



TO: HONORABLE MAYOR AND TOWN COUNCIL

**FROM: COUNCIL BUDGET COMMITTEE
JOHN KROSS, TOWN MANAGER
SCOTT MCCARTY, FINANCE DIRECTOR**

**RE: CONSIDERATION AND POSSIBLE ACTION ON THE TOWN'S
FY 2020/21 TENTATIVE BUDGET OF \$409.1M AND REQUEST
TO SET THE PUBLIC HEARING FOR JUNE 17, 2020 FOR BOTH
THE FINAL BUDGET AND THE TRUTH-IN-TAXATION PER
REQUIREMENTS UNDER ARIZONA STATE STATUTES**

DATE: JUNE 3, 2020

Council Budget Committee Recommendation:

The Town Council Budget Committee recommended approval of the Town Manager's FY 2020/21 Recommended Budget of \$409.1 million.

Budget Committee Approval:

The Town Council Budget Committee considered the Town Manager's FY 2020/21 Recommended Budget on May 11, 2020, hearing from the Town Manager and Finance Director. By a unanimous vote, the Budget Committee recommended approval of the Town Manager's Recommended Budget of \$409.1 million. The FY2020/21 Budget is now presented for full Council consideration.

Proposed Motion:

Motion to approve the Town's FY 2020/21 Tentative Budget of \$409.1 million and to set the public hearing for both the FY 2020/21 Final Budget and the Truth-in-Taxation hearing requirement for primary property taxes under Arizona State statutes. Such hearings will occur on June 17, 2020 at 6:30 p.m. in the Town Council Chambers.

Relevant Council Goals:



Effective Government



Superior Infrastructure - Capital Improvement Program



Safe Community – Public Safety

Discussion:

The budget is one of the most significant policy documents considered by the Town Council. The FY 2020/21 Tentative Budget is balanced and allocates resources consistent with the needs of a growing community. It was developed in accordance with the Council's strategic priorities identified in the Corporate Strategic Plan.

The budget was also developed in the midst of an unprecedented economic upheaval caused by the COVID-19 pandemic that has dramatically altered the economies of virtually every nation, state, and municipality in the world. It is too early to know the long-term impacts of the pandemic to the economy, but the financial impacts are tied to the severity and duration of the health crisis. In this challenging environment, the Town Manager worked with the Town Council members and department directors to reduce budgeted expenses to match lower revenue estimates, while still maintaining the Town Council's priority goals for public safety and infrastructure.

The Tentative Budget totals \$409.1 million. Consistent with the needs of our growing community and the Council's priorities, the budget includes funding for a new Queen Creek Police Department and new staffing for the Town's fifth fire station. It is estimated that the transition to a new police department will take about 18 months. The budget also includes funding to continue our investments in new streets, fire facilities, water and wastewater infrastructure, and the possible acquisition of water rights to meet our long-term water plans.

The Capital Improvements (CIP) budget totals \$291.2 million and comprises 71% of the budget. A portion of the CIP budget continues the Town's 10-year roads program, and includes \$20 million for roadways outside of Town boundaries that connect to the future SR24. The CIP budget also includes funding for new fire facilities, parks and trails, water and wastewater infrastructure, and \$60 million for water rights.

GUIDING PRINCIPLES AND KEY ISSUES

The following guiding principles and key issues shaped the FY 2020/21 budget:

- **Prioritization of Resources.** The budget uses the Corporate Strategic Plan to prioritize its allocation of resources. Guidance to the organization is found within our strategic priorities adopted by the Town Council as follows:
 - Effective Government;
 - Safe Community;
 - Secure Future;
 - Superior Infrastructure; and
 - Quality Lifestyle.
- **Protect Existing Service Levels.** Despite the economic downturn, the budget was developed to maintain existing service levels, with no reductions to staff or services recommended except where those service levels were directly tied to revenue-generating activities, such as recreation classes and HPEC events.
- **Public Safety and Transportation.** The budget continues investments in these critical areas to ensure we are providing appropriate levels of service

to our current residents as well as those who will live, work, and shop here in the future.

- Maintain a Balanced Five-Year Operating Budget. We expect the economic fallout from the COVID-19 pandemic to extend beyond the current fiscal year. This requires us to re-balance the five-year plan for the Operating Budget. This will take several months to complete and therefore a revised five-year plan is not included in the Tentative Budget at this time.

BUDGET HIGHLIGHTS

Following are the highlights of the FY 2020/21 Tentative Budget:

- Police Services. Following the Town Council's direction, the budget includes funding to create a Queen Creek Police Department. \$2.8M has been allocated to hire a police chief and command staff, and to acquire the necessary software, hardware, equipment and fleet vehicles in anticipation of bringing on the new department in FY 2021/22. Also, the Budget includes four additional positions in information technology and fleet services to assist the new police department with initial start-up activities. As discussed at the May 20th Town Council meeting, approximately \$4.5 million of spending authority for additional police start-up costs is included in a separate contingency fund where it can be accessed as needed, with Council approval.
- Fire/EMS Staffing. With a permanent Fire Station #5 expected to be built and operational by summer 2021, the budget includes funding for 15 new firefighters to staff this facility in the southeast section of the Town.
- Comprehensive Capital Improvement Plan (CIP). As a growing community, the need for new infrastructure for transportation, water, and wastewater is a priority. Resources are budgeted to build such infrastructure as well as continue planning for future infrastructure needs. Contingency allocations have been included to ensure we have the authority to meet the dynamic environment's infrastructure needs. The FY 2020/21 budget acknowledges the critical nexus infrastructure plays in increasing opportunities for private sector investment within the community, particularly as it relates to the opening of the new State Route 24 freeway in middle-to-late 2022, the Town's first freeway frontage/access.
- Acquisition of Water Rights. Ensuring the Town has adequate water resources is a top priority of the Town Council. As a result, \$60 million is included in the budget for the potential acquisition of additional water rights and groundwater extinguishment credits.
- Staffing and Employee Compensation. In light of the economic conditions caused by the COVID-19 pandemic, the budget does not include any new positions (except for public safety as described above), and all currently vacant positions are being held open indefinitely. Moreover, in an effort to preserve levels of service, the budget does not include any funding for market/step or merit increases for current employees.
- Healthcare Costs. The Town has a very active wellness program, which is a positive factor that has helped manage healthcare costs for both the Town and our employees. Our major medical provider has once again issued a

rate pass for the upcoming year and hence, the budget includes no increases in medical premiums for either the employer or employees

TENTATIVE BUDGET

The purpose of the Tentative Budget is to establish the maximum budget, or budget ceiling, for the next fiscal year. Approving the Tentative Budget is the required first step by state law. Once the Tentative Budget is approved, the Final Budget can go no higher; however, the Final Budget can be reduced or re-allocated between programs and/or funds.

As part of approving the Tentative Budget, the Town Council also approves the time and place for conducting the public hearing on the Town's Final Budget. The public hearing and final action on the Town's FY 2020/21 Final Budget is scheduled for the Town Council meeting on June 17, 2020. In addition, the Town Council will conduct a public hearing that evening on the Truth-in-Taxation requirement for primary property taxes. This item is discussed later in this report.

Adoption of the Final Budget on June 17, 2020 is predicated on the Town Council approving the Tentative Budget on June 3, 2020. The legal posting requirements to adopt the Final Budget on this timeline must begin by June 4th with submittal of the required newspaper budget advertisement.

PRIMARY PROPERTY TAXES (TRUTH IN TAXATION REQUIREMENTS)

For FY 2020/21, primary property taxes are estimated to be \$10.4 million. The primary property tax is dedicated to fund Public Safety, and funds about 41% of the Public Safety Budget of \$25.3M. The public safety budget includes the Queen Creek Fire and Medical Department and Law Enforcement Services via contract with the Maricopa County Sheriff's Office, as well as first-year start-up costs of the Queen Creek Police Department.

The Tentative Budget includes a \$1.95 primary property tax levy rate. However, even though the tax rate remains unchanged at \$1.95 per \$100 of assessed value, the appreciation of property values (exclusive of the increase from new construction) results in more revenue and triggers the "Truth in Taxation" requirements in State law. As a result, the Town is required to publish a prescribed notice and have a public hearing in anticipation of the Town Council accepting the increase in revenues. As indicated, the Town Council will be conducting a public hearing on these requirements as part of the June 17th Council meeting. Required notices are scheduled for publication to meet this deadline.

Fiscal Impact:

The Tentative Budget for FY 2020/21 totals \$409.1 million. The required Auditor General Schedules, which provide all the allocations by fund, are included as an Attachment to this staff report.

Alternatives:

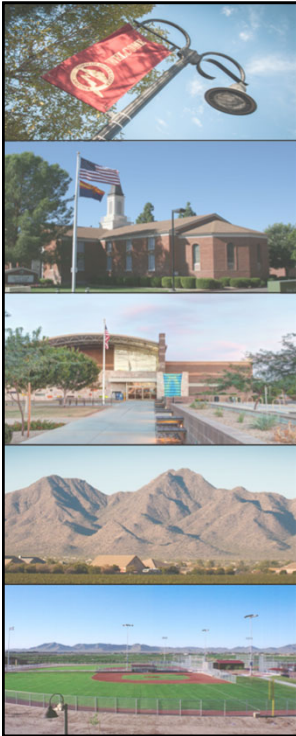
The Town Council can modify the Tentative Budget in any manner prior to adoption. The Council could delay adoption of the Tentative Budget until the next Council meeting on June 17, which would delay adoption of the Final Budget until

July 15 and move the Truth-in-Taxation hearing for property taxes to August 5th. The Town would also be required to re-publish the Truth-in-Taxation notices in the newspaper.

The Town Council could also meet on July 1 to adopt the Final Budget, which would move the Truth-in-Taxation hearing to July 17. However, the Council is currently not scheduled to meet on July 1.

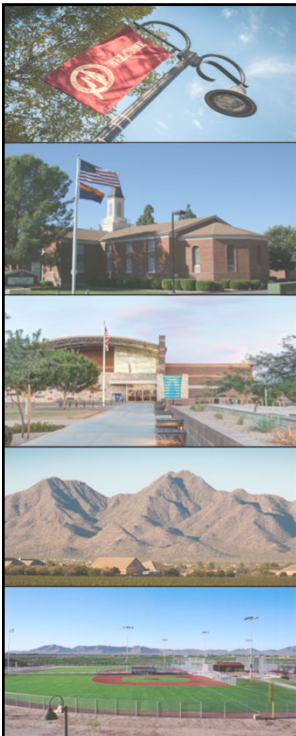
Attachments:

1. Presentation entitled "FY 2020/21 Tentative Budget Adoption"
2. Required State Budget Forms (Schedules A-G)
3. FY 20-21 Budget Committee Follow-Up Memo
4. Ordinance 730-20 Reserves, Pensions and Debt Funding
5. 2020 Council Strategic Planning Session Follow-Up: QC Accomplishments Memo and Presentation



FY 2020-21 TENTATIVE BUDGET ADOPTION

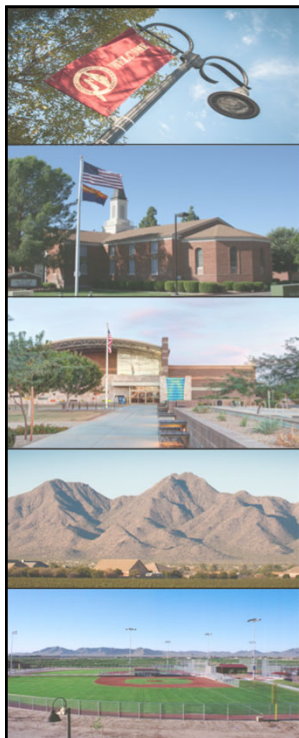
Town Council Meeting
June 3, 2020



Purpose of Presentation

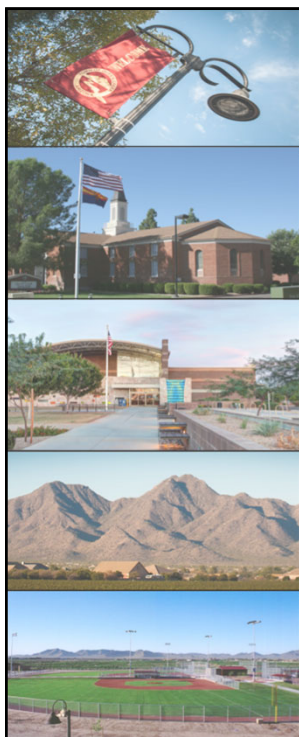
FY 2020-21 Budget Overview

- Economic Overview
- Growth Projections
- Total Budget
- Operating Budget
- Other Major Budgets
- Infrastructure Budgets
- Debt Budgets
- Contingencies
- Policy Issues
- Budget Adoption Calendar



ECONOMIC OVERVIEW

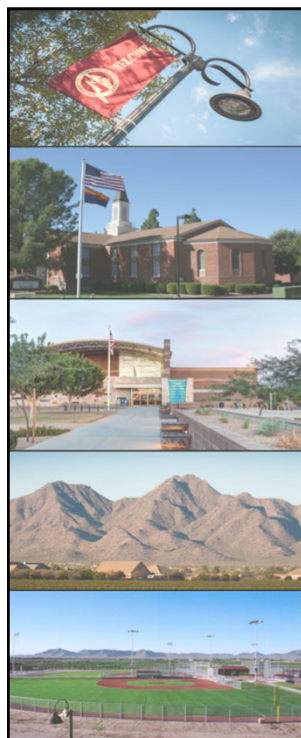
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Today's Thoughts

- Financial Impacts are Tied to Severity and Duration of the COVID-19
 - Unemployment
 - Consumer Confidence
- Type of Recovery Unknown
 - Short (“V”)
 - Medium (“U”)
 - Long (“Nike Swoosh”)

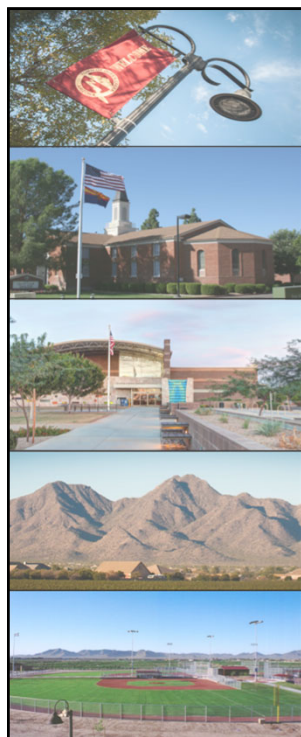
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Today's Thoughts (concluded)

- Impacts Will Vary by Sector
 - Retail, Food Services, Entertainment, Tourism
- Federal Stimulus Matters
- “Look Past It” for Long-Term Decisions

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State Financial Perspective

- Environment is highly unpredictable
- Pandemic will have implications until at least through end of FY 20-21
- JLBC reports FY21 shortfall to be \$1.1B but could vary by \$500mM – in either direction
- Will revisit in June

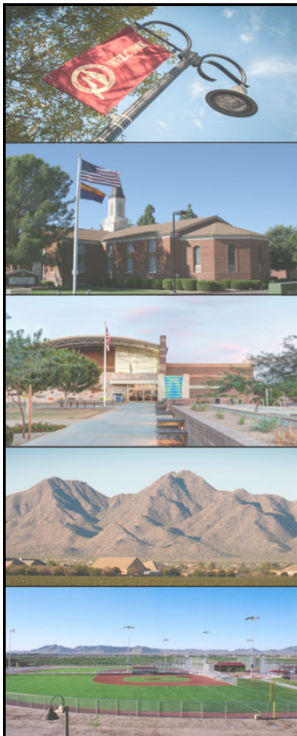
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QC's Guiding Principles

1. \$16.7M 6/30/19 Reserves Will Not Be Used to Mitigate Revenue Reductions
 - Preserve for Use Later if Situation Warrants
2. Public Safety and Transportation Remains a Town Council Priority
 - Create a Police Department
 - Build Infrastructure per Fire Master Plan
 - Continue with 10-Year Transportation Plan

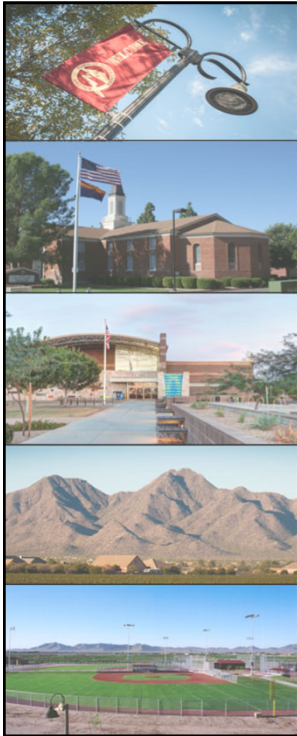
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QC's Guiding Principles (continued)

3. Maintain Existing Essential Service Levels
4. Identify Expense Reductions that Directly Correlate to Revenue Reductions
5. Re-Balance the 5-Year Operating Budget Plan

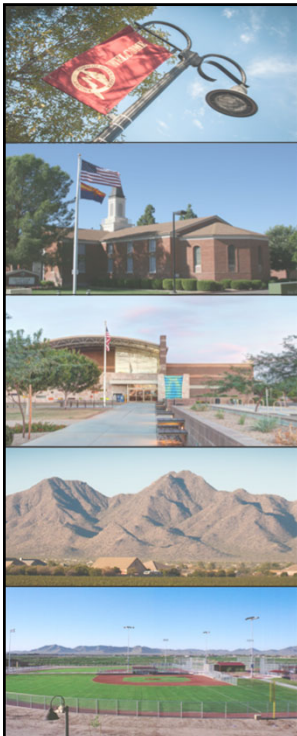
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QC's Guiding Principles (concluded)

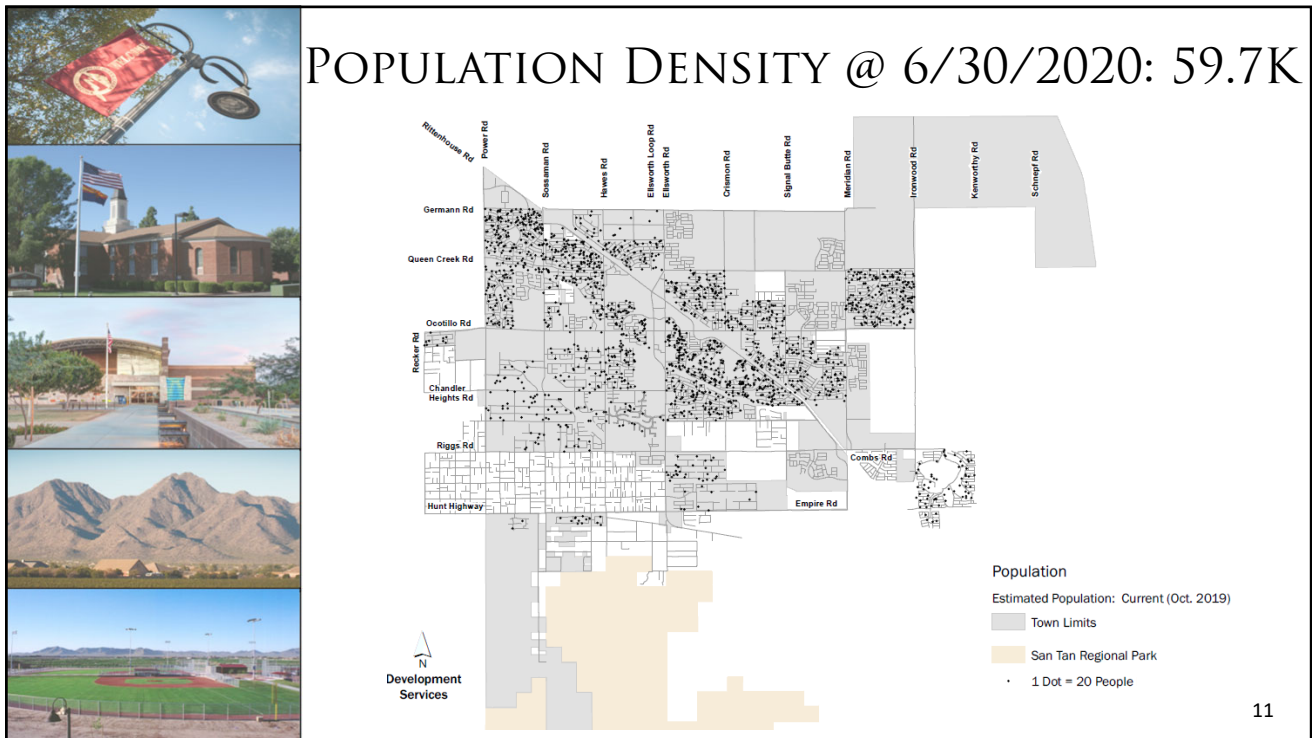
6. Develop Multiple Scenarios to Provide Town Council Options to Make Adjustments As Needed
7. Process Matters !!!
 - Monitor
 - Report Timely
 - Discuss
 - Reconcile Actual Results to Expected Results

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GROWTH PROJECTIONS / FTE SUMMARY

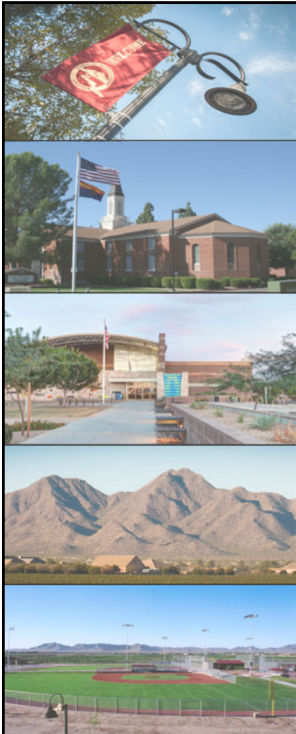
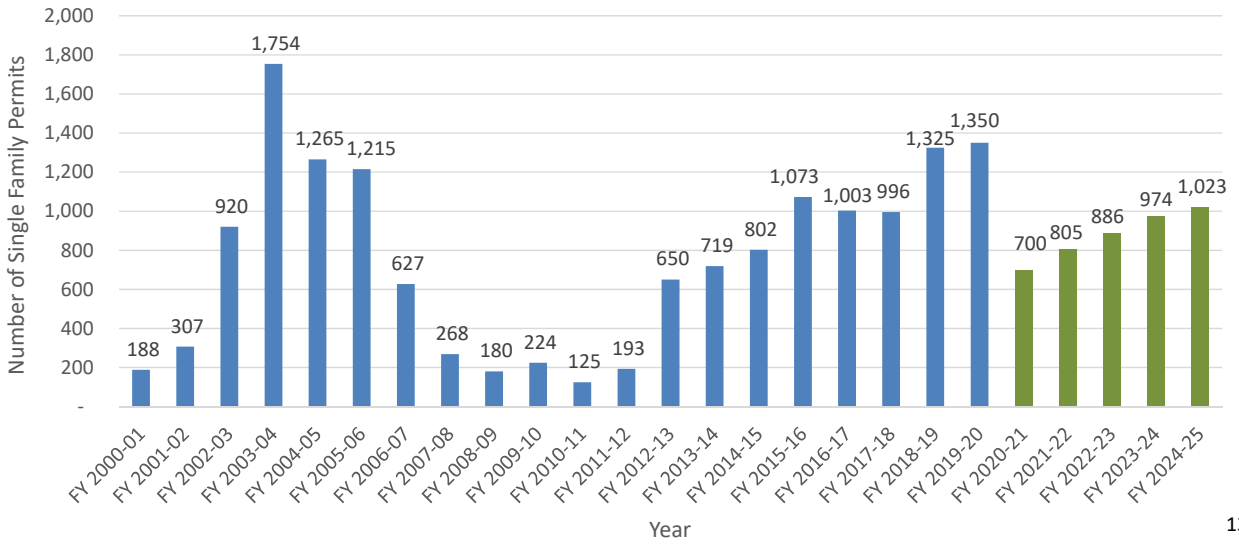
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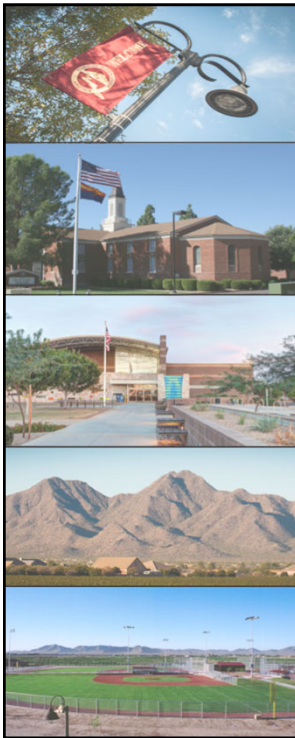
SINGLE FAMILY RESIDENTIAL: FY 20-21

