



MINUTES

Budget Committee

20727 E. Civic Parkway, Queen Creek, AZ

Community Chambers

April 4, 2019

3:00 p.m.

1. Call to Order and Roll Call

Chair Julia Wheatley called the meeting to order at 3:00 p.m. The following people attended:

Committee Members: Council Member Julia Wheatley, Vice Mayor Robin Benning, Council Member Jake Hoffman (arrived 3:10 p.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 25 and April 26, 2018 Budget Committee minutes

Motion to approve the April 25 and April 26, 2018 minutes as presented.

RESULT: Approved 2-0

MOVER: Benning

SECOND: Wheatley

AYES: Benning, Wheatley

ABSENT: Hoffman

B. Discussion and possible approval of the Queen Creek FY 2019/20 Town Manager's Recommended Budget

1. FY 2019/20 budget overview and long-range financial projection

Town Manager John Kross outlined the meeting agenda and gave an overview of the budget process. He summarized the economic overview and trends on the national, state and local levels regarding growth industries, employment and population.

Mr. Kross reviewed Queen Creek population projections; residential and non-residential activity; areas in town where growth may occur; new housing starts and current available inventory. He said the projections are healthy for both residential and non-residential activity in Queen Creek. Mr. Kross summarized staffing recommendations for the new fiscal year and reported eight new positions.

Council asked how many residential lots are available in Queen Creek at this time. Community Development Director Brett Burningham responded that approximately thirteen to fourteen thousand lots are available.

Mr. Kross addressed key policies that are currently in place including (1) the Town's proactive approach to unfunded pension liabilities (2) transportation funding from the operating budget (3) annual infrastructure repair/replacement funding and (4) employee compensation.

Mr. Kross said new policies for FY2019-20 include (1) known debt issues and possible new debt issues (2) establish funding for building systems repair and replacement items (such as air conditioners) (3) strategies for utilities in water funds and waste water funds (4) Central Arizona Groundwater Replacement District (CAGRD) assessments and (5) increasing water and wastewater reserves. He said Council will consider a 10% waste water rate reduction in May.

Outstanding policy issues include options for setting the primary property tax amount and updates to the impact and capacity fee amounts. Mr. Kross said the draft impact and capacity fees include a 26% reduction for a single family home.

Mr. Kross concluded with a recommended total budget of \$452.7M. He compared the current budget to the next fiscal year budget reporting a \$102M change, with a major part of new budget expenses on the infrastructure side. Mr. Kross explained the budget structure and different fund sources within the budget, commenting that two thirds of budget funds are restricted on how they can be used.

Finance Director Scott McCarty reviewed the operating budget and reported revenue increases of \$6.7M (11% increase from last year). He said the annexation of Ironwood Crossing had a large impact along with an estimated 20% increase in assessed property value for single family, commercial and non-residential properties.

Mr. McCarty summarized the operating budget expenses highlights:

- New debt placeholder of \$1.25M for Signal Butte and Meridian Road construction
- Created a \$250K annual building repair and replacement fund
- Other notable new expenses included fire pumper truck; required SRP streetlight purchases; AV equipment replacement; fire equipment and MCSO admin fee
- Personnel: Other staffing increases (6 FTE in operating budget)
- Employee compensation (market increase and merit increase)

Mr. McCarty discussed 5-year financial objectives used to plan ahead for future expenses in areas such as public safety due to population growth; future fire and library costs; funding of ASRS reserves and dedicated construction sales tax for capital improvement one-time pay as you go projects.

Mr. McCarty discussed revenue projections and major revenue categories. He said sales tax has increased with more places to shop and more people shopping. He said state shared revenue and property tax increases were largely driven by the Ironwood Crossing annexation.

Mr. McCarty summarized expense projections by category and program and reported a total increase in operating budget of \$6.7M. The largest areas are in transportation, fire and medical, and sheriff services. He discussed trends and noted that CIP trends are hard to predict based on one-time projects. Mr. McCarty reported on the FY2019-20 reserves and said we are projecting to have a \$40M operating fund balance.

Vice Mayor Benning asked if the sales tax receipts included new car sales from the new dealership. Mr. McCarty said the car dealership has been open for a full year and were included in those numbers.

Mr. McCarty gave a brief overview of other major activities as follows:

Water Fund – No rate increases. Significant items include the \$50M for potential water rights purchases and increased staffing and equipment due to growth.

