



Requesting Department

Finance

TO: HONORABLE MAYOR AND TOWN COUNCIL
THROUGH: JOHN KROSS, ICMA-CM, TOWN MANAGER
FROM: SCOTT MCCARTY, FINANCE DIRECTOR
RE: CONSIDERATION AND POSSIBLE ACTION ON THE TOWN'S FY 2021/22 TENTATIVE BUDGET OF \$487.2M AND REQUEST TO SET THE PUBLIC HEARING FOR MAY 19, 2021 FOR BOTH THE FINAL BUDGET AND THE TRUTH-IN-TAXATION PER REQUIREMENTS UNDER ARIZONA STATE STATUTES.
DATE: May 5, 2021

Council Budget Committee Recommendation:

The Town Council Budget Committee recommended approval of the Town Manager's FY 2021/22 Recommended Budget of \$487.2 million.

Budget Committee Approval:

The Town Council Budget Committee considered the Town Manager's FY 2021/22 Recommended Budget on April 12, 2021, hearing from the Town Manager, Finance Director, and other Department Directors. The Budget Committee recommended approval of the Town Manager's Recommended Budget of \$487.2 million, with a separate vote of 2-1 on including the \$15 million placeholders for parks development and land acquisition and on including funding for not-for-profit organizations. The FY2021/22 Budget is now presented for full Council consideration.

Relevant Council Goal(s):



Effective Government



Superior Infrastructure - Capital Improvement Program



Safe Community - Public Safety

Proposed Motion:

Motion to approve the Town's FY 2021/22 Tentative Budget of \$487.2 million and to set the public hearing for both the FY 2021/22 Final Budget and the Truth-in-Taxation hearing requirement for primary property taxes under Arizona State statutes. Such hearings will occur on May 19, 2021 at 6:30 p.m. in the Town Council Chambers.

Discussion:

The budget is one of the most significant policy documents considered by the Town Council. The FY 2021/22 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 following a year of unprecedented upheaval caused by the COVID-19 pandemic. The Town's financial condition has weathered the crisis better than expected, with actual revenue collections exceeding initial projections and building permit activity remaining strong. Within the resources available, the Tentative Budget is consistent with the Council's priorities identified in the Corporate Strategic Plan.

The Tentative Budget totals \$487.2 million. Consistent with the needs of our growing community and the Council's priorities, the budget includes full staffing and funding for the transition to the new Queen Creek Police Department. The transition to the new police department is on schedule and is expected to be complete in January 2022.

The Capital Improvements (CIP) budget totals \$323.2 million and comprises 66% of the total budget. The CIP budget includes funding to continue our investments in new streets, public safety, water and wastewater infrastructure; continued funding for possible acquisition of water rights to meet our long-term water plans; and a placeholder towards implementing elements of the Parks Master Plan.

GUIDING PRINCIPLES AND KEY ISSUES

The following guiding principles and key issues shaped the FY 2021/22 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:
 - o Effective Government;
 - o Safe Community;
 - o Secure Future;
 - o Superior Infrastructure; and
 - o Quality Lifestyle.
- The Economy. The national and state economies are poised to expand coinciding with the successful roll-out of vaccination programs, bringing higher consumer confidence and releasing pent-up demand for goods and services.
- Population Growth and Commercial Investment. The Town has seen significant residential and commercial growth in the last several years, inclusive of annexations. We

expect that growth to continue. Developing plans to deal with an increasing residential population and business investment is critical to ensure both operational and infrastructure needs are met.

- 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. The five-year financial plan remains balanced, reflecting increased revenues and expenses based on population growth and new commercial development.

BUDGET HIGHLIGHTS

Following are the highlights of the FY 2021/22 Tentative Budget:

- Police Services. The budget includes full staffing and funding for the Queen Creek Police Department. Resources have been allocated to hire an additional 58 sworn officers and seven administrative positions, as well as funding for the necessary software, hardware, equipment, and fleet vehicles to operate a full-service police department. Also, the budget includes five new positions in human resources, information technology, payroll, fleet services, and public relations to assist the new police department with administrative activities.
- Operations and Maintenance Staffing. The budget includes funding for seven field workers to operate, maintain, and service the Town's facilities, streets and right-of-ways, traffic signals, and utility systems. These positions are critical to protect the Town's multi-million dollar investments in infrastructure and maintain existing service levels to our residents and businesses.
- Comprehensive Capital Improvement Plan (CIP). As a growing community, the need for new infrastructure for transportation, water, and wastewater remains 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 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, \$53 million is included in the budget for the potential acquisition of additional water rights and groundwater extinguishment credits.
- Additional Staffing. In addition to the positions mentioned above, the budget includes funding for two other new positions:
 - o One traffic engineer to help manage the increased demands for traffic planning and analysis that private development is placing on the Town.
 - o One financial analyst to assist with accounting, reconciliation, and reporting

activities related to the growing water and wastewater utility service areas.

- Employee Compensation. Resources have been allocated to fund employee merit and market increases consistent with our 2014 adopted compensation plan
- 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. The budget includes a 4% increase in major medical premiums, which is recommended to be absorbed by the organization. Therefore, individual employee premiums remain unchanged.