- New Single Family building permits: 700
 - Basis for building revenue estimates
- Home closings: 665
 - Basis for construction sales tax revenue estimate
 - Includes assumption for canceled closings

NEW HOUSING STARTS



TOTAL BUDGET



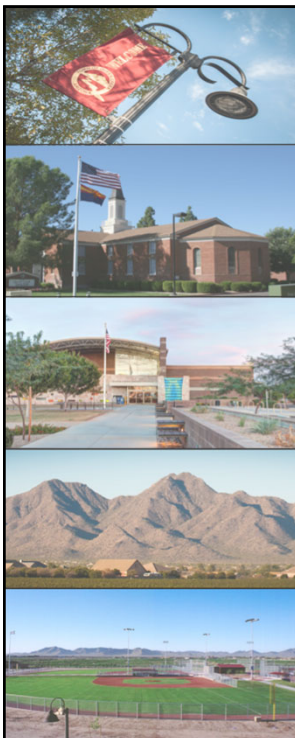
FY20-21 TENTATIVE BUDGET

(IN MILLIONS)

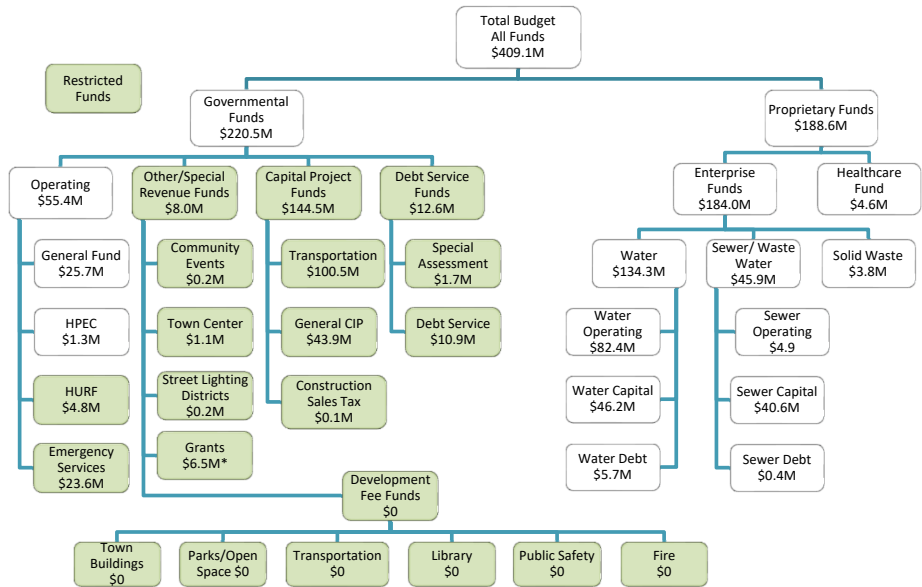
	FY 19/20 Revised	FY 20/21 Tentative	\$ Change	% Change
Total Expenses	\$452.7	\$409.1	-\$43.6	-10%

	FY 19/20 Revised	FY 20/21 Tentative	\$ Change	% Change
Revenues	\$331.5	\$288.1*	-\$43.4	-13%
Use of Fund Balance	\$121.2	\$121.0		
Total Sources	\$452.7	\$409.1		

*Bond Proceeds of \$150M are included in FY 20/21 Revenues (\$60M for new water rights, \$90M for water and wastewater CIP projects).



BUDGET/FUND STRUCTURE : \$409.1M



* Includes Police Services Reserve of \$4.5M

BUDGET SUMMARY AND COMPARISON*

	FY 2019/20 Revised	FY 2020/21 Tentative	\$ Change from FY19/20
Operating Budget	\$56.3	\$55.4	(\$0.9)
Enterprise/Utilities	<u>\$30.1</u>	<u>\$31.1</u>	<u>\$1.0</u>
Subtotal Operating	\$86.4	\$86.5	\$0.1
Transportation Infrastructure	\$120.3	\$100.5	(\$19.8)
Water Infrastructure	\$62.0	\$46.2	(\$15.8)
Wastewater Infrastructure	\$38.6	\$40.6	\$2.0
Water Rights	\$50.0	\$60.0	\$10.0
All Other Infrastructure	<u>\$17.2</u>	<u>\$43.9</u>	<u>\$26.7</u>
Subtotal - Infrastructure	\$288.1	\$291.2	\$3.1
Debt	\$70.4	\$18.8	(\$51.6)
All Other Funds	<u>\$7.8</u>	<u>\$12.6</u>	<u>\$4.8</u>
Total Budget	\$452.7	\$409.1	(\$43.6)

*Excludes Transfers

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FY 20-21 NEW POSITIONS: 23

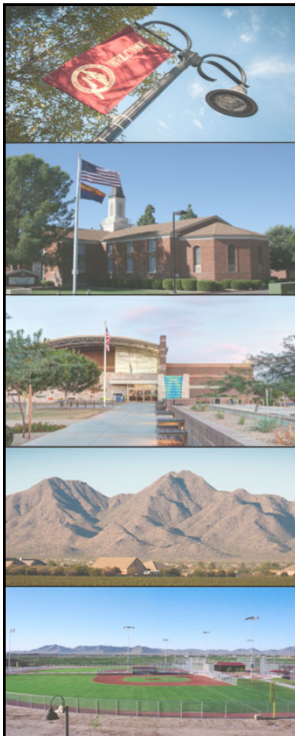
- Fire Station #5 Staffing: 15 Positions
- Police Department: 8 Positions
 - 4 Police Positions (1 Chief, 2 Lieutenants, 1 Admin. Assistant)
 - 4 Support Positions (3 IT, 1 Fleet)
- Vacant Positions Not Being Filled: 9
 - Fire: 2
 - Finance: 3
 - Recreation: 1
 - Water: 3

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FTE HISTORICAL SUMMARY

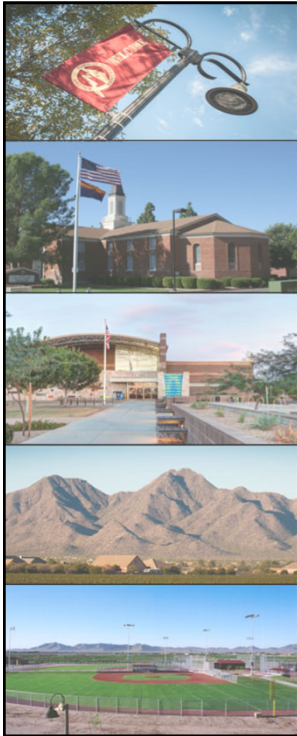
Department	FY 2015/16 Actual	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Revised	FY 2020/21 Tentative
Mayor & Town Council	7.00	7.00	7.00	7.00	7.00	7.00
Town Manager, Clerk, Legislative & Legal Services	7.00	8.00	8.00	8.00	8.00	8.00
Finance	11.98	17.98	22.18	30.48	32.48	32.48
Workforce & Technology	11.00	12.00	12.00	14.00	15.00	18.00
Communications, Marketing & Recreation Services	13.71	16.71	16.71	22.06	23.06	23.06
Economic Development	12.00	12.00	12.00	12.00	12.00	12.00
Development Services	26.48	25.48	25.50	25.50	26.50	26.50
Public Works	50.36	50.86	56.93	69.43	72.43	73.43
Solid Waste	4.00	4.00	4.00	4.00	4.00	4.00
Utilities	44.00	39.00	41.00	50.00	56.00	56.00
Fire & Medical	36.00	51.00	51.00	63.00	65.00	80.00
Police	-	-	-	-	-	<u>4.00</u>
Total Full Time Equivalents	223.53	243.03	256.32	305.47	321.47	344.47
# Change from Prior Year	7.98	19.5	13.29	49.15	16.0	23.00
% Change from Prior Year	4%	9%	5%	19%	5%	7%
Population Growth	6%	11%	21%	8%	13%	8%

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OPERATING BUDGET

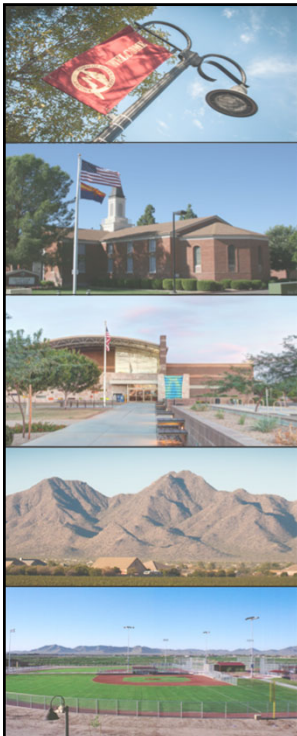
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5-YEAR PLANNING GOALS

1. Create QC Police Department
2. Staff a 5th Fire Station
3. New Library Operating Costs
4. Fully Fund ASRS Pension Reserves
5. No Tax Rate Increases
6. Address Financial Impacts of COVID-19

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BUDGET PARAMETERS

- Maintain Existing Service Levels
- No Increased Service Levels
- No New Services or Programs

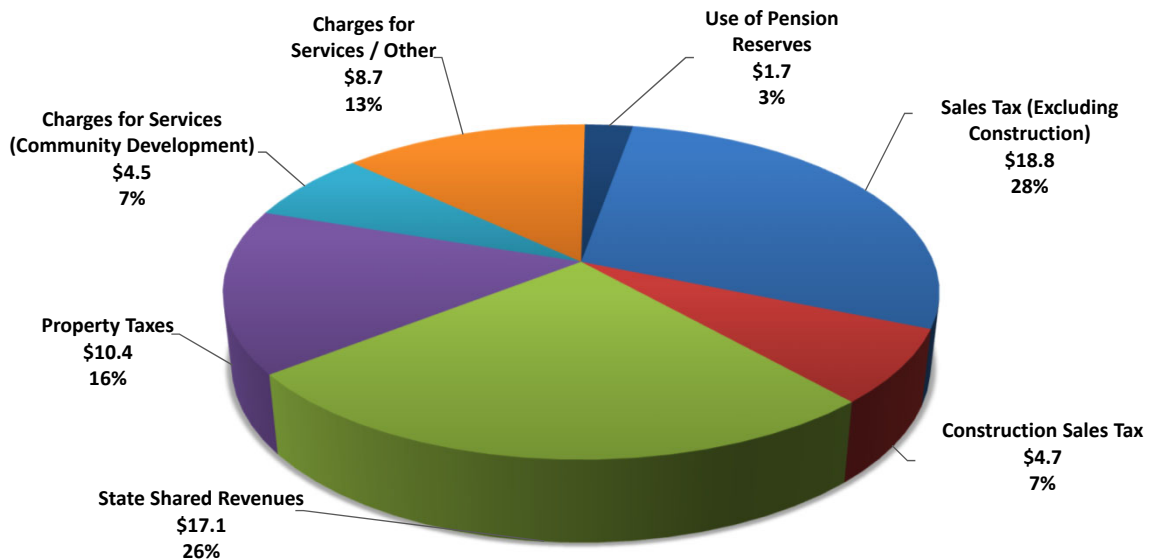
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OPERATING BUDGET REVENUE / SOURCES PROJECTIONS

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FY 20-21 OPERATING REVENUES / SOURCES \$65.9M



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REVENUE / SOURCES SUMMARY

	FY 19-20 Revised Budget	FY 20-21 Tentative	\$ Change	% Change
Sales Tax	\$24.8	\$18.8	(\$6.0)	(24%)
Construction Sales Tax	\$8.9	\$4.7	(\$4.2)	(47%)
State Shared Revenue	\$14.8	\$17.1	\$2.3	16%
Property Tax	\$8.3	\$10.4	\$2.1	25%
Charges for Services	\$6.2	\$5.7	(\$0.5)	(8%)
Building Revenues	\$6.1	\$4.5	(\$1.6)	(26%)
Utility ROI for Public Safety	\$2.8	\$3.0	\$0.2	7%
Subtotal	<u>\$71.9</u>	<u>\$64.2</u>	<u>(\$7.7)</u>	<u>(11%)</u>
Use of Pension Reserves (MCSO)	\$1.7	\$1.7	\$ -	- %
Total Revenue	\$73.6	\$65.9	(\$7.7)	(10%)

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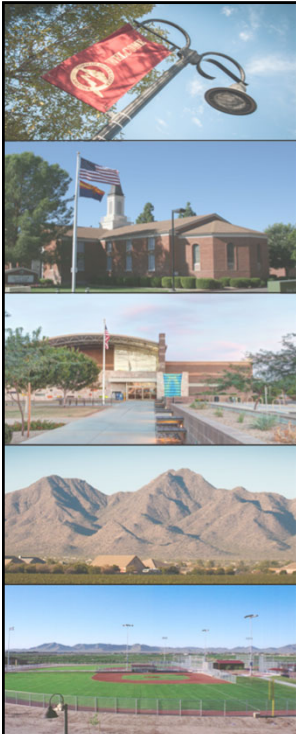
SALES TAX BREAKOUT

	FY 19-20 Revised Budget	FY 20-21 Tentative	\$ Change	% Change
Construction Sales Tax	\$8.9	\$4.7	(\$4.2)	(47%)
Retail	\$16.0	\$12.0	(\$4.0)	(25%)
Restaurants / Bars	\$3.6	\$1.8	(\$1.8)	(50%)
Communications / Utilities	\$1.8	\$1.8	(\$0)	- %
Real Estate, Rental, & Leasing	\$1.9	\$1.9	(\$0)	- %
All Other	<u>\$1.5</u>	<u>\$1.3</u>	<u>(\$0.2)</u>	<u>(13%)</u>
Total Sales Tax	\$33.7	\$23.5	(\$10.2)	(30%)

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STATE SHARED REVENUES

	FY 19-20 Revised Budget	FY 20-21 Tentative	\$ Change	% Change
State Sales Tax	\$4.4	\$5.0	\$0.6	14%
Income Tax	\$5.5	\$7.2	\$1.7	31%
Vehicle License Tax	\$1.9	\$2.2	\$0.3	16%
HURF	<u>\$3.0</u>	<u>\$2.7</u>	<u>(\$0.3)</u>	<u>(10%)</u>
Total State Shared Revenue	\$14.8	\$17.1	\$2.3	16%

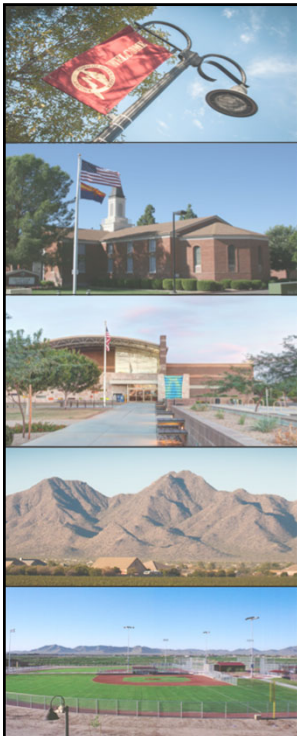


OPERATING BUDGET EXPENSE PROJECTIONS



EXPENSE SUMMARY

- Create QC Police Department (\$2.8M)
 - \$0.8M For Administration Staff
 - \$1.9M for Start-Up Capital (additional \$4.5M held in Contingency)
 - \$0.1M for IT and Fleet Support Staff
- Increase Fire Staffing (\$1.6M)
 - 15 New Firefighters for Station #5
- \$1.7M Debt Service for Non-Growth Share of Infrastructure
 - \$1.3M for Transportation
 - \$0.4M for Fire

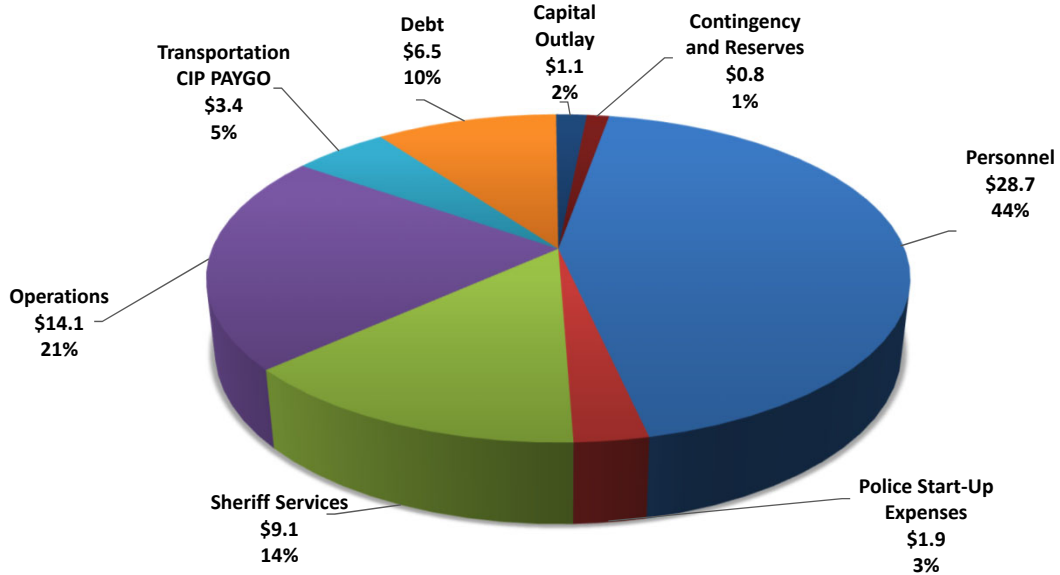


EXPENSE SUMMARY

(CONCLUDED)

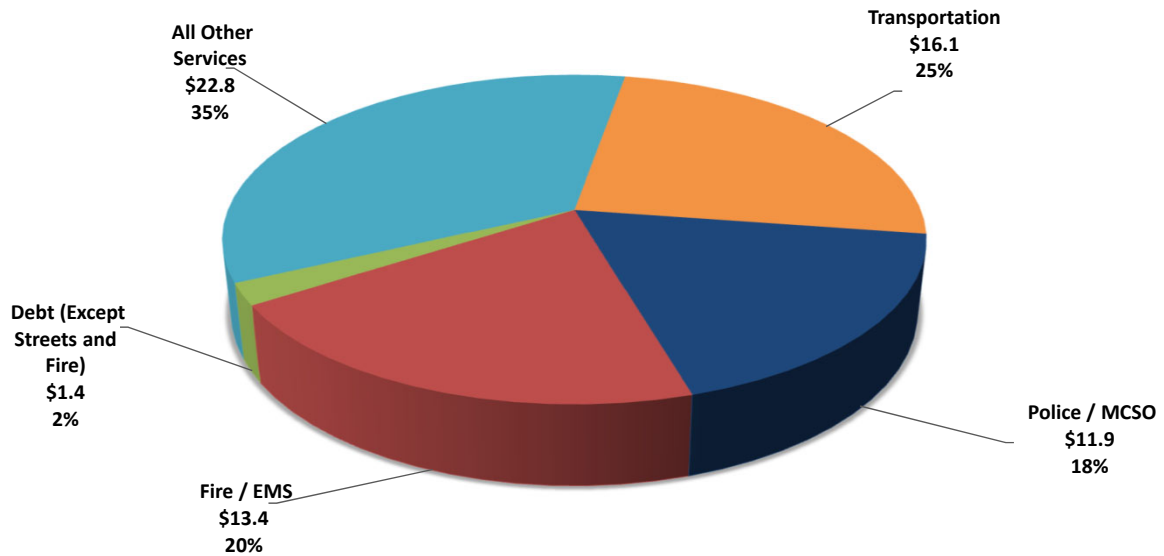
- Other Highlights
 - No New, Non-Public Safety Personnel
 - No Employee Market Increase
 - No Employee Merit / Step Program
 - Travel Eliminated
 - R&R Programs Reduced or Suspended
 - Outside Agency Funding Reduced
 - Visit Mesa reduced 50% to \$18,000
 - Performing Arts Center reduced 50% to \$67,500
 - Boys and Girls Club reduced 100% to \$0
 - Nonprofit in-kind support only, no cash awards

FY 20-21 OPERATING EXPENSES / USES \$65.6M BY CATEGORY



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FY 20-21 OPERATING EXPENSES / USES \$65.6M BY PROGRAM



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EXPENSE SUMMARY

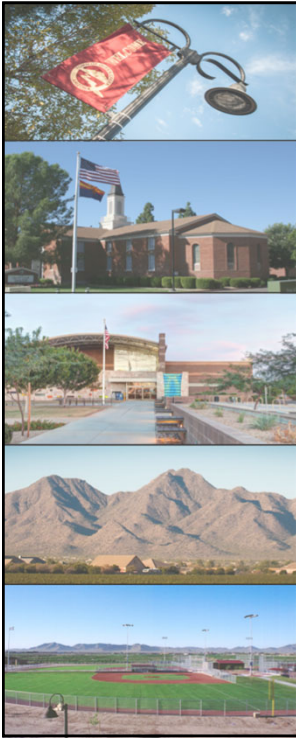
	FY 19-20 Revised Budget	FY 20-21 Preliminary	\$ Change	% Change
Personnel	\$26.2	\$28.7	\$2.5	+10%
Operating	\$18.0	\$14.1	(\$3.9)	(22%)
Sheriff Services (MCSO)	\$8.4	\$9.1	\$0.7	+8%
Police Start-Up	\$ -	\$1.9	\$1.9	- %
Capital Outlay	\$3.7	\$1.1	(\$2.6)	(70%)
Contingency	\$ -	\$0.5	\$0.5	- %
Subtotal Expense	\$56.3	\$55.4	(\$0.9)	(2%)
Debt	\$4.8	\$6.5	\$1.7	+35%
CIP PAYGO Funding	\$7.4	\$3.4	(\$4.0)	(54%)
25% Reserve Requirement	\$ -	\$0.3	\$0.3	- %
Total Expenses / Uses	\$68.5	\$65.6	(\$2.9)	(4%)

