors in next year's budget includes (1) infrastructure with the capital program consisting of 65% of the overall budget (2) public safety, with a focus on pension reserves and (3) streets, parks, and facilities maintenance. Mr. Kross reported on the funding

sources for 35.4 recommended new full time employees (FTE) for FY 18-19 to address personnel needs. Mr. Kross addressed new financial policy recommendations and the budget fund structure, noting that about two-thirds of the overall budget consist of restricted funds.

Mr. Kross gave a brief summary of the four primary areas of the operating budget: General Fund; Emergency Management Services Fund; Highway User Revenue Fund (HURF); and Horseshoe Park and Equestrian Center Fund (HPEC). He highlighted some of the long-term objectives, which include fully funding the 10-year Transportation Plan using a \$6.5 M placeholder and funding increased Fire and Public Safety staffing to accommodate our challenging population increase.

Finance Director Scott McCarty reviewed operating budget revenues in different categories with a forecast of almost \$58M in expected revenues (an increase of 9%). Highlights in this area include:

- Steady population growth which will bring increased consumer spending and state shared revenue
- Sales tax revenue remains strong with increased revenues from existing stores and new stores; a high median household income in Queen Creek and sales tax from neighboring areas remains constant
- Property assessed values continue to increase
- Return on investment from new \$2.5 M annual revenues from water and wastewater utilities

Mr. McCarty outlined the operating budget expenses totaling \$56.3M. This is a 12% increase equating to approximately \$6.1M. He said the biggest objective is to prioritize the needs of a growing community and to ensure long-term sustainability. He said that projected expenses in the future will be driven by public safety/staffing expenses. Expense highlights include:

- 10-Year \$195M Transportation Plan. Mr. McCarty pointed out that this is not a new expense for next year and is fully funded by using the \$6.5M placeholder but is an important part of next year's budget.
- Public safety expense is increasing by \$4.1M for an increase in patrol, traffic unit, community services and new northeast fire station with staffing.
- Expense reductions include: MCSO contract for unfunded pension liability and Ellsworth Loop Rd Improvement District Debt Service payments were moved to the Town Center Fund to be paid with a portion of the .25% dedicated sales tax for town center.
- Other staffing increases (11 FTE) needed to maintain service levels in areas other than fire.
- Employee compensation (market increase and merit increase)

Mr. McCarty concluded with information in other areas of the budget. He said the \$195M 10 Year Transportation Plan is fully funded however; there are other key areas on North/South roads outside of Town boundaries that are not funded. Mr. McCarty explained the importance of putting funds aside if needed for four areas outside of town that would significantly affect Queen Creek.

Other areas include parks and trails infrastructure needs where policy decisions will be decided on after budget adoption. He outlined infrastructure carry forward/contingencies mostly related to construction projects. Other considerations include the self-funded Water, Wastewater and Solid Waste /Recycling funds. There are no expected rate increases in these areas. Expenses include a one-time staffing increase in customer service /billing, some infrastructure improvements in wastewater and an increase in solid waste service provider costs due to new accounts.

Mr. McCarty concluded with the budget calendar and outlined upcoming public meetings.

2. FY 2018/19 Town Manager's recommended budget including departmental and capital budgets

A review for each operating department budget was provided as follows:

Fire/EMS & Public Safety - FY18/19 Budget \$19.3M

Deputy Fire Chief Vance Gray reported a \$3.9M increase, which is a response to growth and maintaining services. Focus areas consist of operations, prevention and administration. Focus items include the completion of temporary East Fire Station, recruitment and training of firefighters, design and construction of Northeast Fire Station and a new ladder truck.

MCSO Captain Greg Lugo reported on key focus areas in crime prevention, community policing and traffic enforcement consistent with the Town contract, the Town Corporate Strategic Plan and Law Enforcement Strategic Plan.

Water - FY 18/19 Budget: \$34.5M

Director Paul Gardner discussed focus areas for FY18/19 budget, which include new meters (Flexnet Implementation); continued development of water production facilities; lake program development, and water replacement program that includes upgrades in older areas in conjunction with street capital projects.