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 2021/22 Final Budget is scheduled for the Town Council meeting on May 19, 2021. 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 May 19, 2021 is predicated on the Town Council approving the Tentative Budget on May 5, 2021. The legal posting requirements to adopt the Final Budget on this timeline must begin by May 6th with submittal of the required newspaper budget advertisement.

PRIMARY PROPERTY TAXES (TRUTH IN TAXATION REQUIREMENTS)

For FY 2021/22, primary property taxes are estimated to be \$11.0 million. The primary property tax is dedicated to fund Public Safety, and funds about 32% of the Public Safety Budget of \$34.9M. The public safety budget includes the Fire and Medical Department, the Police Department, and law enforcement services via contract with the Maricopa County Sheriff's Office.

The Tentative Budget includes a \$1.83 primary property tax levy rate. However, even though the tax rate remains unchanged at \$1.83 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 May 19th Town Council meeting. Required notices are scheduled for publication to meet this deadline.

Fiscal Impact:

The Tentative Budget for FY 2021/22 totals \$487.2 million. The required Auditor General

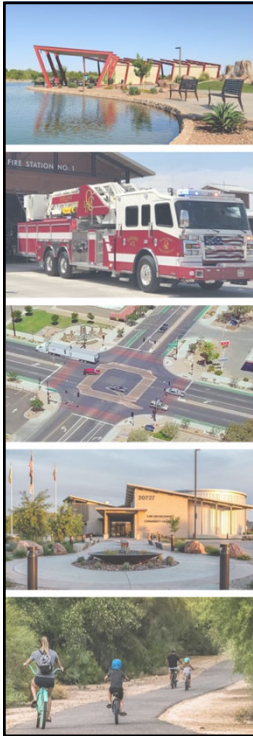
Schedules, which provide all the allocations by fund, are included as an Attachment to this staff report.

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 May 19, which would delay adoption of the Final Budget until June 2, 2021 and move the Truth-in-Taxation hearing for property taxes to June 16, 2021. However, the Town Council is currently not scheduled to meet on June 16th. The Town would also be required to re-publish the Truth-in-Taxation notices in the newspaper.

Attachment(s):

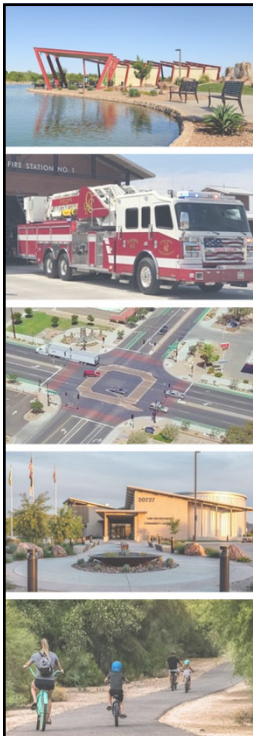
1. FY 2021/22 Tentative Budget Adoption Presentation
2. Required State Budget Forms (Schedules A-G)
3. FY 2021/22 Budget Committee Follow-Up Memo



FY 2021-22 TENTATIVE BUDGET ADOPTION

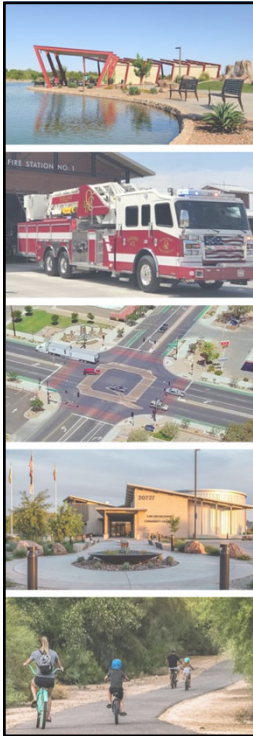
Town Council Meeting
May 5, 2021

Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)



BUDGET DISCUSSIONS THUS FAR ...

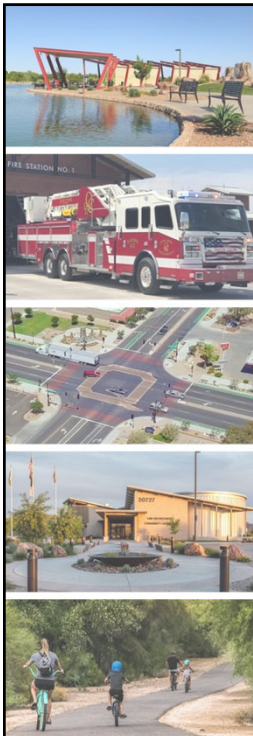
Date	Item
February 27	Budget Introduction and Overview
April 12	Budget Committee Meeting



Budget Committee Actions

- Motion to Recommend Approval of the FY 21-22 Budget to the full Town Council, except for the following three items:
 - \$5M Placeholder for Parks Design/Development
 - \$10M Placeholder for Park Land Acquisition
 - \$23,320 for Non-Profit Funding
 - Motion Passed Unanimously
- Motion to Recommend Approval of the three items listed above to the full Town Council:
 - Motion Passed 2-1