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IMPORTANT OPERATING EXPENSES NET CHANGE FROM FY 19-20 = (\$2.9M)

Item	
Police Department – Personnel + Start-up Costs + Non-PD Support FTE	\$2.8M
Debt Service – New 2020 Transportation & Fire Issue	\$1.7M
Fire Station #5 Staffing	\$1.6M
MCSO Contract Increase	\$0.7M
Fueling Station – Town Center	\$0.5M
Traffic Studies and Software	\$0.2M
Subtotal	\$7.5M
Contingency + 25% Reserve Requirement	\$0.8M
CIP PAYGO Funding	(\$4.0M)
Reductions to Capital Budgets	(\$3.1M)
Reductions to Operating Budgets	(\$3.0M)
Transportation Development Agreements (ended in FY2019-20)	(\$1.1M)
Total	(\$2.9M)

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OPERATING BUDGET RESERVES

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FY 2020-21 ENDING RESERVES

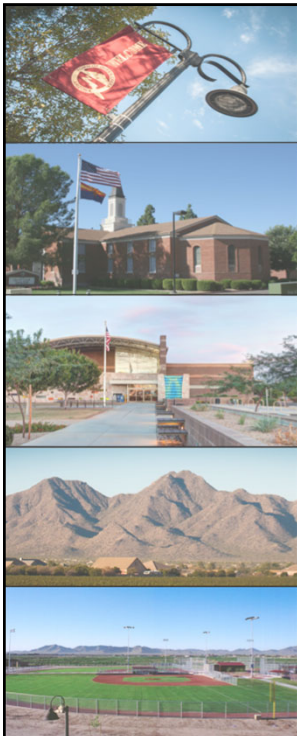
	FY 2020-21 Estimates	
Revenues / Sources	\$65.9	
Uses	(\$65.6)	
ASRS Pension Funding per Policy	<u>(\$0.3)</u>	
Net FY 20-21	<u>\$0</u>	
Ending Fund Balance		\$42.5
Restrictions:		
25% Revenue Reserve Requirement	\$17.0	
MSCO Pension Liability Reserve	\$18.6	
ASRS Pension Liability Reserve	<u>\$ 6.9</u>	
Total Restrictions		<u>\$42.5</u>

36



OTHER MAJOR BUDGETS

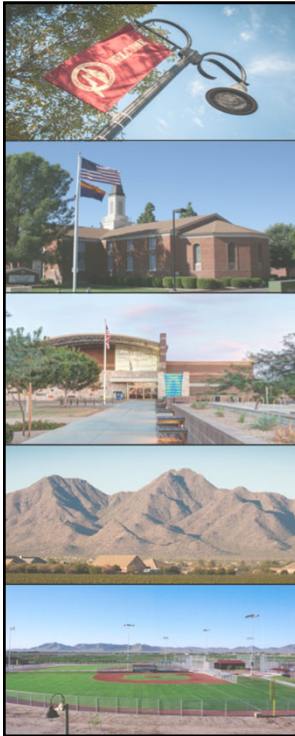
37



STREETLIGHT IMPROVEMENT DISTRICTS

- Property Tax Assessments: \$56K
 - Reduced by \$500K Because Town Now Owns and Maintains Streetlights
- Number of SLIDs: 101 (9 with a Levy)
- Number of Parcels: 15,000 (1,197 with a Levy)

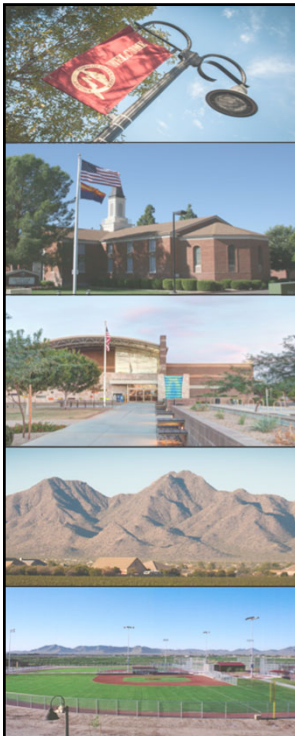
38



WATER FUND (SELF-FUNDED)

- \$60M Placeholder for Potential Water Rights Purchases
- \$50M Interim Financing for CIP Projects
- Operational Increases Due to System Growth and Increased Water Wheeling / Pumping
 - \$0.5M Additional Surface Water Orders
 - \$0.3M Well Site Electricity
 - \$0.3M New / Replacement Meters
 - \$0.3M Pumping Reclaimed Water for Recharge
- No Rate Increase but Rate Study Underway

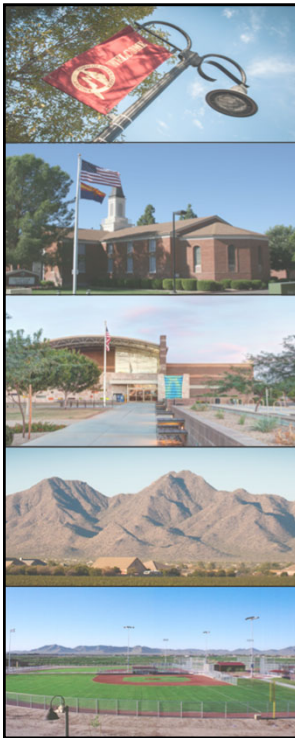
39



WASTEWATER FUND (SELF-FUNDED)

- \$40M Interim Financing for CIP
- Operational Increases due to Vehicle Replacements and GWRP O&M
 - \$0.5M Vac & Heavy Truck Replacement
 - \$0.3M GWRP O&M
- No Rate Increase but Study Underway
 - Residential Rate Cap

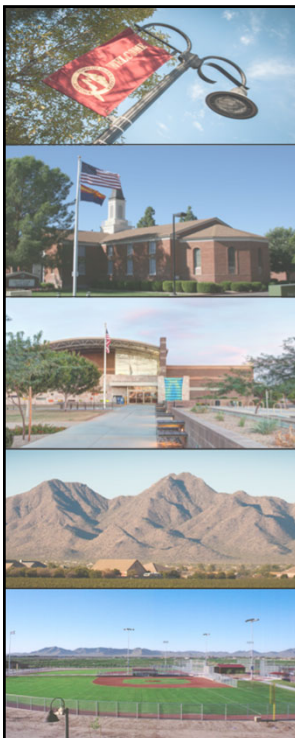
40



SOLID WASTE/RECYCLING FUND (SELF-FUNDED)

- Service Provider Costs increasing 32% due to Account Growth (\$638K)
- Revenue from New Accounts Will Cover Increased Costs
 - Encanterra: 1,800 Households
- Contract Renewed through 2027
 - Followed by Option to Renew for 3 Years
- No Rate Increase in FY 20-21

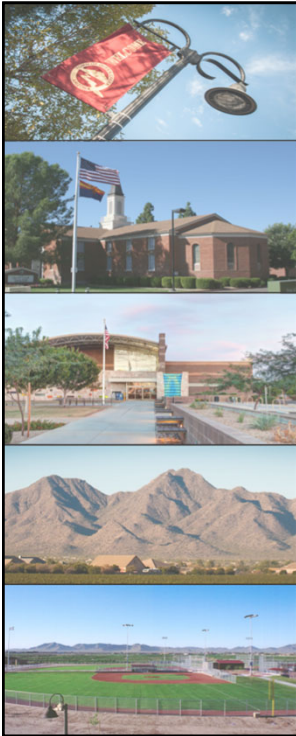
41



TOWN CENTER FUND

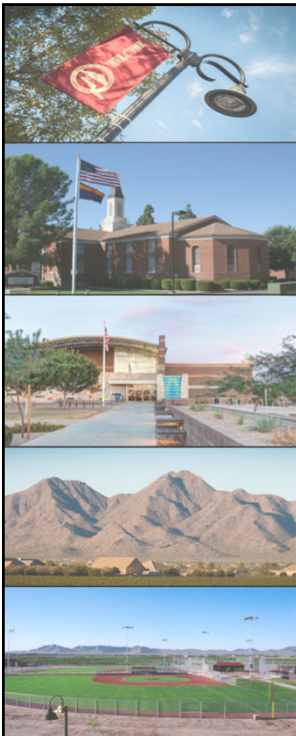
- Dedicated 0.25% Sales Tax: \$0.7M
- Implement Town Center Master Plan
 - Drainage Improvements
 - Transportation and Utilities Infrastructure (Budgeted Separately in Those Funds)

42



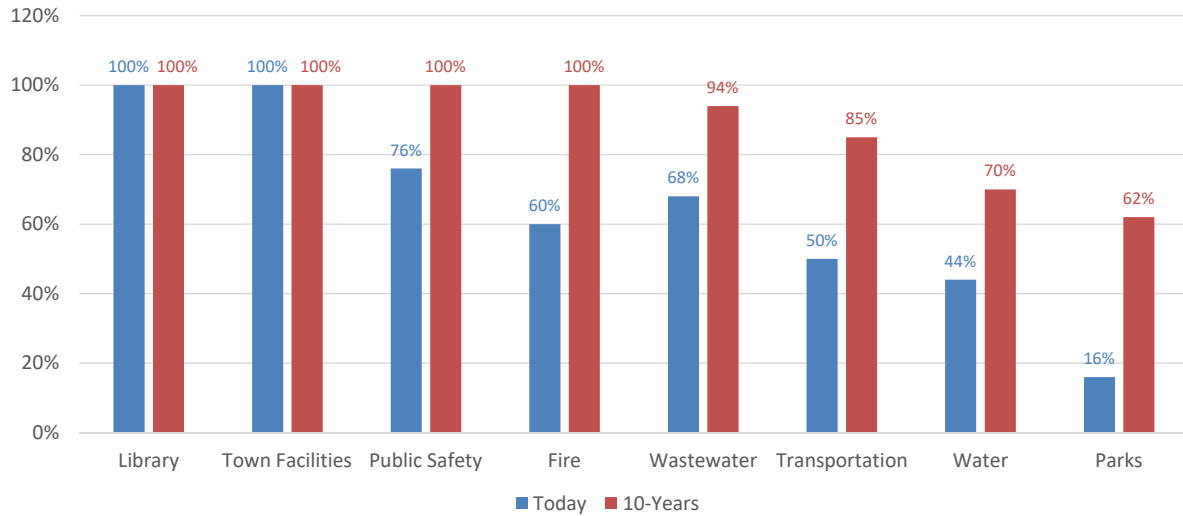
HEALTHCARE FUND

- Self-Funded
- Revenues: \$4.6M
 - No Change to Employer Premiums
 - No Change to Employee Premiums
- Healthcare Claims/Costs: \$4.6M
- Objective to build reserves to offset future premium increases



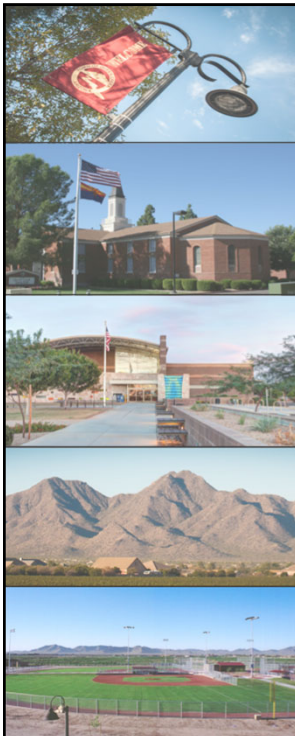
INFRASTRUCTURE BUDGETS

TOWN INFRASTRUCTURE % COMPLETE TODAY VS FUTURE 10-YEARS



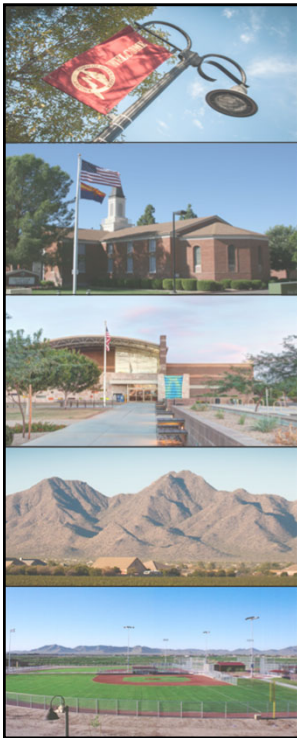
45

INFRASTRUCTURE SUMMARY



	Projects Under Contract	Previously Approved Projects	New Projects	Total FY 20-21 Budget
Transportation	\$23.4	\$13.2	\$58.9	\$95.5
Water	\$8.2	\$22.3	\$13.2	\$43.7
Wastewater	\$10.0	\$19.0	\$9.1	\$38.1
Water Rights	\$ -	\$ -	\$60.0	\$60.0
Fire	\$4.5	\$1.1	\$21.4	\$27.0
Police	\$0.7	\$ -	\$1.8	\$2.5
Parks and Trails	\$1.8	\$0.3	\$9.1	\$11.2
Municipal Facilities	\$0.1	\$0.6	\$ -	\$0.7
Contingencies	\$ -	\$ -	\$12.5	\$12.5
Total Infrastructure	\$48.7	\$56.5	\$186.0	\$291.2

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STREET INFRASTRUCTURE

- Re-Balanced 10-Year Capital Plan
 - Prior IIP Amount: \$195M
 - Total CIP Amount: \$286M (+\$91M)
 - Reasons for the Change
 1. IIP Cost Updates: \$64M
 2. New Projects: \$7M
 3. Outside QC Projects: \$20M

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NEW STREETS FINANCING (CONCLUDED)

Growth (Impact Fee) and Non-Growth (Operating Budget) Allocation

Purpose	Total (Amount / Annual Payment)	Impact Fees (Amount / Annual Payment)	Construction Sales Tax (Amount / Annual Payment)	Operating Budget (Amount / Annual Payment)
Streets – IIP	\$40M / \$2.2M	\$7M / \$0.3M	\$5M / \$0.3M	\$28M / \$1.6M
Streets – New *	\$7M / \$0.4M	\$ - / \$ -	\$ - / \$ -	\$7M / \$0.4M
Streets – Outside Town *	<u>\$20M / \$0.9M</u>	<u>\$ - / \$ -</u>	<u>\$ - / \$ -</u>	<u>\$20M / \$0.9M</u>
Total	\$67M / \$3.5M	\$7M / \$0.3M	\$5M / \$0.3M	\$55M / \$2.9M

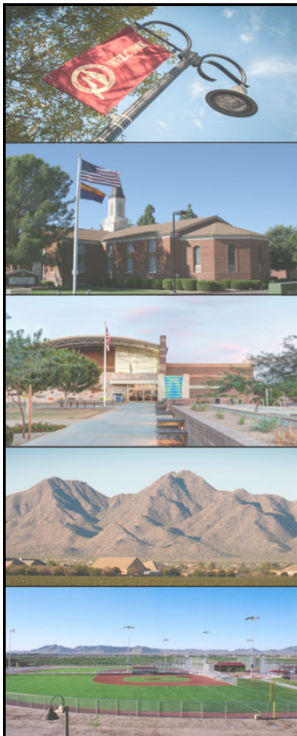
*Projects included in the Towns’ Capital Improvement Plan but not included in the Infrastructure Improvement Plan for Impact Fees

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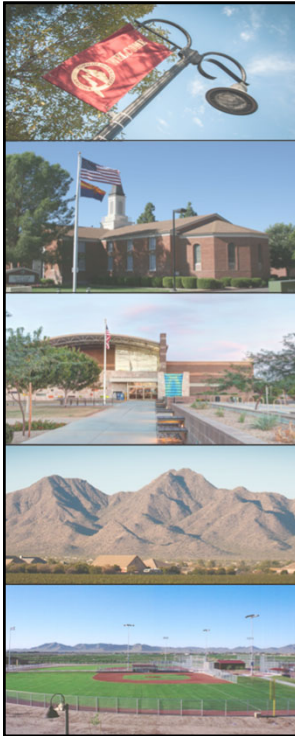
WATER INFRASTRUCTURE

- Re-Balanced 10-Year Capital Plan
 - Prior Amount: \$105.8M
 - New Amount: \$135.7M (+\$29.9M)
 - Reasons for the Change
 1. Costs Increases: \$16.2M
 2. New Projects: \$10.6M
 3. Encanterra Water Exchange Project (from Sewer): \$8.9M
 4. Projects Reduced / Removed from Plan: (\$5.8M)



WASTEWATER INFRASTRUCTURE

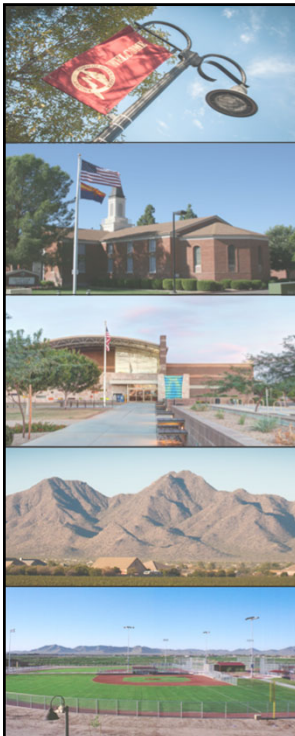
- Re-Balanced 10-Year Capital Plan
 - Prior Amount: \$67.4M
 - New Amount: \$72.5M (+\$5.1M)
 - Reasons for the Change
 1. Costs Increases: \$3.0M
 2. New Projects: \$16.4M
 3. Encanterra Water Exchange Project (to Water): (\$8.9M)
 4. Projects Reduced / Removed from Plan: (\$5.4M)



FIRE

- Fire: \$28.0M
 1. Station #4 (New): \$6.4M (under construction)
 2. Station #5 (New): \$8.7M (in design)
 3. Station #2 (Reconstruct): \$7.9M (in design)
 4. Resource Center (New): \$5.0M (pre-design)

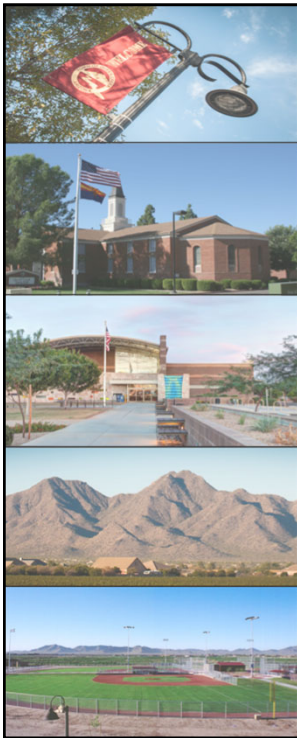
51



PARKS AND TRAILS INFRASTRUCTURE: \$11.2M

- Trails \$2.6M
 - \$0.4M Sonoqui Wash design, 2 segments(Carry forward from FY 19-20)
 - \$2.2M Sonoqui Wash construction, 2 segments(New budget for FY20-21)
- Parks \$8.6M
 - \$1.6M East Park Design for Site/Drainage, design to 60% (Carry forward from FY 19-20)
 - \$7.0M East Park Site Drainage(New budget for FY 20-21)

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DEBT BUDGETS

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OUTSTANDING BONDED DEBT⁽¹⁾

Purpose	Outstanding Amount 6/30/20	% of Total	Proposed 2020 Issue	Total Outstanding Amount	% of Total ⁽²⁾
Transportation	\$88.3M	74%	\$67M	\$155.3M	73%
Fire	\$6.4M	5%	\$28M	\$34.4M	16%
Law Enforcement	\$1.8M	2%	-	\$1.8M	1%
Library	\$5.0M	4%	-	\$5.0M	2%
Town Buildings	\$4.7M	4%	-	\$4.7M	2%
Parks	\$3.8M	3%	-	\$3.8M	2%
HPEC	\$4.8M	4%	-	\$4.8M	2%
Recreation Annex	\$4.3M	4%	-	\$4.3M	2%
TOTAL	\$119.1M	100%	\$95M	\$214.1M	100%

(1) Excludes Water, Wastewater, and Non-Town Improvement District Debt.

NOTE: 90% of outstanding debt will be for Transportation, Fire, and Law Enforcement.

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ANNUAL BOND DEBT PAYMENT*

Funding Source	Current Payment	2021 Payment	Total Annual Payment
Operating Budget	\$4.8M	\$1.7M	\$6.5M
Dedicated Transportation Sales Tax	\$1.3M	\$0.1M	\$1.4M
Town Center Sales Tax	\$0.3M	-	\$0.3M
Transportation Impact Fees	\$0.6M	\$0.2M	\$0.8M
Fire Impact Fees	\$0.5M	\$0.3M	\$0.8M
Law Enforcement Impact Fees	\$0.1M	-	\$0.1M
Library Impact Fees	\$0.2M	-	\$0.2M
Town Building Impact Fees	\$0.3M	-	\$0.3M
Parks Impact Fees	<u>\$0.5M</u>	-	<u>\$0.5M</u>
TOTAL	\$8.6M	\$2.3M	\$10.9M

*Excludes Water, Wastewater, and Non-Town Improvement District Debt

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OPERATING BUDGET PAYMENT

Purpose	Current Payment	2021 Payment	Total Annual Payment
Transportation	\$3.4M	\$1.3M	\$4.7M
Fire	-	\$0.4M	\$0.4M
Library	\$0.3M	-	\$0.3M
Town Buildings	\$0.3M	-	\$0.3M
HPEC	\$0.3M	-	\$0.3M
Parks	\$0.2M	-	\$0.2M
Recreation	<u>\$0.3M</u>	-	<u>\$0.3M</u>
TOTAL	\$4.8M	\$1.7M	\$6.5M

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OUTSTANDING BONDED DEBT - UTILITIES

Purpose	Outstanding Amount 6/30/20	% of Total	Proposed 20-21 Issue	Total Outstanding Amount	% of Total
Water – Company Acquisitions	\$53.2M	47%	\$ -	\$ 53.2M	20%
Water – Water Resources	\$56.2M	50%	\$60M	\$116.2M	45%
Water – CIP	-	-	\$50M	\$50.0M	19%
Wastewater – GWRP Buy-in	\$ 2.9M	3%	-	\$ 2.9M	1%
Wastewater – CIP	—	—	<u>\$40M</u>	<u>\$40.0M</u>	<u>15%</u>
TOTAL	\$112.3M	100%	\$150M	\$262.3M	100%

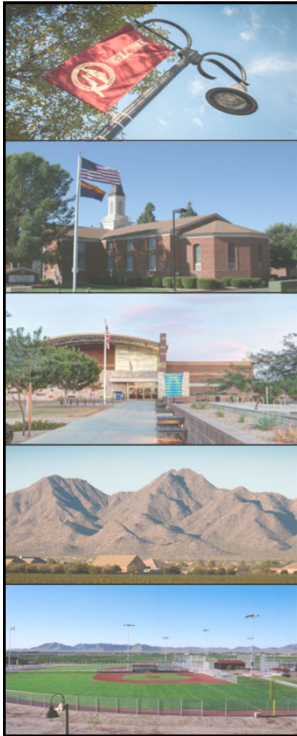
57

ANNUAL DEBT SERVICE - UTILITIES

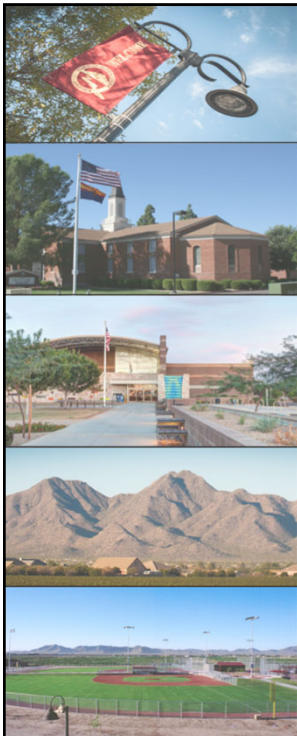
Purpose	Annual Payment FY19- 20	Annual Payment After New Debt Issues ⁽¹⁾
Water – Company Acquisitions	\$5.7M	\$4.3M
Water – Water Resources	\$0.8M	\$2.7M
Water – CIP	\$ -	\$3.5M
Wastewater – GWRP Buy-in	\$ 0.4M	\$0.4M
Wastewater – CIP	\$ —	<u>\$2.3M</u>
TOTAL	\$6.9M	\$13.2M

(1) Timing of debt service payments for new debt issues will likely begin in FY 21-22.