Mr. Gardner explained major changes, which include 6.0 new FTE, based on results from a consulting study. Mr. Gardner provided details on each staffing recommendation and the workloads in the following areas: Water - Administration

(2 FTE); Water - Engineering (1 FTE); Water - Field Operations /Meters (1 FTE);
Water - Irrigation (1 FTE); Water - Distribution (1 FTE)

Mr. Gardner also explained the new policy whereby Utilities will pay Return on Investment (ROI) back to the Operating Budget (\$1.9M).

Sewer/Wastewater/Stormwater - FY 18/19 Budget: \$20.7M

Mr. Gardner reported an \$8.7M increase with key focus areas in replacement projects, sewer line maintenance and cleaning, and odor and corrosion control. He stressed the importance of prevention and maintenance. The ROI in this division is \$600K.

Public Works - FY 18/19 Budget: \$15.3M

Director Troy White reported a \$360K decrease due to several one-time projects completed from last year. Key focus areas include the Transportation Program, street maintenance, new park and lake maintenance, in-house fleet certifications, request for bids for trash and recycling and Ironwood Road Safety Study. Major changes include 10.43 FTE. Mr. White provided details on each new staffing request in the following divisions: Facilities (1 FTE); Streets (2 FTE); Parks & Grounds (5.43 FTE) Park Ranger/Security (1 FTE); CIP (1 FTE). Mr. White gave an overview of budget changes in each division.

Council Member Benning asked how the newly annexed Ironwood Crossing relates to the increase in solid waste accounts. Mr. White said the increase is directly related to new builds and confirmed that the Ironwood Crossing will still be under their HOA contract for solid waste and when the HOA contract expires those residents will be brought onto the Town account.

Council Member Hoffman recommended slowing new full time employee positions due to the impact on long-term costs. Mr. White responded that an analysis is done on the benefit of contract employee vs. full time employees for each division and cost savings are considered.

Development Services - FY 18/19 Budget: \$3.1M

Director Chris Anaradian (participating telephonically) provided division information and reported a \$369K decrease due to the drop-off of special projects and a reorganization of some positions. Key focus areas include conversion to 100% electronic plan review; implementation of the 2018 General Plan; annexations; and maintaining turnaround times for review and inspections.

Workforce & Technology - FY 18/19 Budget: \$3.1M

Director Bruce Gardner reported a budget decrease of \$141K. Mr. Gardner explained the three-prong approach of Human Resources, Information Technology (IT) and Risk Management. Key focus areas include employee Training; benefit strategies; implementation of the IT 5yr Strategic Plan; research community wide technology (small cell technology); and customer service improvements across departments. Mr. Gardner provided information on two new FTE positions, which include an IT Analyst and Utility Software IT Analyst.

Finance - FY 18/19 Budget: \$4.1M

Director Scott McCarty reported an \$865K increase mainly due to staffing to improve customer service levels. Focus areas include a combination of strategic and operational issues including completing the impact fee studies; capacity & utility rate studies; implement new utility billing software as well as centralization of the budget function and financial reporting enhancements such as in house CAFR preparation. Mr. McCarty provided information on new staff recommendations in the following areas: Operating Budget (1 FTE); Utilities (3 FTE); CIP Budget (1FTE).

Communications Marketing & Recreation Services - FY 18/19 Budget: \$2.0M

Director Marnie Schubert reported a budget increase of \$51K based on 15% increase in seasonal recreation staff hours and the replacement of aging equipment In Recreation Annex (tables and chairs). Key focus areas include outreach for various projects across town departments, opening of Mansel Carter Oasis Park in September 2018, design of East Park and updating of Recreation policies and procedures.