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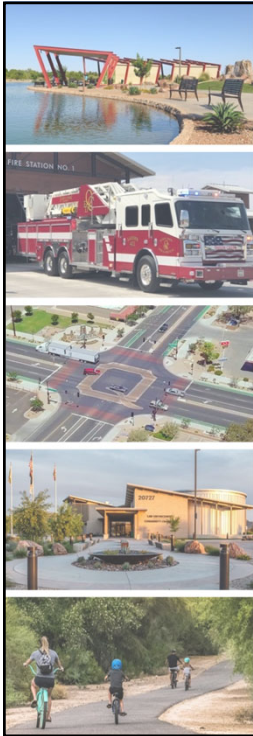


Purpose of Presentation

FY 2021-22 Budget Overview

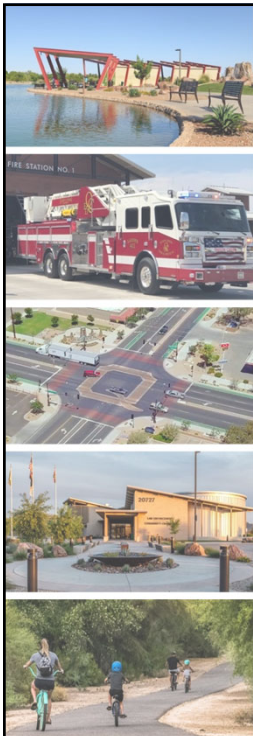
- Economic Overview and Growth Projections
- Policy Issues
- Total Budget
- Operating Budget
- Other Major Budgets
- Infrastructure Budgets
- Debt Budgets
- Contingencies
- Budget Adoption Calendar

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ECONOMIC OVERVIEW

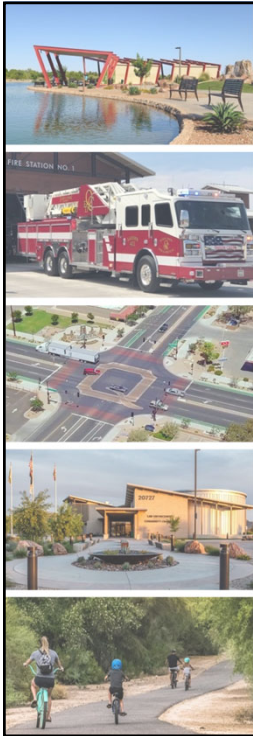
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The Economy

- Financial Markets Are Better Than Expected
 - Stock Market Has Recovered
 - Mortgage Rates Near Historical Low
- Federal Fiscal Stimulus Helped Tremendously
- Sectors Have Been Impacted Differently
 - Online Sales vs. Leisure / Hospitality Sector
- Greater Loss of Low Wage Jobs
- Results in Arizona are Better than the US

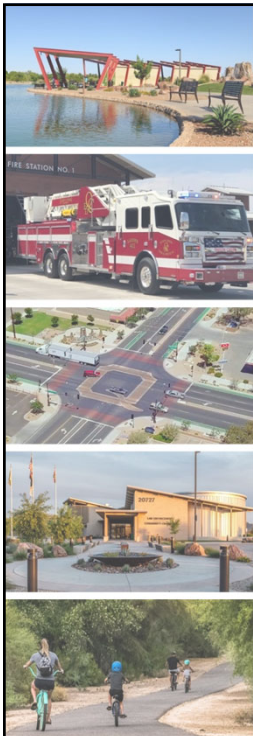
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What Does the Future Look Like?

- Effectiveness of the COVID Vaccine
 - Fast Vaccinations are the Best Economic Catalyst
- Certain Business Sectors are Becoming More Predictable (i.e. Online Retailers)
- Impact of New Federal Aid Packages
- January 2021 JLBC: Optimistic about AZ Economy
 - AZ Will Continue to Do Better Than US
 - AZ 3rd in Job Growth
 - “Pent Up” Consumer Demand
 - AZ Housing Will Remain Strong

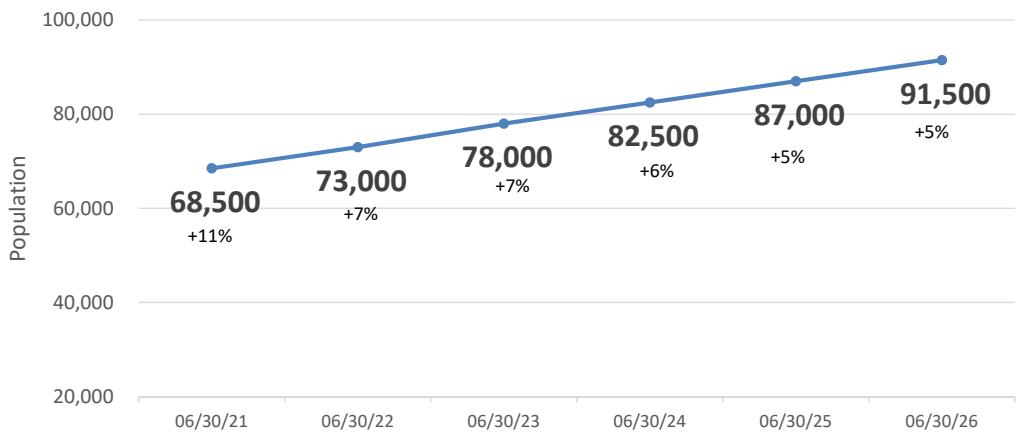
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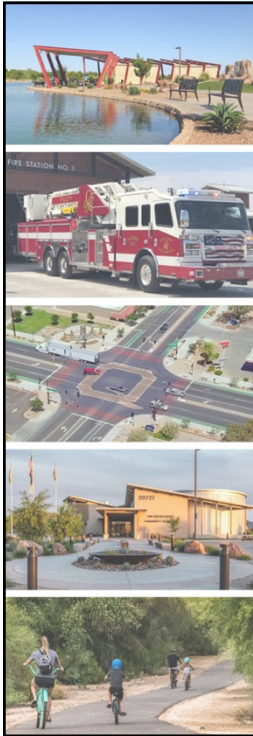
5-YEAR POPULATION PROJECTION