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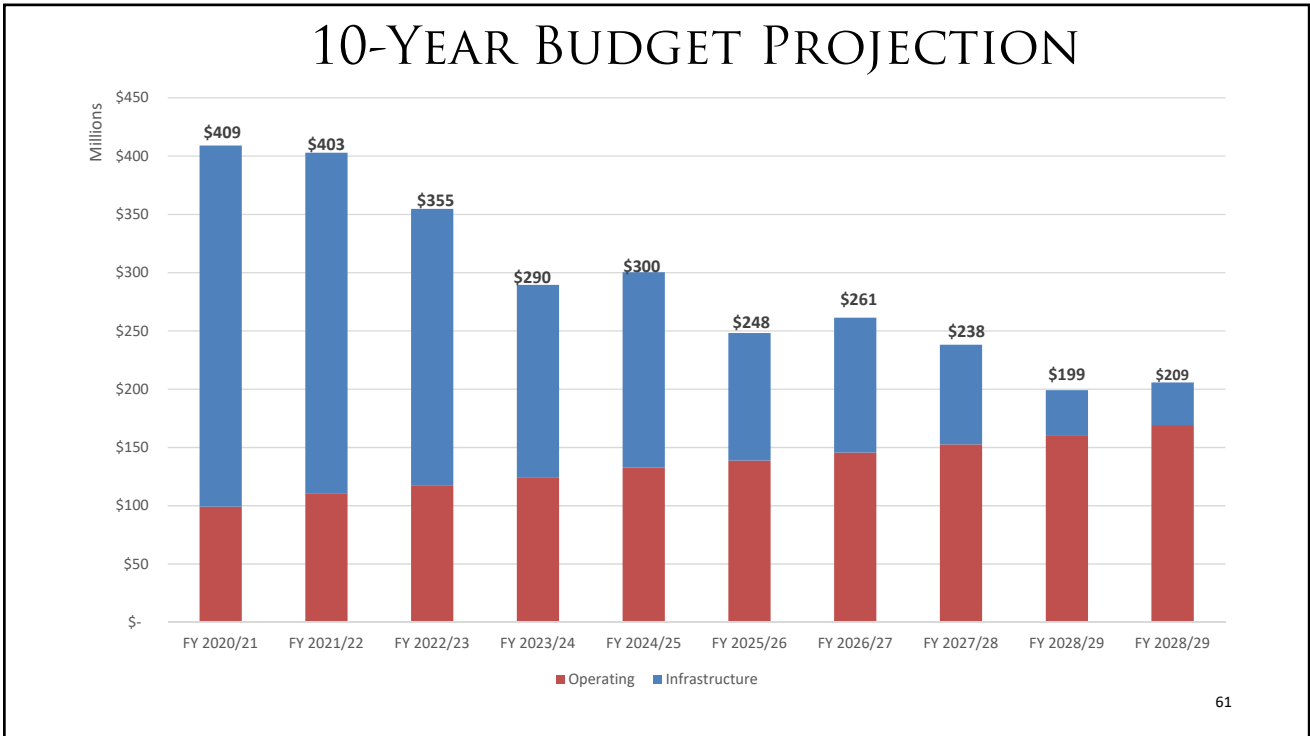


CONTINGENCIES



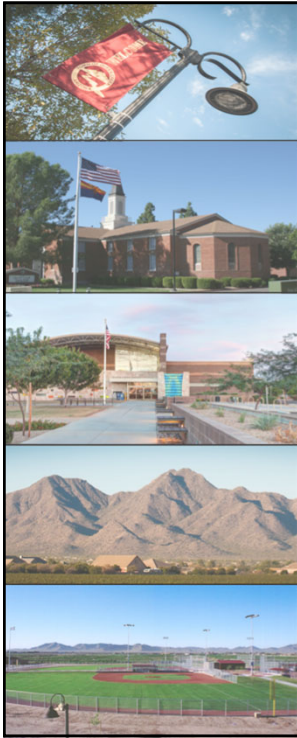
INFRASTRUCTURE CARRY FORWARD/CONTINGENCIES

Purpose	Description	Amount
1. Projects Under Contract	Carryforward of approved contracts into FY 20-21	\$48.7M
2. Project Budgets Approved – Not yet under Contract	Expenditure authority for projects approved in FY 19-20 but not under contract by end of fiscal year	\$56.5M
3. Unanticipated Expenses	Expenditure authority for private development partnerships, new projects, or emergency needs	<u>\$12.5M</u>
	Total CIP Contingency	\$117.7
4. Police Services Contingency	Expenditure authority for additional Police Department start-up costs	\$4.5M
	Total FY 20-21 Contingency	<u>\$122.2M</u>



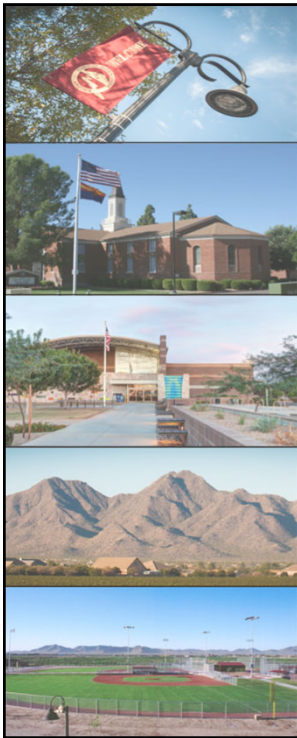
BUDGET ADOPTION CALENDAR

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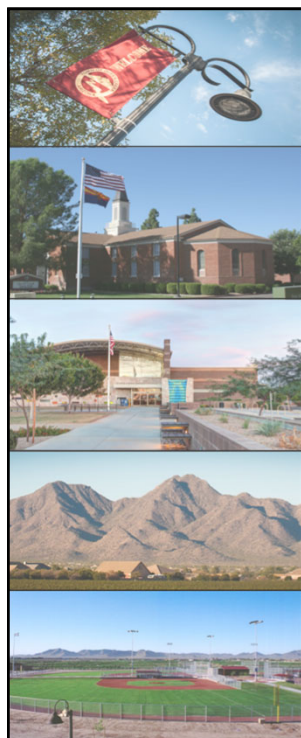


KEY BUDGET DATES

Date	Item
May 11	Budget Committee Meeting
June 3	Tentative Budget Approval
June 17	Truth in Taxation Hearing (Property Tax) Final Budget Hearing – Budget Adoption
July 15	Property Tax Levy Adoption <ul style="list-style-type: none">• Primary Property Tax• SLIC Levy Adoption



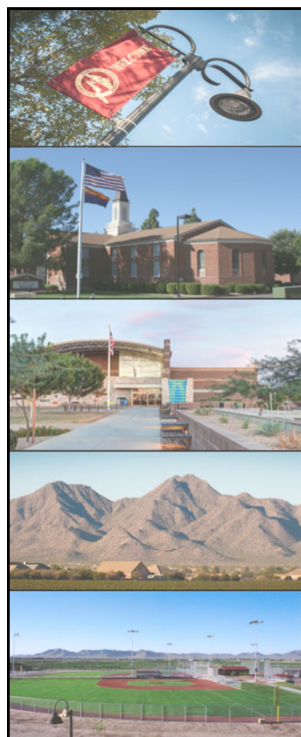
POLICY ISSUES



PENSION FUNDING POLICY

1. Fire (Fully Funded)
 - \$1.5M Unfunded Liability Paid off in FY 2014/15
 - Annual Savings: \$140K
2. MCSO (Fully Funded)
 - Internal Reserve Amount: \$18.6M
 - Annual Savings: \$1.7M
3. ASRS (Partially Funded)
 - Internal Reserves Amount: \$9.5M (\$19.9M needed)
 - Annual Savings: \$254K

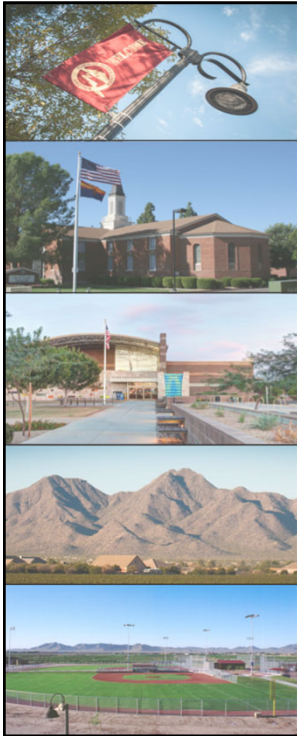
65



RECOMMENDED FINANCIAL POLICY CHANGES

1. Create a Police Services Reserve
 - Year-End Excess of Revenues Over Expenses in the Operating Budget in FY 19-20 up to \$4.5M
 - This Reserve Will Be Used to Fund Start-Up Expenses related to the Police Department above what is already included in the FY 20-21 Budget, only as needed and only with Town Council Approval

66

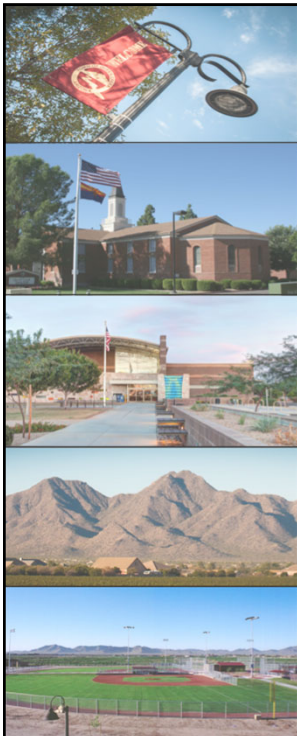


RECOMMENDED FINANCIAL POLICY CHANGES

2. Create a COVID-19 Reserve

- Year-End Excess of Revenues Over Expenses in the Operating Budget in FY 19-20 after Police Services Reserve Will Be Used to Create a COVID-19 Reserve
- This Reserve Will Be Used to Mitigate Revenue Losses

67

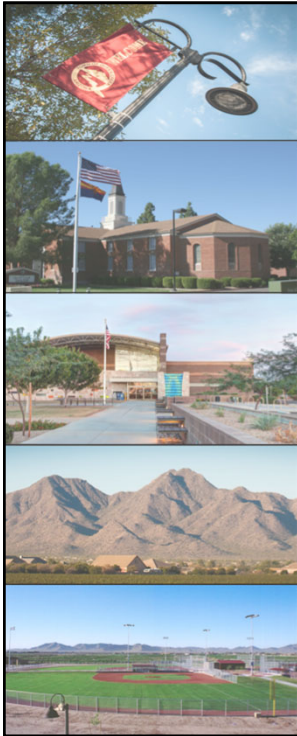


RECOMMENDED FINANCIAL POLICY CHANGES (CONTINUED)

3. Clarification Regarding How Pension Liabilities are Funded and Establish Debt Reserves

- Year-End Excess of Revenues Over Expenses Will be Used to Fund Pension Reserves in the Following Order:
 1. Fire
 2. Police
 3. All Other Employees
- Once Pension Reserves Fully Funded, then Debt Reserves Accumulated

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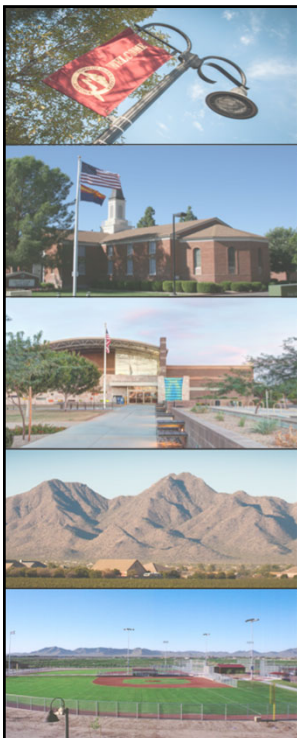


RECOMMENDED FINANCIAL POLICY CHANGES (CONTINUED)

4. The Following Reports Will be Adopted by the Town Council

- Impact Fees (annually)
- Capacity Fees (annually)
- Impact Fee Audit (every two years)

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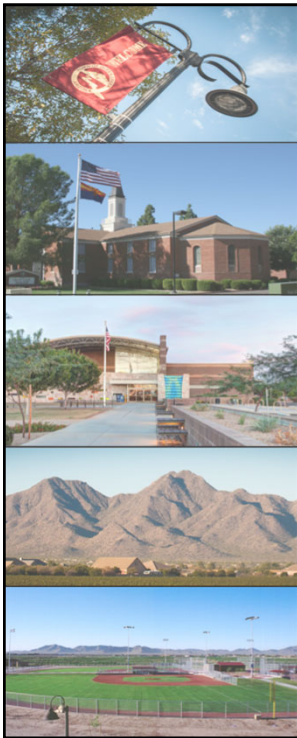


RECOMMENDED FINANCIAL POLICY CHANGES (CONCLUDED)

5. Budgets for projects already underway will automatically roll forward into the next year

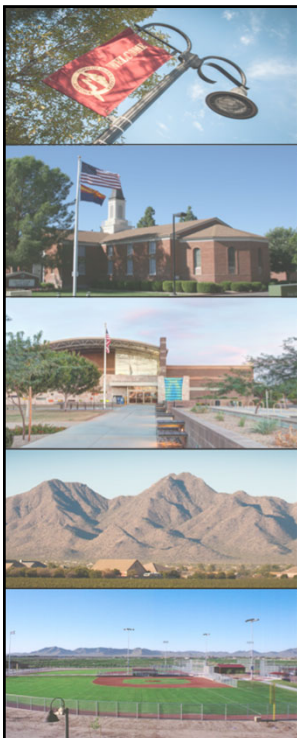
- Formal Town Council approval not required to move funds from “contingency” into individual projects at the beginning of a fiscal year

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PROPERTY TAXES

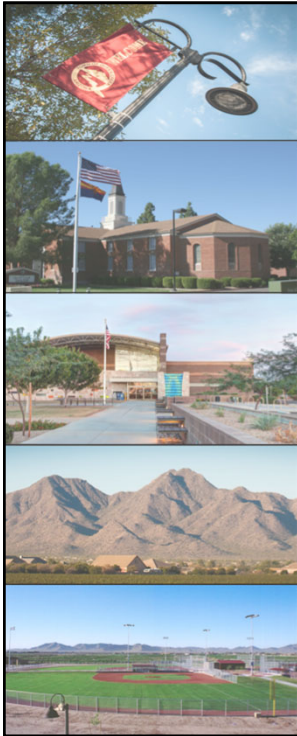
71



FY 20-21 ASSESSED VALUE INCREASE

	Assessed Value	% Change
FY 19-20	\$427.9M	
FY 20-21 Increases:		
Existing Property	\$29.1M	+6%
Annexed Property	\$45.8M	+11%
New Construction	<u>\$32.9M</u>	+8%
FY 20-21 Increase	\$107.8M	
FY 20-21	\$535.7M	+25%

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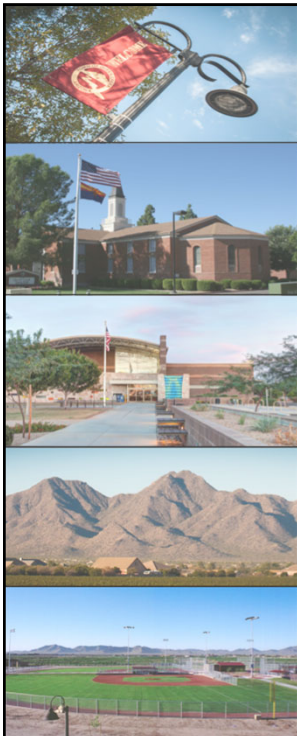
PROPERTY TAX FORMULA

$$\begin{matrix} \text{Assessed} \\ \text{Value (AV)} \\ \\ \mathbf{\$536M} \end{matrix} \times \begin{matrix} \text{Levy Rate} \\ \text{(per \$100 AV)} \\ \\ \mathbf{\$1.95} \end{matrix} = \begin{matrix} \text{Annual} \\ \text{Revenues} \\ \\ \mathbf{\$10.4M} \end{matrix}$$

Maricopa /
Pinal
County

Town
Council

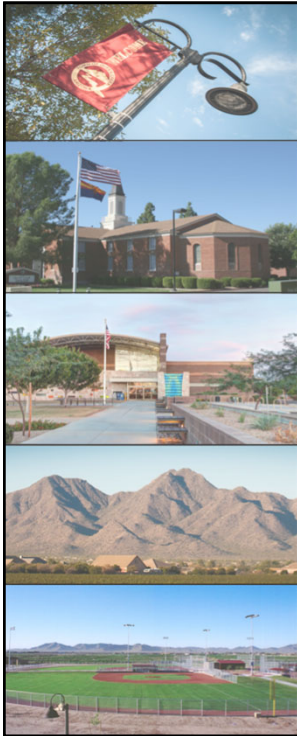
73



DISCUSS FINANCIAL IMPACTS

1. Aggregate Impact
2. Individual Parcel Impacts

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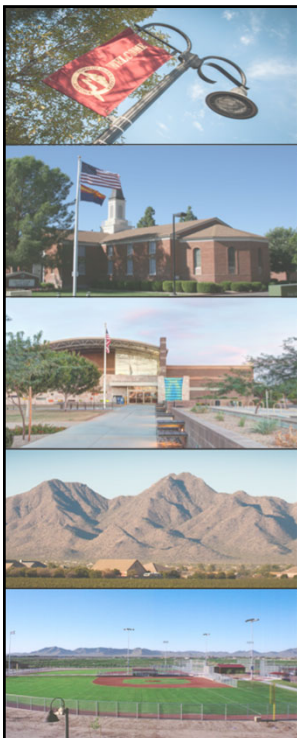


AGGREGATE IMPACT

Three Options

- Option A: Same Revenue as Current Year (\$8.3M)
 - \$2.1M Less than the Maximum
- Option B: Same Revenue as Current Year Plus New Construction (\$9.8M) (including Encanterra)
 - \$0.6M Less than the Maximum
- Option C: Maximum Revenue (\$10.4M)
 - \$2.1M Increase Over Current Year
 - \$1.5M Increase From New Construction (including Encanterra)
 - \$0.6M Increase From Existing Properties

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INDIVIDUAL PARCEL IMPACT

- About 27K Parcels
- Property Taxes Paid by Each Parcel Could Increase, Decrease, or Have No Change from the Prior Year (See Next Slide)
 - The Individual Parcel Appreciation Increase is Limited by State Statute to 5% (Assuming Land Use Remains the Same)

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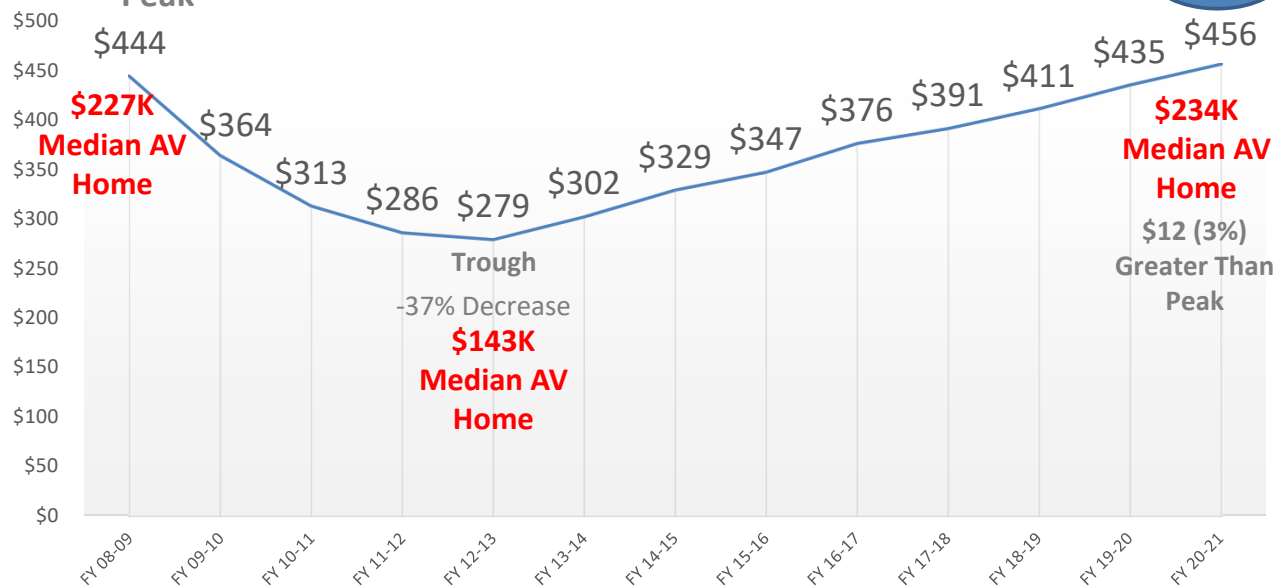
INDIVIDUAL PARCEL IMPACT

(CONTINUED)

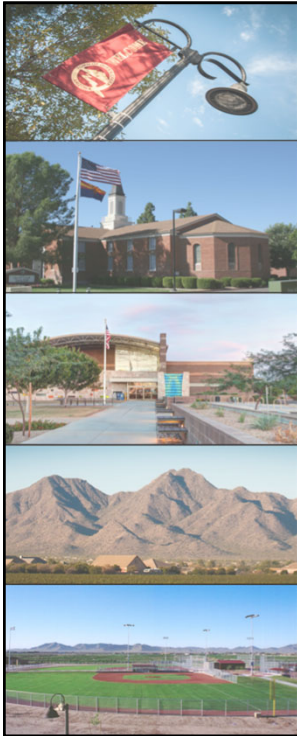
	~Median Home Value	Option A Same Revenue as FY 19-20 \$1.56 Levy	Option B Same Revenue as FY 19-20 (plus new construction only) \$1.83 Levy	Option C Maximum Revenue \$1.95 Levy
FY 19-20	\$223K			\$435
Scenarios:				
AV +5% ("Most Likely")	\$234K	\$365 (-\$70)	\$428 (-\$7)	\$456 (+\$21)
AV +7%	\$239K	\$373 (-\$62)	\$437 (+\$2)	\$466 (+\$31)

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QC PROPERTY TAX PAID ON A MEDIAN VALUE HOME