Wastewater Fund - This is self-funded and there will be a 10% rate decrease coming forward to Council in May.

Solid Waste/Recycling Fund - No rate increases anticipated. Service provided costs are increasing due to a 5% increase in contracted costs and 7% increase for new accounts

Town Center Fund – The dedicated 0.25% sales tax in the town center generates approximately \$1M per year. Funds are used to implement the Town Center Plan, maintain town owned buildings and for the Façade Improvement Program

Healthcare Fund – The Town health plan is self-insured which means claims are paid as they occur and healthcare costs for employees must be estimated each year. The objective is to build reserves to offset future premiums, which are based on employees' health.

Non-profit Funding

Assistant Town Manager Bruce Gardner explained the new approach to the selection process for nonprofit funding. A committee of town staff was created to develop guidelines and funding recommendations. The committee recommended that the money be kept within Queen Creek and be used to service Queen Creek residents; try to limit in-kind requests to reduce the workload it creates for staff; and restrict use of funds for personnel uses or for purchase of property. The 2019-20 fund maximum was \$51,380 and that figure is based on a funding policy established in 2014. Mr. Gardner reported that this year, eight agencies requested a total of \$58,201 in funding and the committee is recommending funding of \$27,944. Mr. Gardner said program information and recommended funding amounts for each entity are itemized in the budget binder.

Infrastructure Overview and Contingencies

Mr. McCarty summarized town infrastructure needs which are over half of the budget. He gave a summary of the projects under contract, previously approved projects that will be completed this year and future projects and contingencies. Major areas included:

- Streets - \$122.2M for 38 projects
- Water - \$62M for 81 projects
- Wastewater - \$38.6 M for 39 projects
- Parks and Trails – \$6.1M (includes Sonoqui and QC Wash, design of East Park drainage and layout)
- General Infrastructure - Public safety \$9.9M and other facilities \$1.1M

Mr. McCarty discussed items in the next budget beyond FY19-20 in areas of law enforcement; 10-year transportation plan; Parks Master Plan; Queen Creek Fire District contracts; and a sinking fund for vehicle replacement. Mr. McCarty outlined the budget timeline and upcoming budget action items for May and June Council meetings.

2. FY 2019/20 Town Manager's recommended budget including departmental and capital budgets

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

Town Council, Town Manager, Legal & Town Clerk

Mr. Kross reported on the department budgets for Mayor and Town Council (\$0.4M), Town Manager & Legal Services (\$1.6M) and Town Clerk (\$0.3M) with no major changes in each category.

Finance Department

Mr. McCarty reported a \$4.4M budget for the Finance Department that includes staffing, supplies and services. Expenses include licensing, software and increases in customer credit card fees.

Workforce & Technology

Mr. Bruce Gardner reported a \$4.1M budget for Workforce & Technology, which includes IT, and Human Resources. Budget changes include increase to contractual licensing fees, maintenance of software systems and updates to conference room equipment to replace out of date technologies

Vice Chair Wheatley asked for additional information on equipment needs, the amount of rooms that need updating and asked if some rooms could be done at a later date. Mr. Gardner replied that there are nine conference rooms with three being at end of life and other rooms with different phases of old and new technology. He explained the benefits of having consistency in regards to equipment and technology in each conference room and gave details on cabling expenses, electrical and equipment costs for different rooms. Mr. Gardner said the benefit of doing it all at once is to stay ahead of changing technology and said the updates should last approximately seven to ten years and would result in cost per year savings of approximately \$30-\$40K.

Communications / Marketing & Recreation Services

Director Marnie Schubert reported a \$2.4M budget for Communications/Marketing & Recreation. Some of the updates include a portal for mobile apps for customer service and purchase of a single axle box trailer for special events for transportation and storage purposes.

Economic Development

Director Doreen Cott reported a \$2.8M budget for Economic Development. Changes include the addition of the real estate division to Economic Development department and a replacement vehicle for Horseshoe Park & Equestrian Centre.

Public Works

Director Troy White reported a \$17.3M budget for Public Works. Changes include new staffing for two mechanics for in-house repairs and a new crew leader for Streets to keep up with growth and our proactive maintenance program. Other changes include streetlight purchases and maintenance due to the end of the SRP contract. Other expenses include building maintenance; vehicle and equipment replacement and purchases; and an anticipated increase in the solid waste contract related to growth and cost increases, which will be expiring next fiscal year.