35% Population Increase in 5 Years (+23K)

Build-Out Population: 175K

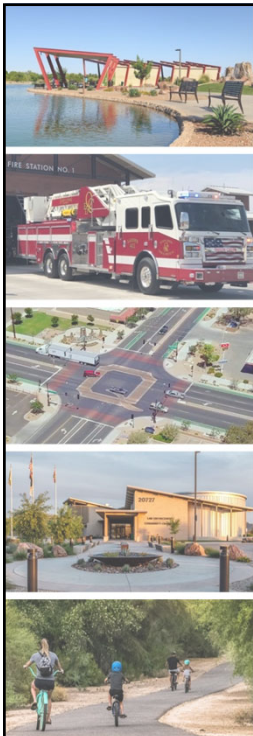


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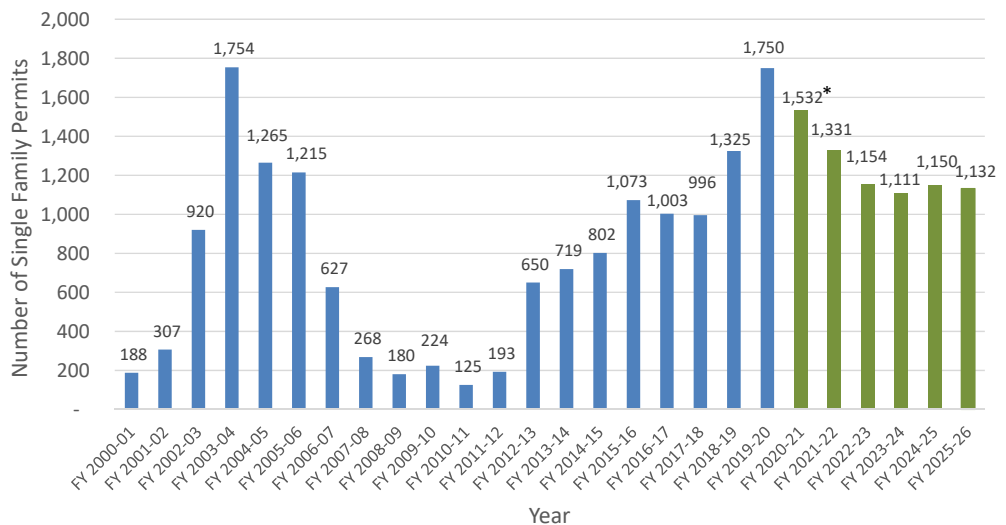


WHY IS THE POPULATION PROJECTION SO IMPORTANT?

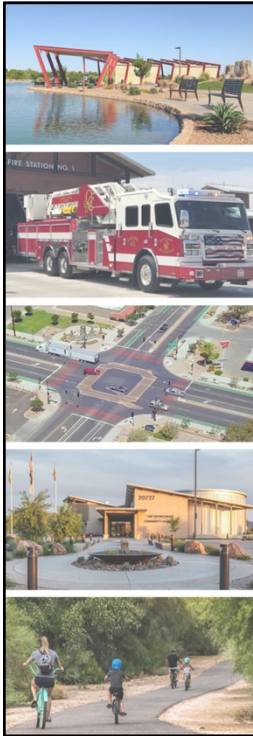
- Determines Sales Tax Revenues (QC and State Shared)
- Indicates Expected Demand on Service Levels (Staffing Needs)
- Indicates Expected Demand on Infrastructure (New and Existing)
- Determines One-Time Revenues
 - Building Permit Revenues
 - Construction Sales Tax Revenues