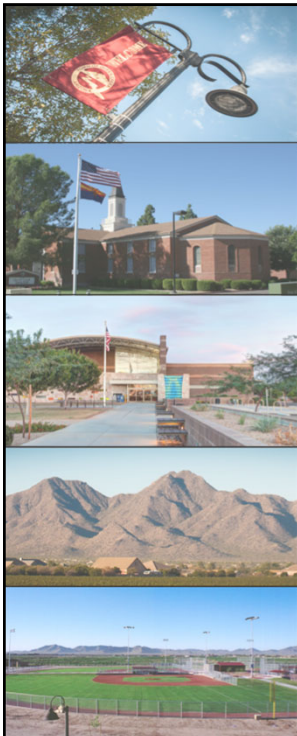
78



PROPOSED MOTION

Move to Approve the FY 2020/21 Tentative Budget of \$409.1M and Set June 17, 2020 as the date of the Public Hearing for the FY 2020/21 Final Budget and the Truth-in-Taxation Hearing as required under Arizona Revised Statutes

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DISCUSSION AND QUESTIONS

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REDUCTIONS TO OPERATING BUDGET DUE TO COVID-19 = \$17.4M (21%)*

Item	
Police Department – Adjust Timing of Expenses	\$4.5M
Personnel – No COLA, merits, or new employees except PD	\$1.8M
Restructure Debt Service on New Bond Issue	\$2.0M
Reduce Operating Contingencies	\$1.3M
Reduce 25% Reserves Funding	\$0.9M
Estimated Savings from MCSO Contract Credits	\$1.1M
Reduce Repair/Replacements and New Facilities	\$1.8M
Delay / Eliminate New Software, Vehicles, and Equipment	\$1.2M
Reduce Contract and Consulting Services	\$0.7M
Reduce Outside Agency Support	\$0.2M
Reduce Planned Streets Maintenance	\$1.4M
Misc. Operating Budget Reductions (Travel, Advertising, etc.)	<u>\$0.5M</u>
Total	<u>(\$17.4M)</u>

* Compared to FY 20/21 Budget Released March 19th

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REDUCTIONS TO TOTAL BUDGET DUE TO COVID-19 = (\$27.7M) (6%)

Item	
Total Recommended Budget, 3/19/2020	\$436.8M
Operating Budget Expense Reductions (excludes Debt and Reserves Transfers)	(\$14.6M)
Water / Wastewater Operating Budget Reductions	(\$1.4M)
Capital Budget Reductions / Adjustments	(\$8.8M)
Debt Service Reductions by Restructuring New Debt	<u>(\$2.9M)</u>
Total Reductions	<u>(\$27.7M)</u>
Total Recommended Budget, 4/23/2020	<u>\$409.1M</u>

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TOWN OF QUEEN CREEK
Summary Schedule of Estimated Revenues and Expenditures/Expenses
Fiscal Year 2021

Fiscal Year	S c h	FUNDS								
		General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Permanent Fund	Enterprise Funds Available	Internal Service Funds	Total All Funds	
2020	Adopted/Adjusted Budgeted Expenditures/Expenses*	E	27,876,916	37,333,021	10,384,436	133,650,457	0	239,313,987	4,160,101	452,718,918
2020	Actual Expenditures/Expenses**	E	27,876,917	35,176,480	10,384,436	37,978,484	0	96,762,204	4,160,101	212,338,622
2021	Fund Balance/Net Position at July 1***		45,395,642	12,504,319	2,064	129,985,448	0	(5,514,368)	310,906	182,684,011
2021	Primary Property Tax Levy	B	0	10,445,761	0	0				10,445,761
2021	Secondary Property Tax Levy	B	0	0	0	0				0
2021	Estimated Revenues Other than Property Taxes	C	40,864,277	26,273,256	1,736,651	13,433,922	0	190,747,231	4,611,515	277,666,852
2021	Other Financing Sources	D	0	0	0	0	0	0	0	0
2021	Other Financing (Uses)	D	0	0	0	0	0	0	0	0
2021	Interfund Transfers In	D	0	11,852,303	10,952,351	29,681,910	0	36,012,685	0	88,499,249
2021	Interfund Transfers (Out)	D	20,704,624	32,531,057	0	0	0	35,263,568	0	88,499,249
2021	Reduction for Amounts Not Available:									
2021	Total Financial Resources Available		65,555,295	28,544,582	12,691,066	173,101,280	0	185,981,980	4,922,421	470,796,624
2021	Budgeted Expenditures/Expenses	E	25,577,989	37,945,251	12,689,002	144,299,956	0	183,987,629	4,611,515	409,111,342

EXPENDITURE LIMITATION COMPARISON

Budgeted expenditures/expenses
Add/subtract: estimated net reconciling items
Budgeted expenditures/expenses adjusted for reconciling items
Less: estimated exclusions
Amount subject to the expenditure limitation
EEC expenditure limitation

2020	2021
\$ 452,718,918	\$ 409,111,342
452,718,918	409,111,342
\$ 452,718,918	\$ 409,111,342
\$ 452,718,918	\$ 409,111,342

□

- * Includes Expenditure/Expense Adjustments Approved in the current year from Schedule E.
- ** Includes actual amounts as of the date the proposed budget was prepared, adjusted for estimated activity for the remainder of the fiscal year.
- *** Amounts on this line represent Fund Balance/Net Position amounts except for amounts not in spendable form (e.g., prepaids and inventories) or legally or contractually required to be maintained intact (e.g., principal of a permanent fund).

TOWN OF QUEEN CREEK
Tax Levy and Tax Rate Information
Fiscal Year 2021

	2020	2021
1. Maximum allowable primary property tax levy. A.R.S. §42-17051(A)	\$ <u>13,145,028</u>	\$ <u>15,716,317</u>
2. Amount received from primary property taxation in the current year in excess of the sum of that year's maximum allowable primary property tax levy. A.R.S. §42-17102(A)(18)	\$ _____	
3. Property tax levy amounts		
A. Primary property taxes	\$ <u>8,343,197</u>	\$ <u>10,445,761</u>
B. Secondary property taxes	<u>0</u>	<u>0</u>
C. Total property tax levy amounts	\$ <u>8,343,197</u>	\$ <u>10,445,761</u>
4. Property taxes collected*		
A. Primary property taxes		
(1) Current year's levy	\$ <u>8,343,197</u>	
(2) Prior years' levies	<u>93,224</u>	
(3) Total primary property taxes	\$ <u>8,436,421</u>	
B. Secondary property taxes		
(1) Current year's levy	\$ <u>0</u>	
(2) Prior years' levies	<u>0</u>	
(3) Total secondary property taxes	\$ <u>0</u>	
C. Total property taxes collected	\$ <u>8,436,421</u>	
5. Property tax rates		
A. City/Town tax rate		
(1) Primary property tax rate	<u>1.9500</u>	<u>1.9500</u>
(2) Secondary property tax rate	<u> </u>	<u> </u>
(3) Total city/town tax rate	<u>1.9500</u>	<u>1.9500</u>

 B. Special assessment district tax rates
 Secondary property tax rates - As of the date the proposed budget was prepared, the city/town was operating 102 special assessment districts for which secondary property taxes are levied. For information pertaining to these special assessment districts and their tax rates, please contact the city/town.

* Includes actual property taxes collected as of the date the proposed budget was prepared, plus estimated property tax collections for the remainder of the fiscal year.

TOWN OF QUEEN CREEK
Revenues Other Than Property Taxes
Fiscal Year 2021

SOURCE OF REVENUES	ESTIMATED REVENUES 2020	ACTUAL REVENUES* 2020	ESTIMATED REVENUES 2021
GENERAL FUND			
Local taxes			
City Sales Tax	\$ 21,335,300	\$ 22,073,300	\$ 16,692,324
Construction Sales Tax	4,888,900	7,920,000	4,134,393
Licenses and permits			
Business Licenses	89,100	89,100	75,000
Liquor License	10,200	10,200	10,500
Building Revenue	5,398,400	6,093,700	4,545,000
Intergovernmental			
State Sales Tax	4,490,100	4,378,658	5,011,800
Urban Revenue Sharing	5,510,900	5,496,252	7,200,700
Charges for services			
Recreation User Fees	545,600	660,600	327,842
Interest on investments			
Interest Income	266,800	426,800	472,000
Miscellaneous			
Telecommunications	157,600	157,600	160,000
Building Lease Revenue	57,800	57,800	-
Gas Franchises	110,900	110,900	115,000
Cable Licenses	323,600	323,600	330,000
Miscellaneous	103,500	103,500	103,500
Departmental Support Revenue	1,682,480	1,682,480	1,686,218
Total General Fund	\$ 44,971,180	\$ 49,584,490	\$ 40,864,277
SPECIAL REVENUE FUNDS			
Highway User Revenue Fund			
Highway Users Revenue	\$ 2,542,900	\$ 3,011,676	\$ 2,725,200
Pinal County Taxes	23,600	23,600	23,600
Vehicle License Tax	1,804,700	1,894,479	2,186,800
Interest Income	-	-	-
Total Highway User Revenue Fund	\$ 4,371,200	\$ 4,929,755	\$ 4,935,600
Municipal Town Center Fund			
City Sales Tax	\$ 1,005,830	\$ 1,005,830	\$ 669,998
Building Lease Revenue	-	-	80,650
Signage Revenue	20,000	20,000	13,200
Interest Income	21,000	21,000	6,500
Total Municipal Town Center Fund	\$ 1,046,830	\$ 1,046,830	\$ 770,348
Construction Sales Tax Fund			
2% Construction Sales Tax	\$ 4,888,900	\$ 7,920,000	\$ 4,134,393
Total Construction Sales Tax Fund	\$ 4,888,900	\$ 7,920,000	\$ 4,134,393
Grants & Contingency Fund			
Grants	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Contingency	-	-	-
Total Grants & Contingency Fund	2,000,000	2,000,000	2,000,000
Parks Development Fund			
Parks Development Fee	\$ 2,813,154	\$ 5,386,853	\$ 2,532,510
3rd Party Contributions	-	-	-
Interest Income	20,000	20,000	77,040
Miscellaneous	295,840	295,840	-

TOWN OF QUEEN CREEK
Revenues Other Than Property Taxes
Fiscal Year 2021

SOURCE OF REVENUES	ESTIMATED REVENUES 2020	ACTUAL REVENUES* 2020	ESTIMATED REVENUES 2021
Total Parks Development Fund	\$ 3,128,994	\$ 5,702,693	\$ 2,609,550
Town Buildings Fund			
Town Building & Vehicle Development Fee	\$ 70,665	\$ 553,420	60,720
Interest Income	27,750	27,750	22,610
Total Town Buildings Fund	\$ 98,415	\$ 581,170	\$ 83,330
Transportation Development Fee Fund			
Transportation Development Impact Fee	\$ 2,121,906	\$ 2,432,715	1,975,820
Interest Income	0	0	
Total Transportation Development Fee Fund	\$ 2,121,906	\$ 2,432,715	\$ 1,975,820
Library Development Fee Fund			
Library Development Impact Fee	\$ 155,392	\$ 794,881	\$ 133,380
Interest Income	20,000	20,000	17,540
Total Library Development Fee Fund	\$ 175,392	\$ 814,881	\$ 150,920
Public Safety Development Fee Fund			
Public Safety Development Fees	\$ 172,936	\$ 431,672	\$ 506,020
Interest Income	-	-	2,380
Total Public Safety Development Fee Fund	\$ 172,936	\$ 431,672	\$ 508,400
Emergency Services Fund			
City Sales Tax	\$ 2,666,900	\$ 2,759,100	\$ 2,086,540
Construction Sales Tax	611,100	1,011,000	527,601
County Island Fire District	1,493,400	1,419,731	1,445,000
Fire Inspections	76,500	76,500	56,250
PSPRS Premium Tax Credit	102,000	137,080	144,000
ROI Utility Revenue	2,835,055	2,763,269	3,034,871
IGA - School District	65,300	65,300	155,000
Wildland Reimbursement	66,300	66,300	65,000
Building Lease Revenue			28,000
Miscellaneous	23,400	23,400	35,000
Total Emergency Services Fund	\$ 7,939,955	\$ 8,321,680	\$ 7,577,262
Fire Development Fee Fund			
Fire Development Fees	\$ 875,277	\$ 1,012,239	\$ 954,070
Interest Income			
Total Fire Development Fee Fund	\$ 875,277	\$ 1,012,239	\$ 954,070
Streetlight Improvement Districts			
Special Assessment	\$ 700,000	\$ 700,000	\$ 67,370
Interest Income	-	-	
Total Streetlight Improvement Districts	\$ 700,000	\$ 700,000	\$ 67,370
Community Events Fund			
Contributions/Donations	\$ 75,000	\$ 75,000	\$ 75,000
Total Community Events Fund	\$ 75,000	\$ 75,000	\$ 75,000
Horseshoe Park & Equestrian Center (HPEC) Fund			
Park Revenues	\$ 757,500	\$ 757,500	\$ 431,193
Total HPEC Fund	\$ 757,500	\$ 757,500	\$ 431,193
Total Special Revenue Funds	\$ 28,352,305	\$ 36,726,135	\$ 26,273,256
DEBT SERVICE FUNDS			
Special Assessment Fund			
Property Assessments	\$ 1,735,235	\$ 1,735,235	\$ 1,736,651
Interest Income	-	-	
Total Special Assessment Fund	\$ 1,735,235	\$ 1,735,235	\$ 1,736,651

TOWN OF QUEEN CREEK
Revenues Other Than Property Taxes
Fiscal Year 2021

SOURCE OF REVENUES	ESTIMATED REVENUES 2020	ACTUAL REVENUES* 2020	ESTIMATED REVENUES 2021
Total Debt Service Funds	\$ 1,735,235	\$ 1,735,235	\$ 1,736,651
CAPITAL PROJECTS FUNDS			
Drainage & Transportation Fund			
Reimbursement from Government Agency	\$ 11,683,333	\$ 11,683,333	\$ 7,433,922
Other Funding	65,000,000	-	-
Bond/Loan Proceeds	25,000,000	90,000,000	-
Total Drainage & Transportation Fund	\$ 101,683,333	\$ 101,683,333	\$ 7,433,922
General CIP			
Contributions from Outside Agencies	\$ -	\$ 1,805,393	\$ 6,000,000
Total General CIP	\$ -	\$ 1,805,393	\$ 6,000,000
Total Capital Projects Funds	\$ 101,683,333	\$ 103,488,726	\$ 13,433,922
INTERNAL SERVICE FUNDS			
Healthcare Self-Insurance			
Premiums	\$ 4,270,949	\$ 4,270,949	\$ 4,498,615
Stop Loss Reimbursement	150,000	150,000	100,000
Interest Income	10,000	10,000	12,900
Total Healthcare Self-Insurance	\$ 4,430,949	\$ 4,430,949	\$ 4,611,515
ENTERPRISE FUNDS			
Sewer Utility Funds			
User Fees	\$ 6,335,334	\$ 6,777,764	\$ 6,841,556
Miscellaneous	711,336	711,336	768,078
Bond/Loan Proceeds	-	-	40,000,000
Capacity Fee	2,632,192	4,604,041	1,863,540
Interest Income	283,900	283,900	86,000
Total Sewer Utility	\$ 9,962,762	\$ 12,377,041	\$ 49,559,174
Water Fund			
Water Revenues/User Fees	\$ 25,140,415	\$ 24,000,824	\$ 24,683,892
Capacity Fee	2,199,067	4,601,579	1,973,055
Miscellaneous	404,998	404,998	448,447
Interest Income	394,692	394,692	248,618
Other Funding	100,000,000	50,000,000	110,000,000
Total Water Fund	\$ 128,139,172	\$ 79,402,093	\$ 137,354,012
Solid Waste Fund			
User Fees	\$ 2,935,058	\$ 2,935,058	\$ 3,625,735
Recycling	21,000	21,000	21,000
Cart Fees	189,000	189,000	176,310
Interest Income	5,560	5,560	11,000
Miscellaneous	-	-	-
Total Solid Waste	\$ 3,150,618	\$ 3,150,618	\$ 3,834,045
Total Enterprise Funds	\$ 141,252,552	\$ 94,929,752	\$ 190,747,231
TOTAL ALL FUNDS	\$ 322,425,554	\$ 290,895,287	\$ 277,666,852

* Includes actual revenues recognized on the modified accrual or accrual basis as of the date the proposed budget was prepared, plus estimated revenues for the remainder of the fiscal year.

TOWN OF QUEEN CREEK
Other Financing Sources/(Uses) and Interfund Transfers
Fiscal Year 2021

FUND	OTHER FINANCING 2021		INTERFUND TRANSFERS 2021	
	SOURCES	(USES)	IN	(OUT)
GENERAL FUND				
Debt Service	\$	\$	\$	\$ 5,539,621
Interfund Loan				
Infrastructure (CIP)				3,377,700
Emergency Services Fund				10,432,373
Horseshoe Park & Equestrian Center Fund				1,232,769
HURF				97,161
Community Events				25,000
Total General Fund	\$ -	\$ -	\$ -	\$ 20,704,624
SPECIAL REVENUE FUNDS				
Library Development Fee Fund	\$	\$	\$	\$ 232,910
Emergency Services Fund			10,432,373	360,000
Grants Fund				
Parks Development				4,978,457
Public Safety Development Fee Fund				1,893,637
Town Buildings & Vehicles Development Fee				286,957
Fire Development Fee Fund				10,204,296
Transportation Development Fund				6,903,453
Construction Sales Tax				6,714,416
Town Center				398,875
HURF			97,161	263,871
Community Events			90,000	
Horseshoe Park & Equestrian Center Fund			1,232,769	294,185
Total Special Revenue Funds	\$ -	\$ -	\$ 11,852,303	\$ 32,531,057
DEBT SERVICE FUNDS				
Special Assessment Fund	\$	\$	\$	\$
Debt Service			10,952,351	
Total Debt Service Funds	\$ -	\$ -	\$ 10,952,351	\$ -
CAPITAL PROJECTS FUNDS				
Transportation CIP	\$	\$	\$ 14,080,459	\$
General CIP			15,601,451	
Total Capital Projects Funds	\$ -	\$ -	\$ 29,681,910	\$ -
ENTERPRISE FUNDS				
Water Fund	\$	\$	\$ 749,117	\$ 15,238,796
Water Capacity				8,199,938
Water CIP			13,141,002	
Water Debt			10,297,732	
Sewer/Wastewater Fund				4,053,338
Sewer/Wastewater Capacity				7,771,496
Sewer/Wastewater CIP			9,152,918	
Sewer/Wastewater Debt			2,671,916	
Total Enterprise Funds	\$ -	\$ -	\$ 36,012,685	\$ 35,263,568
TOTAL ALL FUNDS	\$ -	\$ -	\$ 88,499,249	\$ 88,499,249

TOWN OF QUEEN CREEK
Expenditures/Expenses by Fund
Fiscal Year 2021

FUND/DEPARTMENT	ADOPTED BUDGETED EXPENDITURES/ EXPENSES 2020	EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED 2020	ACTUAL EXPENDITURES/ EXPENSES* 2020	BUDGETED EXPENDITURES/ EXPENSES 2021
GENERAL FUND				
Town Council	\$ 439,120	\$ -	\$ 439,120	\$ 439,120
Town Manager	1,098,102	-	1,098,102	1,168,570
Legal Services	465,000	-	465,000	465,000
Town Clerk	268,922	-	268,922	306,598
Finance	2,469,288	534,800	3,004,088	2,203,392
Workforce & Technology	4,082,656	171,053	4,253,709	4,364,109
Communications, Marketing & Recreation	2,419,059	169,225	2,588,284	2,212,438
Economic Development	902,931	-	902,931	790,833
Development Services	3,534,044	778	3,534,822	3,319,502
Public Works	6,887,374	874,573	7,761,947	7,714,677
Centralized Services	4,512,125	(952,134)	3,559,992	2,593,750
Total General Fund	\$ 27,078,621	\$ 798,295	\$ 27,876,917	\$ 25,577,989
SPECIAL REVENUE FUNDS				
HURF				
Public Works	\$ 5,651,257	\$ 50,612	\$ 5,701,869	\$ 4,768,890
Municipal Town Center Fund				
Economic Development	874,900	309,953	1,028,312	1,146,441
Streetlight Improvement District				
General Operations	700,000	-	700,000	181,600
Grants & Contingency Fund				
General Operations	2,000,000	-	-	6,262,796
Construction Sales Tax Fund				
Capital	317,900	-	317,900	146,147
Parks Development Fund				
Comm, Marketing & Recreation	6,090,148	(1,539,538)	4,550,610	-
Carryforward Allowance	-	-	-	-
Town Buildings & Vehicles Fund				
General Operations	-	-	-	-
Transportation Development Fund				
Public Works	-	-	-	-
Library Development Fund				
Comm, Marketing & Recreation	-	-	-	-
Public Safety Development Fund				
Emergency Management Services	-	19,568	19,568	-
Fire Development Fund				
Emergency Management Services	-	19,568	19,568	-
Emergency Services Fund				
Emergency Management Services	20,209,170	548,181	20,757,351	23,905,600
Community Events Fund				
Comm, Marketing & Recreation	165,000	-	165,000	165,000
HPEC Fund				
Economic Development	1,587,453	328,849	1,916,302	1,368,777
LTAf				
Public Works	-	-	-	-
Total Special Revenue Funds	\$ 37,595,828	\$ (262,807)	\$ 35,176,480	\$ 37,945,251
DEBT SERVICE FUNDS				
Special Assessment Fund				
General Operations	\$ 1,735,235	\$ 0	\$ 1,735,235	\$ 1,736,651
Debt Service Fund				
General Operations	9,894,201	(1,245,000)	8,649,201	10,952,351
Total Debt Service Funds	\$ 11,629,436	\$ (1,245,000)	\$ 10,384,436	\$ 12,689,002

TOWN OF QUEEN CREEK
Expenditures/Expenses by Fund
Fiscal Year 2021

FUND/DEPARTMENT	ADOPTED BUDGETED EXPENDITURES/ EXPENSES 2020	EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED 2020	ACTUAL EXPENDITURES/ EXPENSES* 2020	BUDGETED EXPENDITURES/ EXPENSES 2021
CAPITAL PROJECTS FUNDS				
Drainage & Transportation				
Public Works	\$ 121,883,321	\$ (5,058,457)	\$ 116,824,864	\$ 100,359,623
Carryforward Allowance			(86,586,571)	
General CIP -				
General Operations	10,970,774	5,854,819	16,825,593	43,940,333
Carryforward Allowance			(9,085,402)	
Total Capital Projects Funds	\$ 132,854,095	\$ 796,362	\$ 37,978,484	\$ 144,299,956
ENTERPRISE FUNDS				
Sewer/Wastewater Funds				
Sewer Operating	\$ 4,200,650	\$ (252,592)	\$ 3,948,058	\$ 4,891,774
Sewer Capacity	-		-	-
Sewer Capital	38,559,409	(1,258)	38,558,151	40,594,713
Sewer Debt	392,700		392,700	392,100
Carryforward Allowance			(28,941,795)	-
Subtotal Sewer/Wastewater	\$ 43,152,759	\$ (253,850)	\$ 13,957,114	\$ 45,878,587
Water Funds				
Water Operating	72,543,299	2,658	72,545,957	82,353,030
Water Capacity	-		-	-
Water Capital	61,958,712	(2,658)	61,956,054	46,184,438
Water Debt	58,374,865		58,374,865	5,737,529
Carryforward Allowance			(113,609,988)	-
Subtotal Water	\$ 192,876,876	\$ -	\$ 79,266,888	\$ 134,274,997
Solid Waste Fund	3,371,202	167,000	3,538,202	3,834,045
Total Enterprise Funds	\$ 239,400,837	\$ (86,850)	\$ 96,762,204	\$ 183,987,629
INTERNAL SERVICE FUNDS				
Healthcare / Self-Insurance Fund				
Healthcare	\$ 4,160,101	\$ -	\$ 4,160,101	\$ 4,611,515
Subtotal Healthcare	\$ 4,160,101	\$ -	\$ 4,160,101	\$ 4,611,515
Total Internal Service Funds	\$ 4,160,101	\$ -	\$ 4,160,101	\$ 4,611,515
TOTAL ALL FUNDS	\$ 452,718,918	\$ -	\$ 212,338,622	\$ 409,111,342

* Includes actual expenditures/expenses recognized on the modified accrual or accrual basis as of the date the proposed budget was prepared, plus estimated expenditures/expenses for the remainder of the fiscal year.