Economic Development - FY 18/19 Budget: \$2.6M

Director Doreen Cott reported on the Economic Development budget, which includes Horseshoe Park and Equestrian Center (HPEC). Key focus areas in Economic Development include implementation of Economic Development Strategic Plan and the Town Center Plan. Ms. Cott said they would also focus on marketing the Town as a premier choice for new business investment in the region. Major changes in the Economic Development division include the discontinuation of the Festival Partnership Program.

Ms. Cott reported that the overall budget (including HPEC) reflects a \$21K increase. Focus areas for HPEC include expanding the amount and length of events, facility maintenance and attracting sponsors. Ms. Cott reported an increase of \$45K in this area for salary and a contingency replenishment of \$35K.

Council Member Hoffman stated his opposition over increasing the budget for HPEC for both salaries and contingency. Council Member Hoffman said he is not in favor of government running event centers and is opposed to further subsidizing the facility when it has not made a profit.

Ms. Cott said that HPEC is an economic driver for the community and generates direct revenue in sales tax from visitors spending at local businesses. Ms. Cott said the facility also attracts a variety of high value events in addition to equestrian bookings.

Horseshoe Park Manager Tim Lynch gave an overview of events at HPEC and said that 36K visitors from all over western United States come to the park annually and spend money in our community. He added that when a hotel comes to Town the additional tax dollar spending would stay in Queen Creek.

Council Member Benning said that HPEC stimulates economic activity in the community and helps to drive sales so residents and local businesses benefit.

Council Member Oliphant said despite the costs, HPEC is still an amenity for the community and said it was moved under the Economic Development department to help it create revenue and it has grown since then. She added her support for a cost of living increase across the board for staff.

Council Member Hoffman clarified his position regarding his opposition of across the board salary increases for merit. Mr. Hoffman requested that discussion on HPEC options be brought to the full Council.

Council Member Benning asked staff to provide information on a potential second covered arena for Horseshoe Park.

Mr. Lynch discussed the covered arena proposal and how it will add income without increasing expenses by generating additional bookings, extending the length of events, and attracting larger shows and increased attendance. He said this would help close the gap in the amount of assistance needed from the Town. He reported pledges of over \$160K in private donations from customers toward the \$500K cost to build the arena. Additionally, HPEC has commitments for future multiple day bookings (equestrian and non-equestrian) if a second arena is built.

Resident Jill Starkey, owner of Starkey Stables in Queen Creek, spoke in favor of HPEC and the proposed covered arena. She relocated her events to HPEC from Buckeye and holds 25 events annually with over 250 riders and she would like to do more three-day events at HPEC. Ms. Starkey also runs a pole-vaulting club that will use the covered arena for events and future expansion will include track and field and family fitness.

Terry Randall, Board Member of the Arizona Cutting Horse Association, spoke in favor of HPEC and the proposed covered arena. His group is nationwide and relocated to HPEC from the Buckeye facility. He commented that Queen Creek has developed an impressive reputation across the country. Mr. Randall discussed attendance and revenue growth for his shows at HPEC and the advantages of a second covered arena. Mr. Randall said the request he hears most often is for another covered arena and a hotel in the area. His association is pledging an \$80,000 donation for the covered arena.

The committee continued the remaining departmental budget items and the capital funds to the April 26, 2018 meeting.

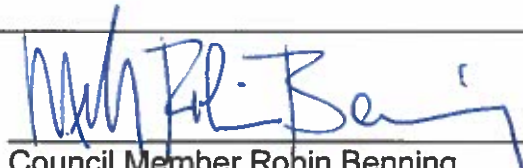
3. Non-profit funding requests
To be discussed at the April 26, 2018 meeting.

3. Announcements

4. Adjournment

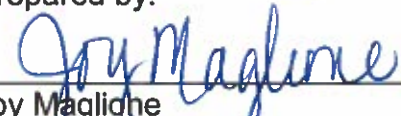
Meeting adjourned at 11:31 a.m.

TOWN OF QUEEN CREEK



Council Member Robin Benning
Budget Committee Chair

Prepared by:



Joy Maglione
Town Clerk Assistant

PASSED AND APPROVED ON: April 4, 2019