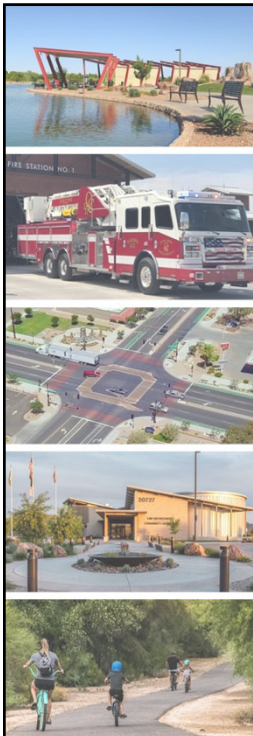
NEW HOUSING STARTS



* 1,623 NSF permits have been issued fiscal YTD through 3/31/2021



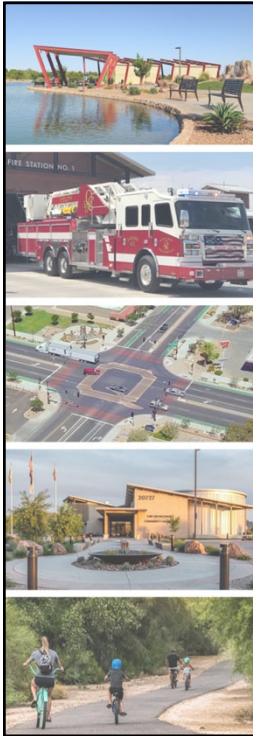
POLICY ISSUES



KEY POLICIES IN PLACE

1. Pension Funding Policy

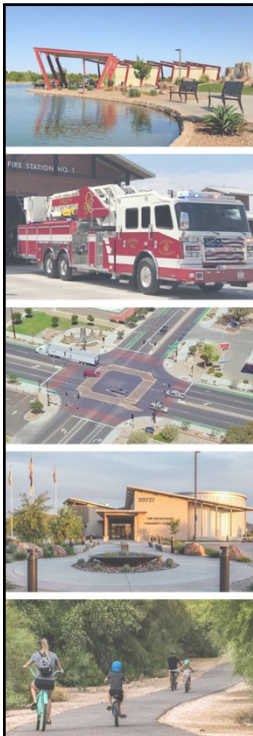
- Fire (Fully Funded)
 - \$1.5M Unfunded Liability Paid off in FY 2014/15
 - Annual Savings: \$140K at that time
- MCSO Reserve (Fully Funded)
 - Amount: \$23.9M
 - Annual Savings: \$1.7M
- ASRS Reserve (Partially Funded)
 - Amount: \$6.5M in Utility Funds; \$16.8M Operating Budget (Expect Fully Funding at 6/30/22)
 - Annual Savings: \$300K (Utilities), \$740K in Operating Budget (once fully funded)



KEY POLICIES IN PLACE

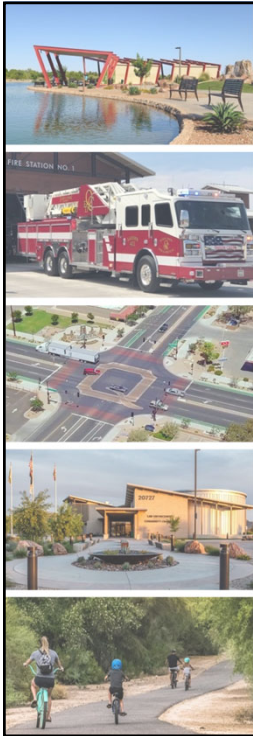
(CONCLUDED)

- 2. Utility ROI Funding for Police & Fire: \$3M
- 3. Infrastructure Repair/Replacement Funds
 - IT: \$325K Annually
 - HPEC: \$100K Annually
 - Buildings: \$250K Annually
- 4. Employee Compensation Indexed Annually



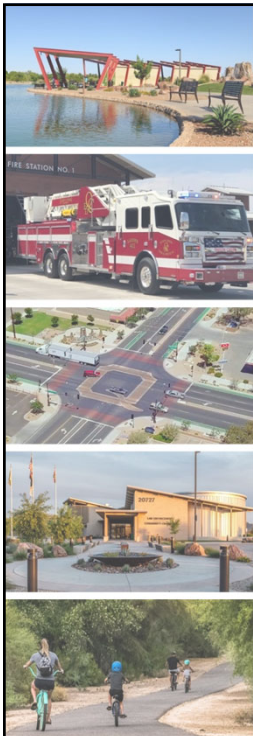
FY 2021-22 POLICY DECISIONS

- 1. Eliminated \$11M COVID Reserve
- 2. \$11M Primary Property Taxes
 - Maintain \$1.83 Levy Rate
- 3. Some Funding for Parks Master Plan
 - \$5M Placeholder for Design/Development
 - \$10M Placeholder for Land Acquisition



TOTAL BUDGET

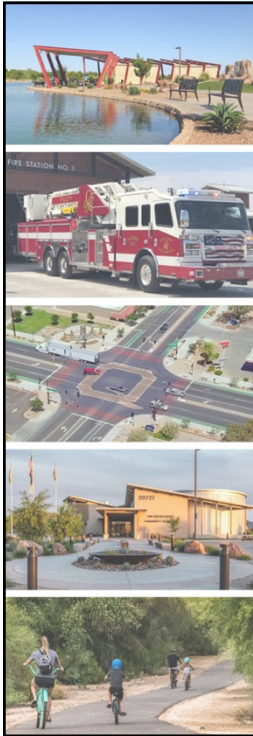
Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)