TOWN OF QUEEN CREEK
Expenditures/Expenses by Department
Fiscal Year 2021

DEPARTMENT/FUND	ADOPTED BUDGETED EXPENDITURES/ EXPENSES	EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED	ACTUAL EXPENDITURES/ EXPENSES*	BUDGETED EXPENDITURES/ EXPENSES
	2020	2020	2020	2021
Town Council				
General Fund	\$ 439,120	\$ -	\$ 439,120	\$ 439,120
Town Council Total	<u>\$ 439,120</u>	<u>\$ -</u>	<u>\$ 439,120</u>	<u>\$ 439,120</u>
Town Manager				
General Fund	\$ 1,098,102	\$ 0	\$ 1,098,102	\$ 1,168,570
Town Manager Total	<u>\$ 1,098,102</u>	<u>\$ 0</u>	<u>\$ 1,098,102</u>	<u>\$ 1,168,570</u>
Legal Services				
General Fund	\$ 465,000	\$ -	\$ 465,000	\$ 465,000
Legal Services Total	<u>\$ 465,000</u>	<u>\$ -</u>	<u>\$ 465,000</u>	<u>\$ 465,000</u>
Town Clerk				
General Fund	\$ 268,922	\$ -	\$ 268,922	\$ 306,598
Town Clerk Total	<u>\$ 268,922</u>	<u>\$ -</u>	<u>\$ 268,922</u>	<u>\$ 306,598</u>
Finance				
General Fund	\$ 2,469,288	\$ 534,800	\$ 3,004,088	\$ 2,203,392
Finance Total	<u>\$ 2,469,288</u>	<u>\$ 534,800</u>	<u>\$ 3,004,088</u>	<u>\$ 2,203,392</u>
Communications, Marketing & Recreation				
General Fund	\$ 2,419,059	\$ 169,225	\$ 2,588,284	\$ 2,212,438
Parks Development Fund	6,090,148	(1,539,538)	4,550,610	0
Library Development Fund	0	0	0	0
Community Events Fund	165,000	-	165,000	165,000
Communications, Marketing	<u>\$ 8,674,207</u>	<u>\$ (1,370,313)</u>	<u>\$ 7,303,894</u>	<u>\$ 2,377,438</u>
Development Services				
General Fund	\$ 3,534,044	\$ 778	\$ 3,534,822	\$ 3,319,502
Development Services Total	<u>\$ 3,534,044</u>	<u>\$ 778</u>	<u>\$ 3,534,822</u>	<u>\$ 3,319,502</u>
Public Works				
General Fund	\$ 6,887,374	\$ 874,573	\$ 7,761,947	\$ 7,714,677
HURF	5,651,257	50,612	5,701,869	4,768,890
Solid Waste Fund	3,371,202	167,000	3,538,202	3,834,045
LTAf	-	-	-	-
Transportation Development Fund	0	0	0	-
Drainage & Transportation Fund	121,883,321	(5,058,457)	30,238,293	100,359,623
Public Works Total	<u>\$ 137,793,154</u>	<u>\$ (3,966,272)</u>	<u>\$ 47,240,311</u>	<u>\$ 116,677,235</u>
Workforce & Technology				
General Fund	\$ 4,082,656	\$ 171,053	\$ 4,253,709	\$ 4,364,109
Workforce & Technology Total	<u>\$ 4,082,656</u>	<u>\$ 171,053</u>	<u>\$ 4,253,709</u>	<u>\$ 4,364,109</u>
Economic Development				
General Fund	\$ 902,931	\$ 0	\$ 902,931	\$ 790,833
Municipal Town Center Fund	874,900	309,953	1,028,312	1,146,441
Horseshoe Park Fund	1,587,453	328,849	1,916,302	1,368,777
Economic Development Total	<u>\$ 3,365,284</u>	<u>\$ 638,802</u>	<u>\$ 3,847,545</u>	<u>\$ 3,306,051</u>

TOWN OF QUEEN CREEK
Expenditures/Expenses by Department
Fiscal Year 2021

DEPARTMENT/FUND	ADOPTED BUDGETED EXPENDITURES/ EXPENSES	EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED	ACTUAL EXPENDITURES/ EXPENSES*	BUDGETED EXPENDITURES/ EXPENSES
	2020	2020	2020	2021
Emergency Management Services (EMS)				
Emergency Services Fund	\$ 20,209,170	\$ 548,181	\$ 20,757,351	\$ 23,905,600
Public Safety Development Fund	-	19,568	19,568	-
Fire Development Fund	-	19,568	19,568	-
EMS Total	\$ 20,209,170	\$ 587,317	\$ 20,796,487	\$ 23,905,600
Utilities Department				
Sewer Utility Fund	\$ 4,200,650	\$ (252,592)	\$ 3,948,058	\$ 4,891,774
Sewer Capacity Fund	-	0	0	-
Sewer Capital Fund	38,559,409	(1,258)	38,558,151	40,594,713
Sewer Debt Fund	392,700	-	392,700	392,100
Carryforward Allowance			(28,941,795)	
Water Operating Fund	72,543,299	2,658	72,545,957	82,353,030
Water Capacity Fund	-	0	0	-
Water Capital Fund	61,958,712	(2,658)	61,956,054	46,184,438
Water Debt Fund	58,374,865	-	58,374,865	5,737,529
Carryforward Allowance			(113,609,988)	
Utilities Department Total	\$ 236,029,635	\$ (253,850)	\$ 93,224,002	\$ 180,153,584
Centralized Services/General Operations				
General Fund	\$ 4,512,125	\$ (952,134)	\$ 3,559,992	\$ 2,593,750
General CIP	10,970,774	5,854,819	7,740,191	43,940,333
Construction Sales Tax	317,900	0	317,900	146,147
Town Buildings & Vehicle Develop	-	0	0	-
Grants & Contingency Fund	2,000,000	-	0	6,262,796
Streetlight Improvement Districts	700,000	-	700,000	181,600
Special Assessments Fund	1,735,235	0	1,735,235	1,736,651
Debt Service Fund	9,894,201	(1,245,000)	8,649,201	10,952,351
Healthcare / Self-Insurance	4,160,101	-	4,160,101	4,611,515
Centralized Services/General Operations Total	\$ 34,290,336	\$ 3,657,685	\$ 26,862,620	\$ 70,425,143
Total All Departments	\$ 452,718,918	\$ -	\$ 212,338,622	\$ 409,111,342

TOWN OF QUEEN CREEK
Full-Time Employees and Personnel Compensation
Fiscal Year 2021

FUND	Full-Time Equivalent (FTE)	Employee Salaries and Hourly Costs	Retirement Costs	Healthcare Costs	Other Benefit Costs	Total Estimated Personnel Compensation
	2021	2021	2021	2021	2021	2021
GENERAL FUND						
Town Council	7.00	\$ 205,094	\$ -	\$ 69,765	\$ 46,361	= \$ 321,220
Town Manager	6.00	846,569	107,105	68,174	93,922	= 1,115,770
Town Clerk	2.00	161,354	19,351	21,232	14,431	= 216,368
Finance	18.18	1,437,890	174,219	124,883	125,550	= 1,862,542
Communications, Marketing & Rec	22.06	1,301,478	130,975	80,155	130,485	= 1,643,093
Development Services	26.60	2,214,613	265,887	279,157	240,575	= 3,000,232
Public Works	48.43	2,999,058	353,116	464,607	339,765	= 4,156,546
Workforce & Technology	15.40	1,393,855	169,761	186,750	123,858	= 1,874,224
Economic Development	4.10	442,130	54,342	41,699	40,392	= 578,563
Non-Departmental		-				= -
Total General Fund	149.77	\$ 11,002,041	\$ 1,274,756	\$ 1,336,422	\$ 1,155,339	= \$ 14,768,558
SPECIAL REVENUE FUNDS						
Emergency Services	84.00	\$ 7,913,001	\$ 1,489,179	\$ 1,082,197	\$ 973,512	= \$ 11,457,889
HPEC	7.00	513,206	59,072	56,456	67,461	= 696,195
HURF	18.00	1,127,277	125,304	184,385	132,894	= 1,569,860
Total Special Revenue Funds	109.00	\$ 9,553,484	\$ 1,673,555	\$ 1,323,038	\$ 1,173,867	= \$ 13,723,944
Capital Funds						
Drainage & Transportation	7.40	\$ 608,447	\$ 72,836	\$ 61,418	\$ 64,439	= \$ 807,140
ENTERPRISE FUNDS						
Sewer Utility Fund	6.50	\$ 462,965	\$ 53,273	\$ 74,724	\$ 57,263	= \$ 648,225
Water Fund	66.75	4,667,714	539,582	649,950	520,524	= 6,377,770
Solid Waste Fund	5.05	354,525	42,824	56,340	34,780	= 488,469
Total Enterprise Funds	78.30	\$ 5,485,204	\$ 635,679	\$ 781,014	\$ 612,567	= \$ 7,514,464
TOTAL ALL FUNDS	344.47	\$ 26,649,176	\$ 3,656,826	\$ 3,501,892	\$ 3,006,212	= \$ 36,814,106



TO: HONORABLE MAYOR AND TOWN COUNCIL

THROUGH: JOHN KROSS, TOWN MANAGER, ICMA-CM

FROM: SCOTT MCCARTY, FINANCE DIRECTOR

RE: FY 20-21 BUDGET COMMITTEE FOLLOW-UP MEMO

DATE: May 26, 2020

During budget briefings with the Town Council, as well as during the Budget Committee Meeting on May 11, several questions and comments were raised regarding the FY 20-21 Town Manager's Recommended Budget. This memo is intended to address those items for the benefit of the full Town Council.

1. Will landlords re-lease properties as soon as possible as a tenant leaves?

Yes, based on our discussions with property owners, we believe landlords will re-lease space as soon as possible as tenants leave or do not re-open.

2. Regarding the library site for which we have issued an RFP, do we know if the prospect is moving forward?

Work continues on the Development Agreement for the Town owned land west of the Library and Community. The prospect is still interested in proceeding on their proposal at this time. Title reports for the site have been ordered. The site is zoned Downtown Core and the project will incorporate the reduced setbacks and shared parking model that the zoning allows. The prospect has ordered their own appraisal and staff is waiting for that information. The prospect continues to work with the private property owners along Ocotillo. We have not had any recent updates on the progress of negotiations between the prospect and the property owners. Staff met with the developer on May 20th to discuss their appraisal. An update will be provided to the Town Council at a future meeting.

3. Can we eliminate the dues for Conference of Mayors?

Yes. Annual dues paid based our population size is \$5,269 for FY20/21 and has been eliminated from the budget.

4. Do we have flexibility to do a one-time compensation increase for staff if the economy improves?

Yes, this is an option. This could be accomplished during the fiscal year if the finances allow.

5. What are the Building Maintenance Costs tied to the Chamber of Commerce and Gangplank?

Repair and maintenance expenses of \$9,000 are budgeted annually for the Chamber of Commerce location and include custodial services, pest control service, and fire inspections. Rental revenue from the Chamber totals \$4,200, or \$350 per month.

Facility repair costs at the Gangplank location are budgeted at \$3,500 due to HVAC and plumbing issues that have affected this building in the current fiscal year. Gangplank does not currently pay rent to the Town for the facility.

The budget also includes \$5,000 for repair and maintenance expenses that may occur at the Painting Wonderland and Dog House locations. Annual revenue from these vendors totals \$17,436 (\$1,453 per month) and \$10,776 (\$898 per month), respectively.

6. What are our costs vs. revenues for the Boys and Girls Club and Aspire Academy Building?

Costs of utilities and maintenance for the Community Center are approximately \$12,000 per year. Aspire Academy currently pays the Town \$48,690 per year for lease of their space. The lease term ends January 30, 2022, and the Town can extend the lease for up to two additional terms of one year each, not to exceed January 30, 2024.

A budget of \$155,000 is included in the FY 2020/21 Town Center Budget for improvements to the fire sprinkler system in the Community Center. The FY2018/19 budget included \$68,000 for this project based on early estimates. This amount was carried forward to FY 2019/20, but staff determined these estimates were too low once actual drawings and the fire suppression system plan were developed. The current estimate is now \$155,000, which amount is included in the Town Center Fund budget for FY 2020/21.

Aspire Academy is limited in the number of students it can serve based on building code standards because they are classified as a school. They are currently limited to five students at a time in the old library portion of the building and seven students in the sections they have recently moved into. They have a significant waiting list of potential students, and Aspire Academy desires to increase their capacities to serve more students. However, this is not possible until the fire suppression system is brought up to building code. Additionally, Aspire Academy intends to make its own improvements to the building including new/repared flooring, painting, drywall repair, and ceiling tile replacement.

7. How do we accommodate changes in pension assets relative to our fully funded pension policy/program?

Annually, the actuaries for each pension system calculate the current unfunded liability for each pension plan and report this amount in their annual valuation reports. From these reports, staff calculates the balance due and transfers the appropriate funding needed to meet the requirements of the pension obligation, according to the Town's Pension Funding

Policy. The Town also includes updated pension contribution rates in the next year's budget to ensure we are making our annual required contributions to each pension plan.

8. For how many years has the Town been funding its pension reserves under the current policy?

The Pension Funding Policy was adopted and first implemented in fiscal year 2014-15. The Town has complied with the policy for each year since, or six years.

9. What is the statutory requirement for increasing the property tax rate if greater than 15%?

State law requires that a roll call vote be taken when adopting the primary property tax levy if an increase is proposed. If the proposed levy amount (excluding increased property taxes received from new construction), constitutes an increase over the preceding tax year's levy by 15% or more, the motion to levy the increased property taxes must be approved by a unanimous roll call vote of the Council. The 15% increase is calculated on the dollar amount of property taxes levied, not the tax rate. If the increase is less than 15%, a majority vote of the Town Council is required.

10. How are public safety costs funded in the budget, i.e., from what revenue sources and to what degree do those revenues cover the costs?

Revenues dedicated for Public Safety in the FY 2020/21 budget are the following:

Property Taxes	\$10.4M
Utility ROI Charges	3.0M
Local Sales Taxes	2.6M
Fire District Contract	1.5M
Other Charges and Fees	<u>0.5M</u>
Total	\$18.0M

Public Safety Costs in the FY2020/21 Budget are as follows:

Fire / EMS	\$13.4M
Police / MCSO	<u>\$11.9M</u>
Total	\$25.3M

Revenues dedicated for Public Safety cover 71% of the costs of Fire and Police services. The remaining 29% (\$7.3M) comes from the General Fund.

11. What is funded with the \$11.2M identified in the CIP for Parks and Trails?

Trails: \$2.6M is for two segments of the Sonoqui Wash Trail, paid for 100% with impact fees.
Parks: \$8.6M is for design and construction of grading and drainage improvements to the areas north and east of the future East Park site. The Maricopa County Flood Control District has agreed to pay for 50% of the costs of design and grading on the site, or \$4.3M. The remaining costs will be covered by impact fees (\$2.8M) and transfers from the Operating

Budget (\$1.5M). Construction will only include earthwork and drainage improvements; there are no park amenities included in the project at this time.

12. What are the implications, cost savings, and revenue losses for eliminating the Recreation Program from the Operating Budget?

The following details potential losses in revenue, as well as organizational savings associated with this decision.

Currently staff in the Recreation Division coordinates the following programs:

- Working with contracted instructors to provide special interest classes throughout the year and provide customer service operations for classes and facility reservations
 - Currently there are 718 contracted classes
 - 11,599 total participants in classes annually
- Working with contracted youth sports partners to coordinate league activities, opening day and field rentals/scheduling.
 - In-Season Youth Sports Partnerships
 - Arizona Soccer Club (Winter Season)
 - Queen Creek Little League Baseball (Spring Season)
 - Queen Creek Heat Little League Softball (Spring Season)
 - San Tan Youth Football League (Fall Season)
 - Out-of-Season Youth Sports Leagues
 - Pony Baseball
 - Queen Creek Heat Little League Softball (Fall Season)
 - San Tan Youth Football League (Spring Season)
 - AZSC Club & TopSoccer (Spring, Fall Seasons)
 - Non-Season Rentals (Club teams, schools, groups)
 - 12,205 hours of sports fields/courts rentals annually
- Rental of Town-owned spaces including park ramadas, meeting space at the QC Library/Rec Annex, special events (i.e. Food Truck Festival), large meeting rooms in the Municipal Services Building and Community Chambers, and long-term leases including churches and AZ Aspire Academy
 - 3,573 hours of ramada rentals annually
 - 2,832 hours of meeting room rentals annually
- Managing internal reservation systems, including room rentals, door scheduling, site prep, etc.
- Managing the Park Rangers (although elimination of the Park Ranger program is not considered in this evaluation)
 - Customer service patrols in the parks
 - Lost and found systems
 - Lock/unlock gates; provide access to buildings/rooms
 - Ensures rental sites (ramadas, fields, rooms, etc) are open and ready for users
- Production of Town special events, including site logistics and safety, selling sponsorships and booth space, coordinating partnerships to offer event programming, and facilitating all rentals and activities. These events include
 - Spring Into QC

- Founders Day
- Trunk or Treat
- Splash Pad Party
- Love Bug Dance
- Managing the Town's special event permitting process to facilitate event processes on public and private properties, including coordinating with all departments in the organization to ensure event safety and to reduce overall impact on Town residents (traffic, noise, lights, trash, etc.). This also includes working with Schnepf Farms and the Queen Creek Olive Mill, etc. to facilitate event processes on private properties.
- Part time, seasonal employees provide site supervision of all Town parks, including providing customer service to residents, prepping ramadas for rentals, keeping the parks trash free during high-use periods, emptying garbage cans, checking restrooms, etc.
- Managing the weekly Senior Program, including coordinating educational sessions, games, arts and crafts and social activities for participants aged 55+.
 - 80 participants weekly

Budget and Resources Review

There are currently five full-time employees, three part-time employees, and several part-time/seasonal employees that work on an as-needed basis. The division is housed at both the Recreation Annex and the Municipal Services Building. The annual cost for staff salaries reflected in the FY 2020/21 budget, which includes all benefits, is \$828,565.

The annual operating expenses for the Recreation Division in the FY 2020/21 budget total \$276,920, which includes the Town's payments to contracted instructors (registration fees are split 30/70, in which 70% goes to the instructors), fees for licenses, equipment, and training.

In FY 2020/21, the division was budgeted to generate approximately \$327,842 in revenues, including class registration fees and rental fees, but this was assuming that Recreation activities would cease completely for the first six months of the year due to COVID-19. Now that the stay at home order has been rescinded, and we are gearing back up to restart programming, we anticipate the revenues for FY 2020/21 to be \$616,900 assuming residents resume recreation activities at a level similar to prior years.

Revenues generated by special events, including Trunk or Treat, Spring into QC and Founders Day, are used to offset the Town's seed funding for these events, so the budget does not reflect any net revenues for these events.

In summary, should the Town eliminate all programs other than the Park Rangers, whose supervisor also manages all youth sports contracts, as well as all staffing, the Town would realize a net annual savings of approximately \$488,585.

Outstanding questions or issues, should this direction be pursued, include:

- What is the future of the Recreation Annex? This space was initially identified as the library expansion in the early 2000's when initial programming occurred. As population increases to the library patron standards, eventual expansion into this space is inevitable.
- Would library room rentals be coordinated by Maricopa County Library District (including revenues associated with rentals)?
- Special event permits would need to be either eliminated entirely or be shifted to another department.
- How would field, ramada and court rentals be handled? Are they rented out at all or allow as a customer first-come, first-serve prioritization?
- Levels of service for field maintenance would likely need to be reduced or the budget increased to accommodate heavier field use without a reservation system.
- Park Rangers management would be assigned likely to Code Enforcement (Development Services) or the Police Department once the PD transition is completed.

13. Can the Town Center Police Department fueling station be eliminated if the Town acquires the QCUSD property?

Yes. The fueling station is included in the budget at \$0.5M.

14. Did the state legislature extend the deadline for paying property taxes?

No, the legislature did not extend the property tax payment deadline this year.

15. Are HOA's included in SLID assessments?

No, HOA parcels are excluded from the list of parcels when a SLID is created and hence they do not receive a SLID assessment.

16. Why is there no non-growth funding allocated for the police facilities within the new fire stations (slide 64 of the Budget Committee presentation)?

The Town's non-growth requirements for public safety infrastructure have already been satisfied, therefore no non-growth funding is required for these new facilities.

17. Regarding the debt related to HPEC: what is the annual cost, which debt issues are involved, and when are the debts retired?

Annual payments on the debt related to the HPEC facility are split between HPEC revenue (48.8%) and Parks Impact Fees (52.2%). Following are the annual debt service amounts and the amount of debt outstanding at June 30, 2020:

Debt Issue	Annual Payment			Amount Outstanding at 6/30/2020	Maturity Date
	HPEC	Parks Impact Fees	Total		
2016 Refunding - 2007 Excise Tax Bonds	\$ 214,000	\$ 224,000	\$ 438,000	\$ 4,232,304	8/1/2032 (FY23)
2016 Refunding - 2008 GADA Loan	79,000	83,000	162,000	590,000	8/1/2023 (FY24)
Total	\$ 293,000	\$ 307,000	\$ 600,000	\$ 4,822,304	

18. For upcoming Council meeting, can an ordinance instead of a resolution, be considered by the Council that stipulates all net revenues be applied to pay down pension unfunded obligations and outstanding debt?

Yes, a draft ordinance has been included in the materials for Council consideration at the June 3rd meeting. Clarification from Council will be needed about adjustments for growth, maintaining levels of service, and exceptional circumstances.

19. Do we know how our residents are experiencing the pandemic, from an economic perspective? How can we get detailed unemployment insurance claims filed by town residents?

Following is a narrative of information staff has been able to gather regarding employment of Town residents:

Introduction

Due to Arizona's stay-at-home order that went into effect on March 31st, many businesses were forced to change their methods of providing products and services to their customers or to close altogether. To determine the impact of COVID-19 on Queen Creek's employment levels and local businesses, the Finance and Economic Development departments have gathered data and summarized the information below. The departments will continue to monitor industry and employment data and provide periodic updates to the Town Council.

Background

Of Queen Creek's population of individuals 16 years of age and older, nearly 16,000 are usually employed. Nearly 95% of residents commute outside of Queen Creek's boundaries to go to work, thus, most Queen Creek residents that are employed work for non-Queen Creek-based employers.