Development Services

Director Brett Burningham reported a \$3.5M budget for Development Services. This department includes Planning, Engineering and Code Enforcement. Changes include one new FTE for an engineering inspector to assist with the high volume of construction activity. Other funding includes engineering plan review consultant services.

Vice Mayor Benning asked for an electronic plan review update since the implementation of Accela. Mr. Burningham highlighted the benefits of the new Accela software and reported positive feedback from developers and staff relating to costs savings for travel time, printing, storage and efficiencies in the review process. Mr. Burningham said that consultants would also be trained on Accela.

Fire/EMS & Public Safety

Assistant to Town Manager, Tracy Corman reported that Maricopa County Sherriff Office (MCSO) hired a consultant firm to review their contract and recommended a 16% administrative fee for full cost recovery. MCSO elected to go with a 3% administrative fee, which equates to the \$240K change in contract amount.

Fire Chief Vance Gray reported on a \$21.3 M budget for Fire, Medical & Public Safety. Changes include the addition of two FTE (Fire Inspector/Investigator and an EMS Specialist); replacement fire truck and equipment; personal protective equipment; and funding for a Fire Resource /Skills Center.

Council Member Hoffman inquired about options for delaying construction of the skill center and using the training facilities at Town of Gilbert's new campus as a short-term option. Chief Gray responded that they currently train at City of Mesa center and said we would be able to use Gilbert's center with an IGA, however the primary use would be for Gilbert Fire personnel. He explained the difference between training centers and skill centers and outlined the quarterly training requirements. Chief Gray said we currently use Mesa's training center but still have to complete 56 hours of training at other locations. He explained that training centers are very busy with their own department needs and availability for us is limited. He said the drive time to Mesa is 88 miles roundtrip and our firefighters are out of service area for that time. Having our own facility would keep us in

service area and we would be able to respond to calls in Queen Creek. Additionally, we have a 45% increase in staff and with more employees that are new, the training needs are greater. Chief Gray explained that the new building would be dual purpose and largely serve our need for added storage and resources, but will also serve as a much-needed training center.

The Committee had additional discussion on the non-growth share of the \$1.1M cost; the importance of training hours; timing of construction; ISO ratings and the insurance benefits for new businesses or residents; and costs and square footage for both the warehouse and skill center portion of the building.

Water

Utilities Director Paul Gardner reported a \$91.9 budget for Water. Mr. Gardner noted expenses for acquisition of water rights, CIP funding, new staffing and the Flexnet smart meter project.

Sewer

Director Paul Gardner reported a \$15.7M budget for Sewer. Mr. Gardner said the focus is on CIP and expansion of the Greenfield Water Reclamation Plant.

Centralized Services

Finance Director McCarty reported a \$14.5 M budget for Centralized Services. Mr. McCarty said this category is a catchall for expenses that do not fit into a specific department. Expenses include CIP funding transfers; debt service; utility bills and contractual items.

The Committee took a five-minute break and returned at 5:10 p.m.

Chair Wheatley opened the meeting up for discussion on the budget and options for recommendations to Town Council.

Motion to recommend to the Town Council for approval, the Town Manager's FY2019/20 Recommended Budget of \$452.7 million.

Discussion:

Council Member Hoffman suggested that for future Budget Committee meetings have an option to move the budget forward to full Council for consideration (rather than make a recommendation of approval as a committee).

Committee members discussed the role of the Budget Committee. Vice Mayor Benning asked whether the committee was required by law to make a recommendation of approval or disapproval to Council. Town Attorney Scott Holcomb responded that the Budget Committee may forward any recommendation to Council. Mr. Holcomb said the purpose of the committee is to provide a recommendation of some sort for Council to decide on as a whole.

MOVER: Benning
SECOND: Wheatley
AYES: Benning, Wheatley
NAYES: Hoffman
RESULT: Approved 2-1

Committee members thanked the staff for their time spent working on the budget process.

3. Announcements

4. Adjournment

Meeting adjourned at 5:21 p.m.

TOWN OF QUEEN CREEK

Council Member Julia Wheatley
Budget Committee Chair

Prepared by:

Joy Maglione
Town Clerk Assistant

PASSED AND APPROVED ON: May 11, 2020