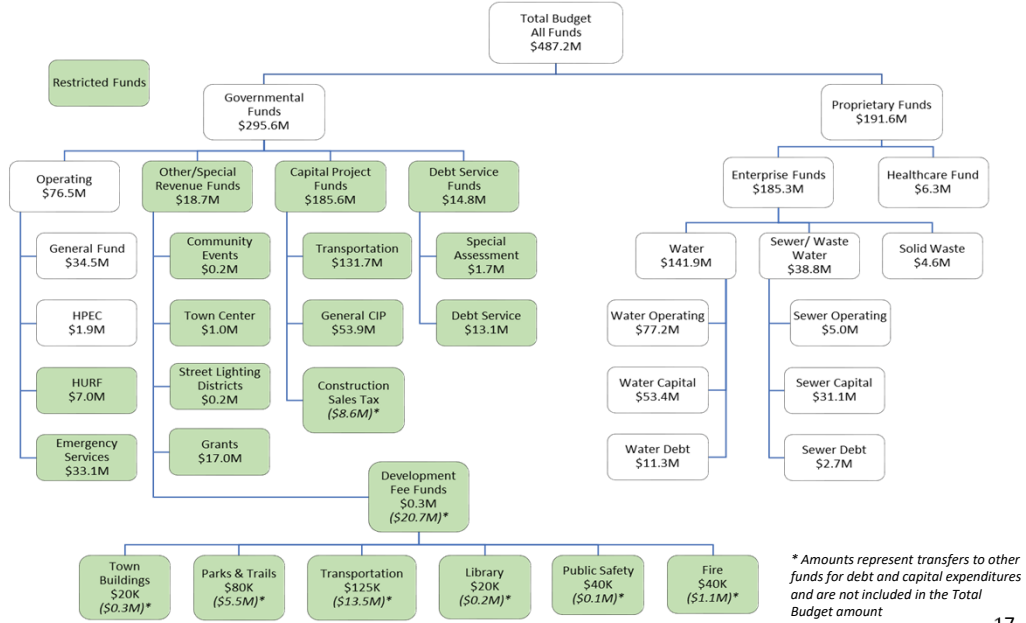
TOWN MANAGER'S RECOMMENDED BUDGET (IN MILLIONS)

	FY 20/21 Revised	FY 21/22 Recommended	\$ Change	% Change
Total Expenses	\$409.1	\$487.2	+\$78.1	+19%
	FY 20/21 Revised	FY 21/22 Recommended	\$ Change	% Change
Revenues	\$287.4	\$277.5*	-\$9.9	-3%
Use of Fund Balance	<u>\$121.7</u>	<u>\$209.7</u>		
Total Sources	\$409.1	\$487.2		

*Loan Proceeds of \$53M are included in FY 21/22 Revenues for new water rights.

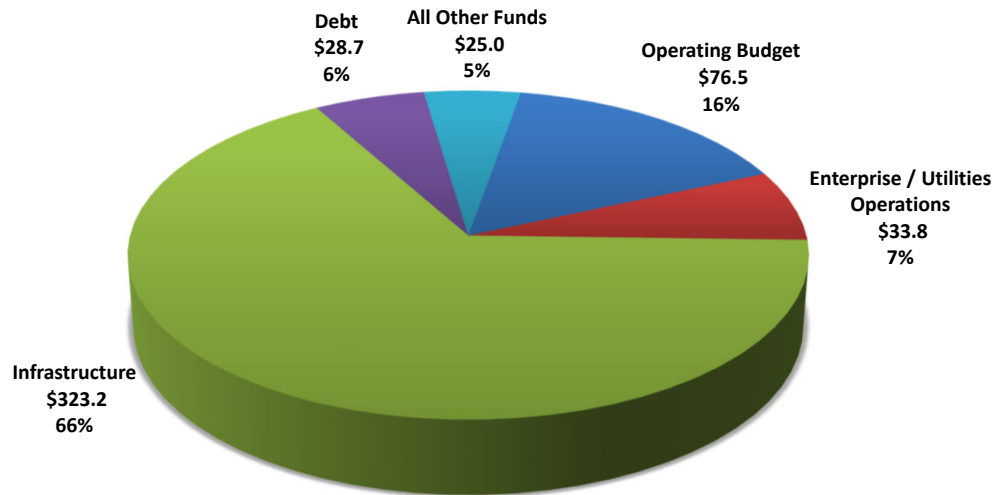


BUDGET/FUND STRUCTURE : \$487.2M



Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)

FY 21-22 RECOMMENDED BUDGET \$487.2M



BUDGET SUMMARY AND COMPARISON

	FY 2020/21 Revised	FY 2021/22 Recommended	\$ Change from Revised
Operating Budget	\$65.1	\$76.5	\$11.4
Enterprise/Utilities	<u>\$32.8</u>	<u>\$33.8</u>	<u>\$1.0</u>
Subtotal Operating	\$97.9	\$110.3	\$12.4
Transportation Infrastructure	\$99.9	\$131.7	\$31.8
Water Infrastructure	\$53.3	\$53.5	\$0.2
Wastewater Infrastructure	\$41.2	\$31.1	(\$10.1)
Water Rights	\$50.0	\$53.0	\$3.0
All Other Infrastructure	<u>\$40.5</u>	<u>\$53.9</u>	<u>\$13.4</u>
Subtotal - Infrastructure	\$284.9	\$323.2	\$38.3
Debt	\$17.7	\$28.7	\$11.0
All Other Funds	<u>\$8.6</u>	<u>\$25.0</u>	<u>\$16.4</u>
Total Budget	\$409.1	\$487.2	\$78.1