Queen Creek Residents - Employment by Industry

Below is a table that details industries in which Queen Creek residents are employed per MAG Travel Reduction Survey data (which only includes employers with at least 50 total employees). This table includes employers located within Queen Creek's boundaries and within other municipalities. These figures do not include residents that are self-employed and work from home. The chart indicates that the largest industry employing Queen Creek residents is Retail Trade, followed by Educational Services, Manufacturing, Finance and Insurance, and Public Administration. Collectively, these five industries employ the majority (69.1%) of Queen Creek residents.

Industries That Employ Queen Creek Residents

Based on a sample of 7,754 employed Queen Creek residents

Rank	Industry	Percentage
1	Retail Trade	16.91%
2	Educational Services	15.53%
3	Manufacturing	14.59%
4	Finance and Insurance	11.57%
5	Public Administration	10.51%
6	Health Care and Social Assistance	8.10%
7	Transportation and Warehousing	3.66%
8	Professional, Scientific, and Technical Services	3.43%
9	Wholesale Trade	3.35%
10	Administrative and Support and Waste Management and Remediation Services	3.02%
11	Management of Companies and Enterprises	2.10%
12	Accommodation and Food Services	1.73%
13	Utilities	1.68%
14	Information	1.64%
15	Other Services (except Public Administration)	0.76%
16	Construction	0.58%
17	Real Estate and Rental and Leasing	0.49%
18	Arts, Entertainment, and Recreation	0.30%
19	Mining, Quarrying, and Oil and Gas Extraction	0.06%

Source: 2019 TRP, sample size = 7,754; 2018 MAG Employer Database

Queen Creek Residents - Employment by Employer

Looking again at the MAG Travel Reduction Survey data, we can also look at the top 25 employers for Queen Creek residents. The data combines multiple locations of the same company to include one collective figure for an employer (for example, several locations of Queen Creek Unified School District are rolled up into one total figure).

Top 25 Employers for Queen Creek Residents				
Based on a sample of 7,754 employed Queen Creek residents				
	Employer	Industry	Employee Count	Percentage
1	Queen Creek USD	Educational Services	354	4.57%
2	Intel Corporation	Manufacturing	297	3.83%
3	Banner Health	Health Care & Social Assistance	195	2.51%
4	Walmart, Inc.	Retail Trade	143	1.84%
5	Boeing	Manufacturing	138	1.78%
6	Wells Fargo & Co.		134	1.73%
7	Dignity Health	Health Care & Social Assistance	123	1.59%
8	SRP	Utilities	119	1.53%
9	Chandler USD	Educational Services	107	1.38%
10	State Farm Insurance	Finance & Insurance	104	1.34%
11	City of Mesa	Public Administration	94	1.21%
12	JPMorgan Chase	Finance & Insurance	89	1.15%
13	Smith Food & Drug Stores – Fry’s Food Store	Retail Trade	83	1.07%
14	Arizona State University	Educational Services	82	1.06%
15	Costco Wholesale	Retail Trade	80	1.03%
16	Bank of America	Finance & Insurance	78	1.01%
17	The Home Depot	Retail Trade	72	0.93%
18	Honeywell	Manufacturing	71	0.92%
19	Town of Gilbert	Public Administration	70	0.90%
20	City of Chandler	Public Administration	68	0.88%
21	Albertsons Companies (Albertsons/Safeway)	Retail Trade	66	0.85%
22	DriveTime	Retail Trade	63	0.81%
23	Higley USD	Educational Services	61	0.79%
24	Northrop Grumman	Manufacturing	61	0.79%
25	Earnhardt Mgmt. Company	Retail Trade	59	0.76%
		Total:	2,811	

Source: 2019 TRP, sample size = 7,754; 2018 MAG Employer Database

Layoffs, Furloughs, and Pay Cuts by Employer

Of the employers on this Top 25 list, eight companies have reported layoffs and another two employers have announced short term furloughs and/or pay cuts. It is possible that many of the other employers on this list are also experiencing layoffs and furloughs which have not been publicly announced.

The businesses experiencing layoffs are confirmed per the Arizona Department of Economic Security's Local Layoff Alerts. These businesses (and their respective industries) include: Albertson/Safeway (Retail Trade), Bank of America (Finance and Insurance), DriveTime (Retail Trade), Intel (Manufacturing), Northrop Grumman (Manufacturing), Walmart (Retail Trade), and Wells Fargo (Finance and Insurance). Per *Forbes*, Boeing (Manufacturing) will eliminate 10% of its workforce, reportedly through voluntary layoffs, natural turnover and involuntary layoffs.

Dignity Health and Banner Health (Health Care and Social Assistance) are implementing furloughs. Dignity Health's "executive leadership team temporarily reduced its base pay by as much as 15% through the end of the fiscal year, and... some staff members are flexing their hours, and all employees who don't directly care for COVID-19 patients are using flexible paid time off." Banner Health is implementing furloughs which are anticipated to affect 5% to 7% of its workforce, or up to 3,000 Arizona employees.

Comparing this initial layoff and furlough data with the main industries Queen Creek residents are employed in (in order, Retail Trade, Educational Services, Manufacturing, Finance and Insurance, and Public Administration), three industries overlap: Retail Trade, Manufacturing, and Finance and Insurance.

The data is not currently available at a more granular level to conclude whether or not Queen Creek residents employed by these businesses and/or in these industries have been directly impacted by these layoffs/furloughs.

Unemployment in Queen Creek and Surrounding Areas

A useful source of information on employment and unemployment within Queen Creek and the surrounding areas is the Bureau of Labor Statistics and the Arizona Commerce Authority. These sources provide monthly labor force and unemployment data down to the city/town level. Preliminary data for March 2020 showed Queen Creek's unemployment rate at 4.2%, which was a 0.8% increase over February 2020. To compare, Maricopa County's March 2020 unemployment rate was 4.6% and the State of Arizona's unemployment rate was 5.3%, both of which increased over their February 2020 rates. April 2020 data is anticipated to be available in late May or early June.

Unemployment Claims

The Maricopa Association of Governments (MAG) and the Department of Economic Security recently created draft maps that represent initial unemployment claims by zip code across

the state. According to MAG, the number of unemployment claims for the 85142 zip code was 4,488 as of April 30, which represents between 16%-17% of the civilian labor force within the zip code. Unemployment claim data is available at the state and federal level, but is not publicly available at the city/town level at this time. The Town will continue to work with entities such as MAG to obtain updated unemployment claim information at the zip code level as it becomes available.

Additional Monitoring

The Finance and Economic Development departments will be monitoring business closures within the Town limits. The Town Clerk will send periodic reports on inactive licenses, which will help us to identify any recently-closed businesses. This information can provide a better understanding of the industries and businesses that are being impacted within the Town and can also be used to determine impacts on employment.

Conclusion

A majority of the data received to date accounts for activity through March, which saw most of its impacts from the stay-at-home initiative in the last two weeks of the month. Data from the month of April is anticipated to provide a better idea of the impacts on local business and employment as the stay-at-home order was in effect for the entire month. The Finance and Economic Development departments will continue to provide updates relating to the impacts of COVID-19 on local businesses and employment as new information is released.

ORDINANCE 730-20

AN ORDINANCE OF THE MAYOR AND COMMON COUNCIL OF THE TOWN OF QUEEN CREEK, ARIZONA, AMENDING CHAPTER 3, ADMINISTRATION; ADDING A NEW ARTICLE 3-6, RESERVES, PENSION AND DEBT FUNDING; AND ESTABLISHING AN EFFECTIVE DATE.

WHEREAS, Chapter 3 ADMINISTRATION of the Queen Creek Town Code provides for various administrative ordinances related to management of the Town; and

WHEREAS, maintaining adequate financial reserves is essential to ensuring continuation of operations and services during economic downturns; and

WHEREAS, the Town has a Pension Funding Policy which aspires to have fully funded pension plans to achieve intergenerational equity among current and future taxpayers; and

WHEREAS, retiring debt as soon as possible ensures that residents are not unduly shifting their household incomes to pay for the burden of government services; and

WHEREAS, retiring debt as soon as possible ensures residents are only paying their fair share for services and providing only the bare necessity of resources to the Town's budget which should always be prioritized to fund only necessary essential services (such as Police, Fire, Roads, Water and Wastewater) to Town residents; and

WHEREAS, the Town has previously adopted financial policies to build and maintain reserves for operations and pension obligations; and

WHEREAS, the Mayor and Town Council desire to strengthen the Town's financial condition relative to the Town's reserves for operations, pension obligations and outstanding debt obligations.

NOW, THEREFORE, BE IT ORDAINED by the Mayor and Common Council of the Town of Queen Creek, Arizona as follows:

Section 1: The Queen Creek Town Code, Arizona Chapter 3 ADMINISTRATION, Article 3-6 Reserves, Pension and Debt Funding is hereby established, as shown in Exhibit A attached to this ordinance.

Section 2: Effective Date

This ordinance will be effective on July 1, 2020.

Section 3: If any section, subsection, sentence, clause, phrase or portion of this Ordinance or any part of this addition or modification adopted herein by reference is for any reason held to be invalid or unconstitutional by the decision of any court of competent jurisdiction, such decision shall not affect the validity of the remaining portions thereof.

PASSED AND ADOPTED by the Mayor and Common Council of the Town of Queen Creek, Arizona, this _____ day of _____ 2020.

FOR THE TOWN OF QUEEN CREEK:

ATTESTED TO:

Gail Barney, Mayor

Maria Gonzalez, Town Clerk

REVIEWED BY:

APPROVED AS TO FORM:

John Kross, Town Manager

Dickinson Wright, PLLC
Attorneys for the Town

Exhibit A

ARTICLE 3-6 RESERVES, PENSION AND DEBT FUNDING

Section 3-6-1 Definitions

- a. Debt Obligations – all long-term borrowing including bonds, loans, notes, capital leases, and interfund loans.
- b. Debt Reserve – a separate reserve intended to provide resources to pay off the Town's Debt Obligations as soon as reasonably possible.
- c. Operating Budget – the combined revenues and expenditures of the General Fund, Emergency Services (EMS) Fund, Horseshoe Parks and Equestrian Center (HPEC) Fund, and Highway User Revenue (HURF) Fund.
- d. Operating Budget Reserve – a separate reserve intended to provide resources to address emergencies, sudden loss of revenue, or unexpected economic downturns.
- e. Pension Reserves – separate reserves intended to provide resources towards reducing the Town's Unfunded Pension Liabilities. These Reserves may be divided into individual reserves for each of the Town's pension plans, and further divided among the Town's governmental funds and enterprise funds.
- f. Unfunded Pension Liabilities – the difference between assets and the estimated future cost of pensions earned by employees, as reported in the actuarial valuation reports issued by the Town's pension plans.

Section 3-6-2 Funding Objectives

The Town shall maintain reserves, to the extent resources are available, at the following amounts:

- a. Pension Reserve – 100% of the Town's unfunded pension liabilities, as reported by each pension plan's most recent actuarial valuation reports.
- b. Debt Reserve – Where possible, reserves should be accumulated and evaluated annually for funding levels or possible payoff of debt.
- c. Operating Budget Reserve – 25% of the following year's Operating Budget revenue.

Section 3-6-3 Funding Requirements

At the end of each fiscal year, any amount of excess revenue over expenditures in the Operating Budget, as determined by the Finance Department following generally accepted accounting principles, will be applied towards the Town's Reserves in the following order:

- a. Pension Reserves applicable to Unfunded Pension Liabilities in governmental funds
- b. Debt Reserve
- c. Operating Budget Reserve

The Town shall adopt financial policies that prescribe annual funding and accounting practices for each of these Reserves. Policies will include specific practices for the funding and accounting of Pension Reserves in governmental and enterprise funds, as well as requirements to ensure resources in the Debt Reserve comply with IRS regulations regarding yield restriction and

rebate. Adoption and the effectiveness of this ordinance assumes compliance with any bond covenants and other generally accepted accounting practices.

Section 3-6-4 Use of Reserves

In any fiscal year, use of any funds from any of the Town's Reserves established in this Article 3-6 requires an appropriation by the Town Council.

TO: Mayor and Town Council
THROUGH: John Kross, Town Manager, ICMA-CM
FROM: Scott McCarty, Finance Director
RE: 2020 Council Strategic Planning Session Follow-Up: QC Accomplishments
DATE: May 26, 2020

The attached report is a follow up to the February 2020 Council Strategic Planning Session. The purpose of this report is to memorialize significant financial initiatives enacted over the past few years, as well as document other accomplishments and process improvements that have resulted in a more efficient use of Town resources. The report outlines five categories of accomplishments: 1) one-time debt related savings, 2) Operating Budget annual savings, 3) tax and fee reductions/refunds, 4) project cost sharing partnerships and 5) other accomplishments, improvements and savings that are not necessarily quantifiable. One-time items identified in the first four categories total \$79.3 million and annual amounts total \$11.4 million.

The initial report results were shared with the Budget Committee on May 11, 2020. The attached is the final updated version of the report with details related to each of the items in the five categories identified.

We look forward to discussing this with you further.



TO: Mayor and Town Council
 THROUGH: John Kross, Town Manager, ICMA-CM
 FROM: Scott McCarty, Finance Director
 RE: 2020 Council Strategic Planning Session Follow-Up: QC Accomplishments
 DATE: May 26, 2020

This report is a follow up to the 2020 Council Strategic Planning Session. The purpose of this report is to memorialize significant financial initiatives enacted over the past few years, as well as document other accomplishments and process improvements that have resulted in a more efficient use of Town resources.

This report is broken up into five sections as follows:

1. Debt Related One-Time Savings/Cost Avoidance
2. Operating Budget Annual Savings/Cost Avoidance
3. Tax and Fee Reductions/Refunds
4. Project Cost Sharing Partnerships
5. Other Accomplishments/Improvements/Savings

The table below summarizes the savings related to the first four categories. Savings related to fifth item are not quantifiable so the item is only explained.

Category	One-Time Amount	Annual Amount
1. Debt Related One Time Savings/Cost Avoidance	\$33.9M	-
2. Operating Budget Annual Savings/Cost Avoidance	-	\$6.7M
3. Tax and Fee Reductions/Refunds	\$3.2M	\$4.7M
4. Project Cost Sharing Partnerships	<u>\$42.9M</u>	_____ -
Total	\$79.3M	\$11.4M

The remainder of the report provides detail of the individual items for each category.

Category 1: Debt/Infrastructure Funding One-Time Savings/Cost Avoidance

The items identified below relate to savings resulting from debt refinancing, early debt and development agreement payoffs.

Item	Year Completed	One-Time Amount	Description
Early Payoff of Development Agreements	FY 16-17	\$10.8M	Early payoff of the Vestar development agreement related to Queen Creek Marketplace retail center (\$10.5M), and the WDP agreement related to Cornerstone and Queen Creek (\$0.3M). These agreements were entered into to reimburse developers with sales tax revenues for certain public infrastructure, which facilitated retail development. This amount represents future years' interest costs saved.
Refinanced Excise Tax Debt	FY 16-17	\$12.5M	Interest savings (over the remaining life of the debt) resulting from the refinancing of the following debt issues, combining into one: 2004 GADA loan for Town Buildings 2005 GADA loan for the Library 2006 GADA loan for the Library 2008 GADA loan for HPEC 2007 Bond for Streets, Parks, Buildings, & Library 2006 Improvement District Bond - Town share of Ellsworth Loop Road
Refinanced Improvement District Debt	FY 16-17	\$4.0M	Interest savings (over the remaining life of the debt) resulting from the refinancing of the private portion of the Improvement District debt for the construction of Ellsworth Loop Road.
Improvement District Prepaid Reconciliation	FY 17-18	\$0.3M	Staff identified \$1.2M in prepaid principal from private property owners that the Town was holding that was not used to payoff debt when received. This resulted in the Operating Budget being reimbursed \$0.3M.
Early Payoff of Debt for WW Treatment Plant	FY 18-19	\$3.7M	Interest savings (over the remaining life of the debt) associated with the early payoff of the 2005 WIFA debt issued for the Town's buy-in to the Greenfield Water Reclamation Plant

Item	Year Completed	One-Time Amount	Description
Early Payoff of Inter-fund Loans	FY 19-20	<u>\$2.6M</u>	Interest savings (over the remaining life of the debt) on inter-fund loans used for development agreement payoffs and land purchase in Town Center
Total		\$33.9M	

Category 2: Operating Budget Annual Savings/Cost Avoidance

The items in this category represent items approved by Town Council that created capacity in the operating budget by creating funding sources as well as assigning costs to other funds.

Item	Year Completed	Annual Amount	Description
Pension Funding Policy	FY 15-16	\$2.1M	Having set aside reserves to cover the unfunded liability portion of the annual rates for the Public Safety Retirement System (PSPRS) for MCSO and Arizona State Retirement System, we draw from that reserve to make the unfunded liability payment instead of having to use current revenues. The unfunded liability for the Fire PSPRS has been paid off and is directly reflects in lower annual payment as well. All of these strategies free up current year revenues to be used for other costs.
Increased Costs Recovered from Fire District Contract	FY 15-16	\$125K	Beginning in FY 15/16, the fire district contract calculations were revised to include allowances for the fire district’s share of the fire unfunded pension liability (\$75K) as well as a capital cost recovery charge (\$50K).
Reallocated Source of Funding for Two Street Development Agreements	FY 16-17	\$1.7M	The development agreements between Vestar and WDP were previously paid from the Operating Budget. Since these agreements were to reimburse the developers for transportation related infrastructure, 75% of the cost is now allocated to the 2.0% Contracting Construction Sales Tax Fund to pay for the growth related portion of the annual payment.

Item	Year Completed	Annual Amount	Description
Increased Public Safety Funding from Utilities	FY 17-18	\$2.8M	Town Council approved a policy to include payments to the Operating Budget that reflect the true costs of utility operations, similar to expenses that would be incurred by a private utility, for franchise fees (set at 5% of annual water and wastewater operating revenues); payment in lieu of property taxes (set at the Town's primary property tax rate of \$1.95 per \$100 of net asset values for real and person property owned by the Utility Systems) and a return on investment (set at 10% of revenues generated by non-Town resident customers)
Total		\$6.7M	

Category 3: Tax and Fee Reductions/Refunds

The items in this category represent items approved by Town Council that reduced, eliminated or refunded taxes or user fees.

Item	Year Completed	One-Time Amount	Annual Amount	Description
Terminated 2 Years of Pre- Approved Wastewater Rate Increases	FY 15-16		\$0.8M	In 2011, Council approved a rate increase schedule of 9.5% annually from 2011 through 2016. In 2015, it was determined that those increases were not necessary given the financial condition of the Wastewater fund. The last two scheduled increases were eliminated and rates remain unchanged until the rate reduction in July 2019.
Impact Fee Refunds (Grandfather Provision)	FY 16-17	\$351K		When impact fees were updated in 2014, developments under construction were improperly charged some higher fees, not the lower, grandfathered amounts per state law. This was discovered during the required bi-annual audit.

Item	Year Completed	One-Time Amount	Annual Amount	Description
Reduction of Monthly Wastewater Rates	FY 19-20		\$1.1M	New residential wastewater rates effective 7/1/2019 reflected a rate reduction of approximately 15%, resulting in an average annual resident savings of \$60.
SLID Property Tax Reduction (Reconciliation)	FY 19-20	\$0.5M		Over the course of two years, staff created individual SLID balances and reconciled revenues to expenses. In FY 18-19 SLIDs in overpaid status totaled \$187K and this balance was drawn down to reducing the levy. Also, the Operating Budget covered SLIDs in arrears as a result of not having ever been reconciled in the amount of \$232K. The remaining overpaid SLID fund balances were used to offset expenses in FY20 for \$118K.
SLID Property Tax Reduction (Pole Ownership)	FY 20-21		\$0.4M	This is the aggregate annual savings to SLID parcels (~15,000) resulting from removal of the SRP maintenance costs now that the Town is responsible for maintenance of the streetlights. As new SLIDs are created, annual costs will be lower.
Reduced Water Replenishment Fees (CAGR)	Ongoing		\$2.4M	This is the savings effected through Council policies related to the application of groundwater credits and the purchase on non-CAGR credits related to pre-2004 CAGR parcels. There are ~8,400 parcels in the resident category and ~5,000 parcels in the non-resident category. This annual savings represents the difference between what customers would have paid, and what they did have to pay from the 2017 base consumption year through the 2019 consumption year.
Water Meter Deposit Refunds	Ongoing	\$2.3M		In December 2018, it was discovered that water meter deposits had not been refunded since the acquisition of the two water companies. The Town is the process of making these refunds. The total to be refunded is \$2.3M, of which \$1.3 has already been refunded. The remaining amount is owed to inactive customers that the Town will work to locate and they are no longer customers of the utility.
Total		\$3.2M	\$4.7M	

Category 4: Project Cost Sharing Partnerships

The following schedule shows the projects where the Town has realized substantial savings by entering into agreements with other governmental agencies. Following the schedule are details related each project.

Project	Project Total Cost	Partner Share	Town Share	Project Status
1. Riggs Rd: Ellsworth to Meridian	\$13.5M	\$6.7M	\$6.8M	Complete
2. Ocotillo: Power to Recker	\$3.4M	\$2.8M	\$0.6M	Complete
3. Queen Creek Wash	\$1.3M	\$1.2M	\$0.1M	Complete
4. Meridian: Combs to Germann	\$18.7M	\$9.35M	\$9.35M	Under Construction
5. Rittenhouse Road Bridge	\$4.2M	\$2.0M	\$2.2M	Under Construction
6. East Mesa Area Drainage Master Plan	\$8.6M	\$4.3M	\$4.3M	In Design
7. San Tan West Area Drainage Master Plan	TBD	TBD	TBD	In Design
8. Meridian: Germann to SR24	\$9.1M	\$4.55M	\$4.55M	Pre-Design
9. Ellsworth @ SR24 interchange			\$2.5M	Future
10. Signal Butte: Germann to SR24*	<u>\$12.0M</u>	<u>\$12.0M*</u>	<u> *</u>	Future
Total	\$70.8M	\$42.9M	\$30.4M	

*IGA requires full reimbursement to the Town by 2030

The project specifics are discussed below.

1. Riggs Rd (Riggs: Ellsworth to Meridian): This project was in partnership with MCDOT. The Town's share was \$6.8M and the MCDOT share was \$6.7M. The finalization of this project is underway with completion close.
2. Ocotillo Road Improvements (Ocotillo: Power to Recker). This project was a 3-way partnership with a total project cost of \$3.4M. TOQC received cash in lieu funds of \$2.3M. Final costs were: Town paid \$562K, Gilbert paid \$502K and MCDOT paid \$42K, for the traffic signal installation only. This project is complete.
3. Queen Creek Wash (Desert Mountain Park to Crismon). This project was a partnership with ADOT, and the Town received two federal grants for a total of \$1.2M be used toward the design and construction. The Town's cost for this project was \$82K and this project is complete
4. Meridian Road (Meridian: Combs to Germann). This project is budgeted for FY 19-20 and FY 20-21 and is a 50/50 cost share with Pinal County and is currently underway with a project total of \$18.7M. There are multiple phases within the project with Phase I complete and Phase II underway. Phase III still remains but is scheduled to be completed in succession and the project is on track to meet the anticipated finish date.