19

FY 21-22 NEW POSITIONS: 79

- Police Department: 70 Positions
 - 58 Sworn PD
 - 7 Civilian PD
 - 5 support positions (HR, IT, Payroll, Fleet, and PIO)
- Other: 9
 - Public Works: 5
 - HPEC: 1
 - Utilities: 2
 - Utilities-Finance: 1

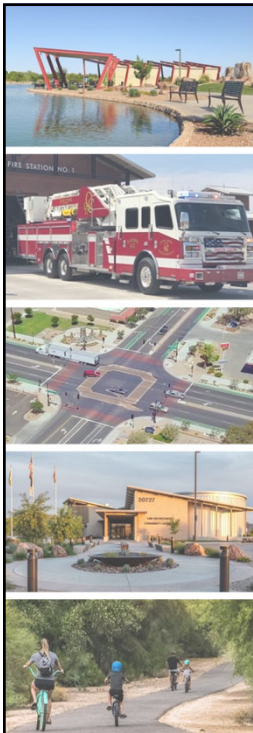
20

FTE HISTORICAL SUMMARY

Department	FY 2016/17 Actual	FY 2017/18 Actual	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21 Revised	FY 2021/22 Recommended
Mayor & Town Council	7.00	7.00	7.00	7.00	7.00	7.00
Town Manager, Clerk, Legislative & Legal Services	8.00	8.00	8.00	8.00	8.00	8.00
Finance	17.98	22.18	30.48	32.48	34.48	36.48
Workforce & Technology	12.00	12.00	14.00	15.00	17.00	19.00
Communications, Marketing & Recreation Services	16.71	16.71	22.06	23.06	23.06	24.06
Economic Development	12.00	12.00	12.00	12.00	12.00	13.00
Development Services	25.50	25.50	25.50	26.50	26.50	26.50
Public Works	50.86	56.93	69.43	72.43	73.43	79.43
Solid Waste	4.00	4.00	4.00	4.00	3.00	3.00
Utilities	39.25	41.00	50.00	55.00	61.00	63.00
Fire & Medical	51.00	51.00	63.00	65.00	81.00	81.00
Police	-	-	-	-	6.00	71.00
Total Full Time Equivalents	244.30	256.32	305.47	320.47	352.47	431.47
# Change from Prior Year	19.5	12.02	49.15	15.0	32.00	79.00
% Change from Prior Year	9%	5%	19%	5%	10%	22%
Population Growth	10%	8%	20%	21%	11%	7%

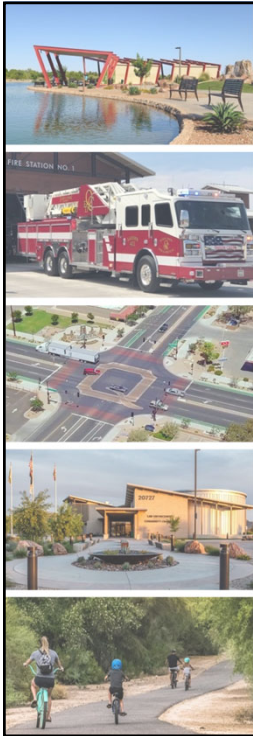
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Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)