5. Rittenhouse Road (Rittenhouse Road: Village Loop to Alliance Lumber including the Rittenhouse Bridge). The Rittenhouse Bridge component of this project is expanding the bridge from two lanes in each direction, to four. The total project cost for the bridge only is budgeted at \$4.2M with MCDOT paying \$2.0M and the Town paying the remainder, both the roadway and bridge are currently under construction.
6. Engineering Staff remains active with the Flood Control District of Maricopa County and actively participated in the East Mesa Area Drainage Master Plan (ADMP). The ADMP ultimately allowed the Town to partner with the District on the Regional Drainage Components on the East Park project. The project is under design and will ultimately move into construction to perform the grading and installation of the regional drainage components. By splitting the costs 50/50 with the District, the Town is able to save a few million dollars with the total estimated project cost at \$8.6M. This project is currently under design.
7. Engineering Staff is actively involved in the Flood Control District of Maricopa County update to the San Tan West Area Drainage Master Plan. This is an approximate two year endeavor and when complete will hopefully identify future flood mitigation projects in the Southern portions of Town that the Town will be able to partner with the District and split future costs 50/50. The update will also be available to the Private Development community to efficiently incorporate into the subdivision Grading and Drainage designs. This includes the future Box Canyon Master Planned Area. This project is underway with completion anticipate in the near future.
8. Meridian Road (Meridian: Germann to State Route 24). This project is budgeted for FY21 and FY22 with expected construction costs of \$9.1M. The project is a 50/50 cost share via IGA with Pinal County as the partnering agency. The completion of this project has regional benefit relating to transportation and future development, with the design aspect of the project expected soon.
9. Ellsworth SR24 interchange. The Town is a committed partner in the extension of State Route 24 to include the interchange located at Ellsworth Road. This project includes MAG, ADOT, City of Mesa and the Town of Queen Creek. The cost share portion for the Town is \$2.5M, which will be paid on 7/1/2020. The added benefit of improved transportation to Town residents and others who live in surrounding communities while difficult to quantify is present.
10. Mesa Roads (Signal Butte: Germann to SR24). This project is budgeted for FY21 and FY22 with expected construction costs of \$12M. While the Town will have the initial outlay to cover construction there is an IGA in place with the City of Mesa for the Town to recoup the entire amount, no later than 2030. The Town's interest in accelerating the schedule relates to the anticipated benefit to residents and other who use Queen Creek as a thru fare. Project design is expected to occur in the near future.

Category 5: Other Accomplishments/Improvements/Savings

The following items are a mix of items that Council has approved as well as items that departments have implemented that have resulted in additional revenues, efficiencies, savings or other benefits to the Town.

1. Strategic Annexations

The following annexations have provided/will provide additional net annual resources to the Town in the form of property taxes, sales taxes and state shared revenues. All amounts are

estimates at build-out amounts. In addition, construction activity on the annexed land will produce one-time revenues in the form of permitting fees and sales taxes.

Annexed Property	Year	One-Time Revenues	Annual Revenues	Annual Expenses	Net Annual Revenues
J-Curve Ellsworth/Hunt Highway	FY 16-7	\$1.3M	\$2.4M	\$50K	\$2.3M
Banner Ironwood Hospital	FY 16-17	\$8.9M	\$0.2M	\$0	\$0.2M
Ironwood Crossing (including Zimmerman Dairy and LDS Property)	FY 17-18	\$39.0M	\$6.1M	\$3.5M	\$2.6M
QC40 - NEC Ellsworth & Riggs	FY 19-20	\$1.0M	\$1.0M	\$0	\$1.0M
Encanterra	FY 19-20	\$12.1M	\$2.5M	\$0.8M	\$1.7M
State Lands	FY 19-20	<u>\$135.7M</u>	<u>\$42.0M</u>	<u>\$29.0M</u>	<u>\$13.0M</u>
Total		\$198.0M	\$54.2M	\$33.4M	\$20.8M

2. Lower Interest Costs on Future Bond Issuances

- Both Bond Ratings Upgraded to 'AA'.
- Increased Debt Coverage Requirement.
- Expanded Definition of Pledged Revenues to Include Dedicated Sales and Property Taxes – resulted in increased coverage ratios for FY 17/18 from 6.1x to 7.5x. The higher the coverage, the better.

3. Parks Level of Service Adjustment

- In determining the parks impact fee for FY 19-20, the Town Council set the parks land level of service at 40 acres per 10,000 population, which means building amenities on all parks land the Town currently owns. In contrast, the Parks Master Plan set the level of service at 51 acres per 10,000 population. As such, the cost differential between the higher Master Plan parks level of service at a cost of \$121 million versus impact fee level of service at a total cost of \$68 million, is \$53 million. Said another way, had the Master Plan level of service been used to set the impact fees, the Town's Operating Budget would have had to cover the \$53 million difference.

4. Contracted with an investment advisor in FY 18-19 to improve the Town's interest rate earned on cash funds.

5. Aggressive Water Supply Acquisition Strategy

- Securing water at rates less than the CAGR per acre foot, resulting in an estimated \$50M savings long term
- Securing more surface water to reduce groundwater pumping
- Utilizing Reclaimed Water

- Staff identified solutions, developed agreements, and designed / constructed improvements that allows the Town to put nearly 100% of its available reclaimed water to beneficial use. Previously the water was given to Gilbert and Mesa as the Town had no place to use the resource. This successful program has allowed the Town to support lake features at our parks and in several subdivisions at a very critical period of growth. The program reduces our future dependency on pumping groundwater while utilizing an existing resource; combining aesthetics, sustainability, efficiency, and cost savings into a single program.

6. WIFA Program Change for Funding Water Resources

- Effective August 27, 2019, the population limit for utilizing WIFA financing before requiring voter approval was expanded from 50,000 to 150,000.
- Use of WIFA financing is no longer restricted to capital improvements, but has been expanded to include the acquisition of water resources. The Town's request resulted in nationwide change to the program allowing for the financing of water resources.

7. Expanded Utilities Financial Policies

- Combined Water and Wastewater into one utility for debt issuance purposes to improve the resources available to make debt service payments.
- In FY 18-19, the Town Council approved a utility reserves policy:
 - Established an operating reserve targeted at an amount equal to annual operating expenses.
 - Established a repair and replacement reserve targeted at 1.5 times annual depreciation.
 - Established a pension reserve to cover the unfunded liability portion of annual Arizona State Retirement System (ASRS) rates.

8. Utility Billing Corrections/Process Improvements

- Identified an issue with NSF notifications dating back to when the new ACH program was implemented in 2009 that has now been corrected.
- Adjusted sewer rates for new customers that have not yet established a winter average to be the average residential rate from the most recent winter averaging period. Previously it was set at a fixed rate of \$43.46 per month for new customers. Under the new method, sewer rates for new customers was reduced to \$36.90 per month, a savings of \$6.56/month for first year savings up to \$78.72 per new customer.
- Customer Services staff instituted processes and procedures to improve the accuracy of meter reads and billings, eliminating rework and replacement billings.
 - Corrected large water meter billing issues in FY 17-18, recovering approximately \$470K in back billings (31 accounts affected).
 - Corrected small water meter billing issues in FY 17-18: Prospectively the Town will realize an additional \$280/month.

- A proactive quality control process was implemented in January 2020 to conduct a monthly pre-billing review of all sewer charges and tax codes assigned to new accounts, to reduce account setup errors prior to a new customer's first billing
- Customer Services staff worked cooperatively with Utilities metering staff to reconfigure and rebalance the assignment of meters to routes in 2019 to help stabilize the current utility billing system. Additional process changes were implemented in April 2020 to disaggregate the one large billing file into multiple files to further reduce risk associated with the monthly billing of utility accounts.
- Customer Services staff corrected the auto-dialer program logic in 2019 to properly consider all past due amounts when identifying accounts for follow up collection calls. Also, changed procedures to run auto-dialer calls over several days leading up to the actual shut-off day. The combination of these two changes significantly reduced the number of delinquent accounts and amounts past due.
- Prior to July 2019, the annual update of sewer charges based on the new winter average consumption period ending in February did not allow sufficient time to review and make appropriate adjustments prior to billing the updated sewer amounts in March. The process was changed in 2019 to implement updated sewer charges in July of each year to allow time for thorough review of new winter average consumption and requests for adjustments due to leaks and filling swimming pools before updating the charges for the July billing.
- Accounting processes were changed in FY 18-19 to properly record unbilled utility revenue and an allowance for uncollectible accounts. These changes result in a much more accurate reflection of utility revenue and accounts receivable as reported in the Town's comprehensive annual financial report.
- Improved the accuracy of sales tax reporting for all utility customers, ensuring the correct tax is collected by county and by taxable activity.

9. Overhauled Impact and Capacity Fees

The following factors were included in the updated fee calculations. Some fees increased, others decreased.

- The dedicated 2% contracting (construction) sales tax was included in transportation fee calculation.
- Reconciled individual impact and capacity fee cash balances (\$43.5m) to ensure accurate cash balances were factored into the fees.
- Established the same water capacity fee for ¾" and 1" meters (1" was higher).
- Reduced costs charged to growth for the library, breaking out the recreation portion of the debt and charging that to the Operating Budget.
- Improved allocation of costs to non-residential properties
 - Used functional population.
 - Used regional data re. employees per 1K SF.
 - Allocated public safety costs to retail uses.

10. New and Replacement Infrastructure Funding Established

- Annual transportation infrastructure funding placeholder of \$6.5M – initially set at \$5.5m in FY16-17 and increased to \$6.5M in FY 17-18.
- Annual repair and replacement funds for IT equipment starting in FY 17-18 (\$325K), Horseshoe Park infrastructure starting in FY 17-18 (\$100K) and building maintenance systems replacement starting in FY 18-19 (\$250K).

11. Capital Construction Efficiencies

- General Capital
 - The inclusion of 1,700 square feet of office space into new fire stations and used by law enforcement eliminates the need for separate facilities to be built at a higher cost where land must be purchased for these offices. It cost about \$700K to build this office space in fire stations, this cost would easily double or triple if separate land was purchased and buildings constructed for this purpose.
 - Fire Station #2 and #5 combined under one contract for design, saving the Town \$205K in design fees.
 - HPEC improvements constructed in-house when possible to better utilize staff during slower seasons – examples include the rebuilt west wall of Arena 1 with repurposed materials, and Arena 3 fence removal, site prep and new fence construction.
- Utilities
 - In-House Water Construction utilized when feasible, saving anywhere from \$10K to \$80K per project, with an average savings of \$50K.
 - Savings realized when combining well/tank projects in the bidding process. Savings of approximately \$100K per well. This savings was realized on the Villages Well, Barney Farms Tank, and Barney Farms Lake well, for approximately \$300K.
 - Consolidating Water Storage Tanks - The USD was able to reduce the number of water storage tanks at the Barney Farms, Church Farms East, and Sossaman West sites. The savings was a result of combining two tanks into a single large Tank that is capable of meeting the Town's needs. Savings estimated at \$3M.
 - Thorough testing and evaluation prior to water line replacement - Villages project, USD staff was able to determine that the existing water lines in the Villages subdivision are capable of remaining in service for at least another 10 years, resulting in an estimated savings of \$2M over the original engineer's cost estimate.
 - Utilizing value engineering on large construction projects –on the Church Farms East water storage tanks project, value engineering saved approximately \$300K.
 - Identify opportunities to improve field installations - USD staff worked with a material vendor to develop a unique dismantling joint for booster pump connections to system lines. Previous to this application, new custom pipe sections would often have to be manufactured to specific dimensions when changing out booster pumps. The new joint gives flexibility in the dimension allowing the joint to be reused for almost any changes. This joint has since seen

a wide acceptance throughout the industry and has been recognized in industry magazine articles. The Town estimates this saves the Town about \$10K per well constructed.

- Evaluated and utilized procurement methods and strong project management to realize savings over engineer's cost estimates for projects identified in the 2017 Water Master Plan – savings of approximately \$5M.
- Evaluated and utilized procurement methods and strong project management to realize savings over engineer's cost estimates for projects identified in the 2017 Wastewater Master Plan – savings of approximately \$3M.

12. Increased Fire ISO Rating – Lowered Property Insurance Costs

- Building additional fire stations (FS #3, FS#5) has assisted in improving the Town's ISO rating from a "4" to a "2" and thus causing a reduction in insurance premiums paid by homeowners and businesses. It is not possible to calculate the savings in this area as this is not a reportable number that can be researched.

13. Digital/Electronic Process Improvements/Enhancements

- In May 2018, the Development Services Department went fully digital with planning and permitting submittals, resulting in cost savings for customers in printing, travel, and time.
- The Development Services Department has also gone digital with the use of laptops and iPads for employees with respect to things such as plan review and inspection work assignments for field staff. This has cut down on reproduction costs.
- Development Services set up remote work locations at the Field Operations Facility (FOF) to allow field staff closer access to office resources when working at the northern end of Town. This saves time, gas and wear and tear on vehicles.
- Finance implemented electronic file storage for Accounts Payable (vendor invoices) and Payroll files, saving on printing and storage costs. This has also increased accessibility saving time on document retrieval when doing research.
- HPEC implemented electronic receipts.
- Deployed VDI/Thin Client Computers : Since moving to VDI, most of our new computers are thin clients. Thin client computers are small, compact computers with reduced capabilities. Their sole function is to get users into VDI and they are more affordable than typical computers. Savings between 2017 – 2019 have been over \$43K. This diminishes over time as we replace fewer computers.
- New Computer Imaging Process: Last year, a new imaging process was developed to deploy new computers, allowing new computers to be prepared in a fraction of time and with more consistency than the former manual process.

14. Other Efficiencies, Cost Savings and Process Improvements

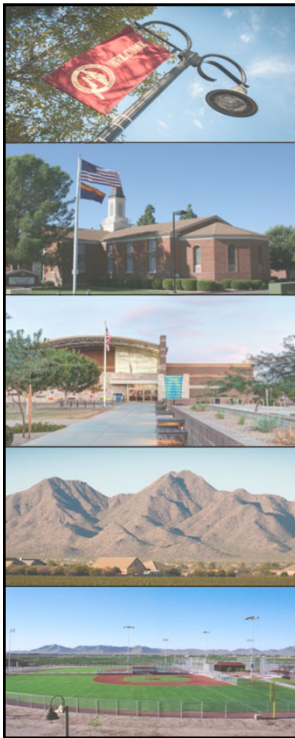
- In 2019, the Town Council and Planning Commission approved the Zoning Ordinance text amendment, which allowed all site plan applications under 10-acres in size to be approved by the Planning Commission, reducing Planning staff time and resources required for an additional meeting.

- Enhanced Procurement Process: Delegation Resolution
 - Town Council approved a new process in August 2018, referred to as a delegation resolution, whereby they approve spending in total for large projects, rather than approving each individual contract. Once the delegation resolution is approved by Council, the Town Manager has the authority to execute all the large construction contracts within that delegation resolution. This saves time by not having to take each contract to Council for approval at a scheduled meeting.
- The Town's design consultant on the East Park project is updating the Flow 2D Hydrology Model for the watershed contributing to the East Park. This model will be available to the Private Development community for the various subdivisions that develop in the northeast corner of Town allowing the Developers Engineers to have quick access to current hydrology models that they can more efficiently incorporate into their subdivision grading and drainage designs.
- HPEC staff perform maintenance and repairs at the park that are normally contracted out. Welding is done in-house as needed for panel repairs, arena implement repairs, bucking chute repairs, fencing repairs and fencing construction. Staff also fabricate and modify equipment as needed to improve operations. This has increased the level of service at a reduced cost.
- The Town now has certified drone pilots. Aerial photography and video can now be done in-house rather than utilizing professional services.
- Utilities department in 2017 converted the Villages Well from SRP to ED6 power savings approximately \$30K annually.
- Strategic hires in the Utility Services Department have increased service levels, while decreasing costs:
 - Electrician: Hiring an electrician in the Water Production Division saves the Town an estimated \$70,000 per year while improving the division's level of service for producing water to Town customers. Benefits include: reduced vendor regular and after hours call-outs for regular maintenance electrical changes; troubleshooting during failures and emergencies; reviewing electrical and SCADA plans and providing design assistance; and developing design standards. The value of being able to respond to emergencies more quickly provides a higher level of service that is not included in the savings estimate.
 - Hiring a two person crew to actively maintain and repair water system equipment such as water line valves and hydrants is estimated to save the Town approximately \$133,000 per year in immediate savings as compared to hiring a contractor to do the work. As this is a year to year need, these savings are accumulated yearly. The future year savings related to extended the life of the valves and hydrants and thus reducing failures and requirements to hire contractors to perform major repairs at much greater costs. The unvalued aspect of this program is that the system functions at a higher level of service which is very beneficial to emergency services that use hydrants and for water system emergencies in which being able to close the nearest valve reduces emergency

related costs and the number of customers being out of service related to that situation.

- Comprehensive Employee Wellness Program
 - Programs encourage a healthy lifestyle for employees and families (nutrition, exercise, preventive care, etc. Healthy lifestyle choices reduce healthcare costs.
- Town staff have transitioned some of larger special interest class instructors' registrations over to the instructors, saving time and resources at the Recreation Annex front desk, reducing the speed of need for new staff to handle growth in registrations. In addition, the Town saves on credit card processing (approx. 2.5% of transaction amount) and registration processing fees (3.92% of revenue processed).

This report is intended to be a comprehensive collection of the major financial and operational accomplishments implemented over the past several fiscal years. While the Town strives to implement process improvements as a way of doing business on a daily basis, it is not possible to identify every example of those in this report.



Our Scrapbook – A Review of Major Financial Results

Town Council Meeting
June 3, 2020

Summary Results

Type / Category	One-Time Amount	Annual Amount
1. Debt Related One-Time Savings / Cost Avoidance	\$33.9M	-
2. Operating Budget Annual Savings / Cost Avoidance	-	\$6.7M
3. Tax and Fee Reductions / Refunds	\$3.2M	\$4.7M
4. Project Cost Sharing Partnerships	<u>\$42.9M</u>	
TOTAL	\$79.3M	\$11.4M

A 5th Category also exists for “Other Accomplishments” which are much more difficult to quantify but have a significant financial impact.

1. One-Time Savings / Cost Avoidance

Item	Year Completed	One-Time Amount
1. Early Payoff of Two Development Agreements	FY 16-17	\$10.8M
2. Refinanced Excise Tax Debt	FY 16-17	\$12.5M
3. Refinanced Improvement District Debt	FY 16-17	\$4.0M
4. Improvement District Account Payoffs	FY 17-18	\$0.3M
5. Early Payoff of Debt for WW Treatment Plant	FY 18-19	\$3.7M
6. Early Payoff of Interfund Loans	FY 19-20	<u>\$2.6M</u>
TOTAL		\$33.9M

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2. Operating Budget Annual Savings / Cost Avoidance

Item	Year Started	Annual Amount
1. Pension Funding Policy	FY 15-16	\$2.1M
2. Increased Costs Recovered from Fire District Contract	FY 15-16	\$125K
3. Reallocated Source of Funding for Two Street Development Agreements	FY 16-17	\$1.7M
4. Increased Public Safety Funding from Utilities	FY 17-18	<u>\$2.8M</u>
TOTAL		\$6.7M

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3. Tax and Fee Reductions / Refunds

Item	Year Completed	One-Time Amount	Annual Amount
1. SLID Property Tax Reduction (Reconciliation)	FY 19-20	\$0.5M	
2. SLID Property Tax Reduction (Pole Ownership)	FY 20-21		\$0.4M
3. Water Meter Deposit Refunds	Ongoing	\$2.3M	
4. Terminated 2 Years of Pre- Approved Wastewater Rate Increases	FY 15-16		\$0.8M
5. Reduction of Monthly Wastewater Rates	FY 19-20		\$1.1M
6. Reduced Water Replenishment Fees	Ongoing		\$2.4M
7. Impact Fee Refunds (Grandfather Provision)	FY 16-17	<u>\$0.4M</u>	— -
TOTAL		\$3.2M	\$4.7M

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4. Project Cost Sharing Partnerships

- ~\$43M From Partnerships (Other Cities, Counties, State)
- Streets Related
- 10 Projects

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5. Other Accomplishments

1. Lower Interest Costs on Future Bond Issuances

- Both Bond Ratings Upgraded to 'AA'
- Increased Debt Coverage Requirement
- Expanded Definition of Pledged Revenues to Include Dedicated Sales and Property Taxes

2. Lowered Property Insurance Costs paid by Homeowners and Businesses

- Town's ISO Rating (Insurance Services Office) Has Improved as a Result of the Growth of the Fire Department (Staffing and Infrastructure)

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5. Other Accomplishments (continued)

3. Faster Contract Award and Construction of Infrastructure Projects

- Implemented New "Delegation Resolution" Process

4. Comprehensive Employee Wellness Program

- Programs Encourage a Healthy Lifestyle for Employees and Families (Nutrition, Exercise, Preventive Care, etc.)

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5. Other Accomplishments (continued)

5. Overhauled Impact and Capacity Fees

- Dedicated 2% Transportation Sales Tax Included in Transportation Fee Calculation
- Reconciled Individual Fee Cash Balances (\$43.5M)
- Same Water Capacity Fee for ¾" and 1" Meters
- Reduced Costs Charged to Growth for the Library
- Improved Allocation of Costs to Non-Residential Properties
 - Used Function Population
 - Used Regional Data re. Employees per 1K SF
 - Allocated Public Safety Costs to Retail Uses

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5. Other Accomplishments (continued)

6. Expanded Utilities Financial Policies

- Combined Water and Wastewater into One Utility for Debt Issuances Purposes
- Increased Operating and Repair and Replacement Reserves

7. Created \$6.5M Placeholder for Transportation Funding

8. Aggressive Water Supply Acquisition Strategy

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5. Other Accomplishments (continued)

9. Strategic Annexations

10. Created Numerous Sinking Funds for Replacement of Infrastructure

11. WIFA Program Changes

- 50K+ Population Eligibility Change
- Funding Water Resources

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5. Other Accomplishments (concluded)

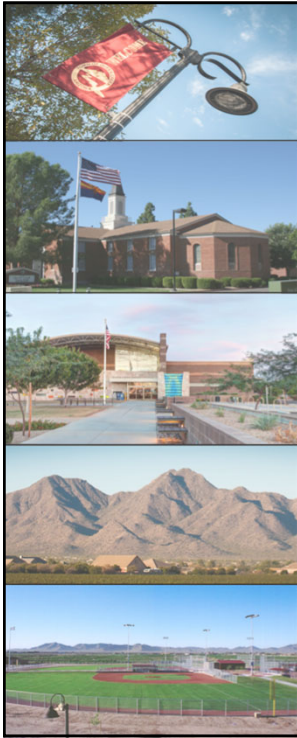
12. Parks Level of Service Adjustment

- Set Interim Level of Service at 40 Acres per 10,000 Population for Parks Impact Fee, Down from the 51 Acres Identified in the Parks Master Plan
- Reduced Funding Requirements from the Operating Budget by \$53M

13. Numerous Operational Improvements / Efficiencies

- Utility Accounts, Project Management, Enhanced Technology, etc.

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Questions and Comments