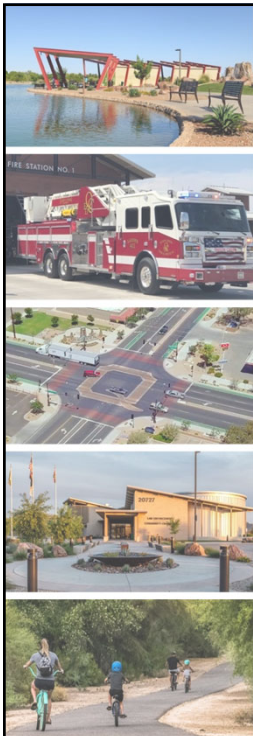
OPERATING BUDGET

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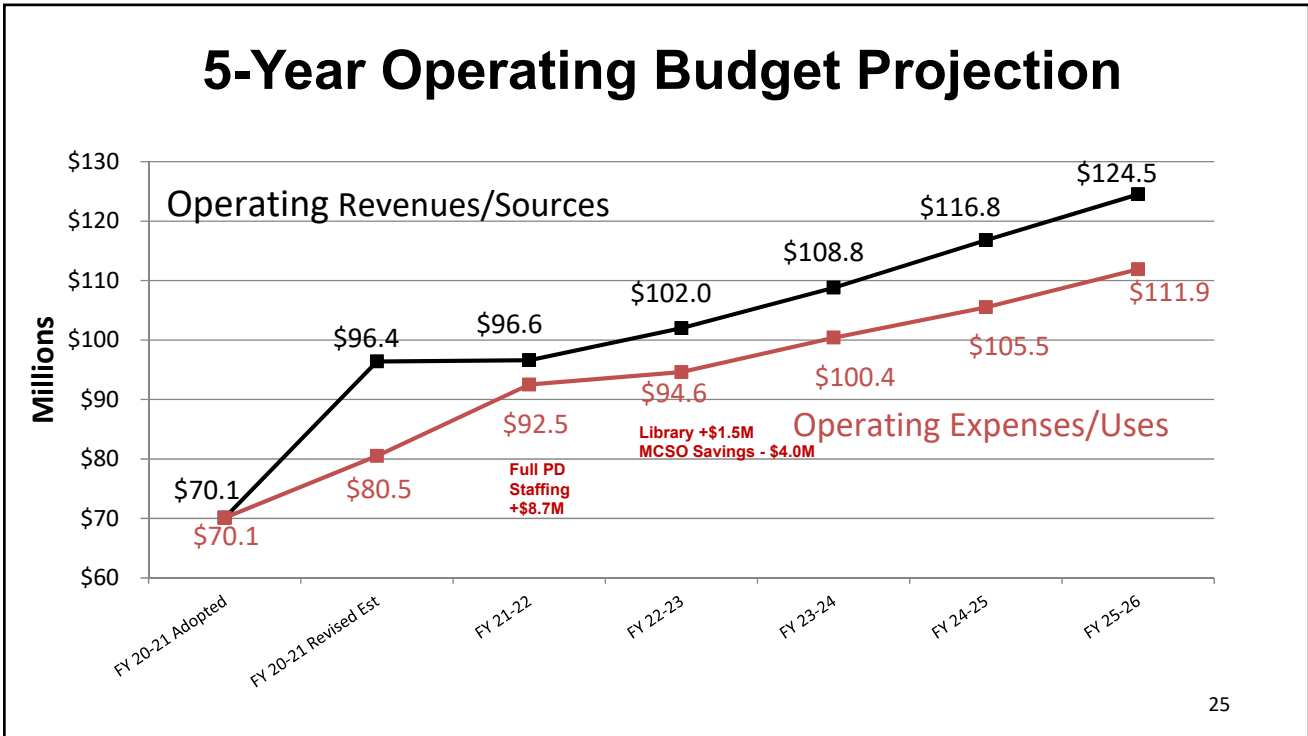
5-YEAR PLANNING THOUGHTS AND GOALS

1. Economy Recovers From COVID
2. Fully Operational PD
3. New Library Operating Costs
4. Fully Funded Pensions

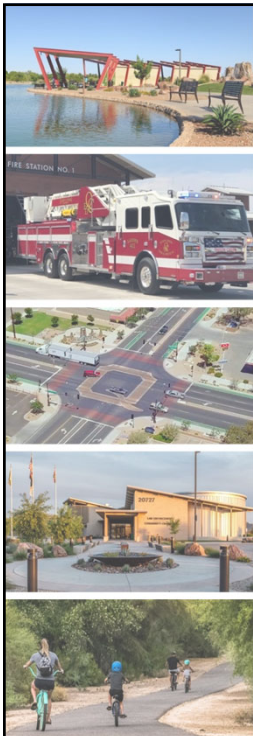


BUDGET PARAMETERS

- Maintain Existing Service Levels
 - Additional Positions Needed
- No Increased Service Levels
- No New Services or Programs

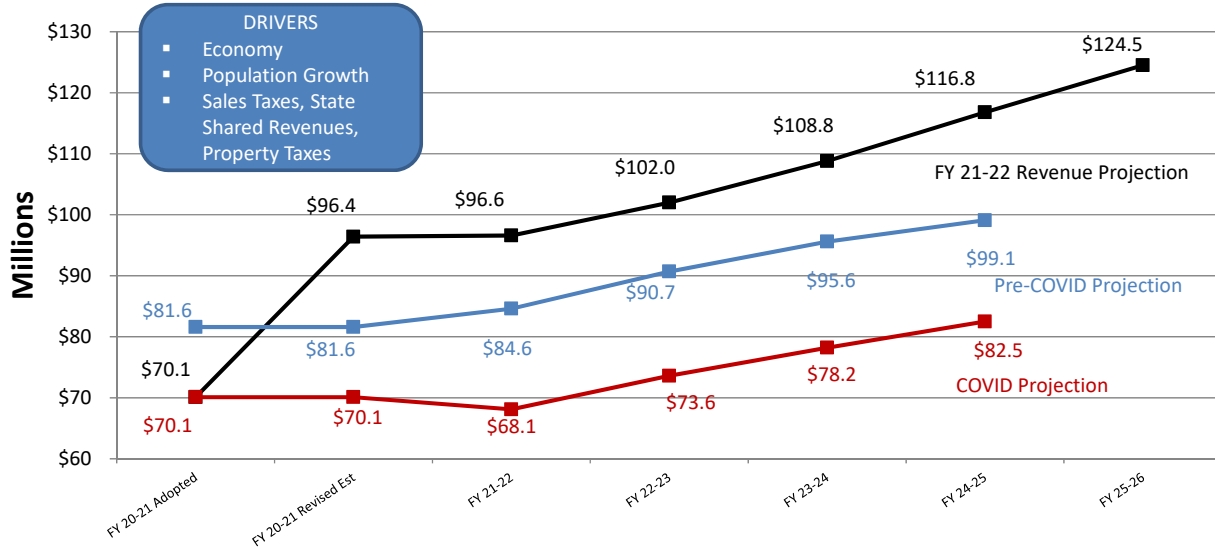


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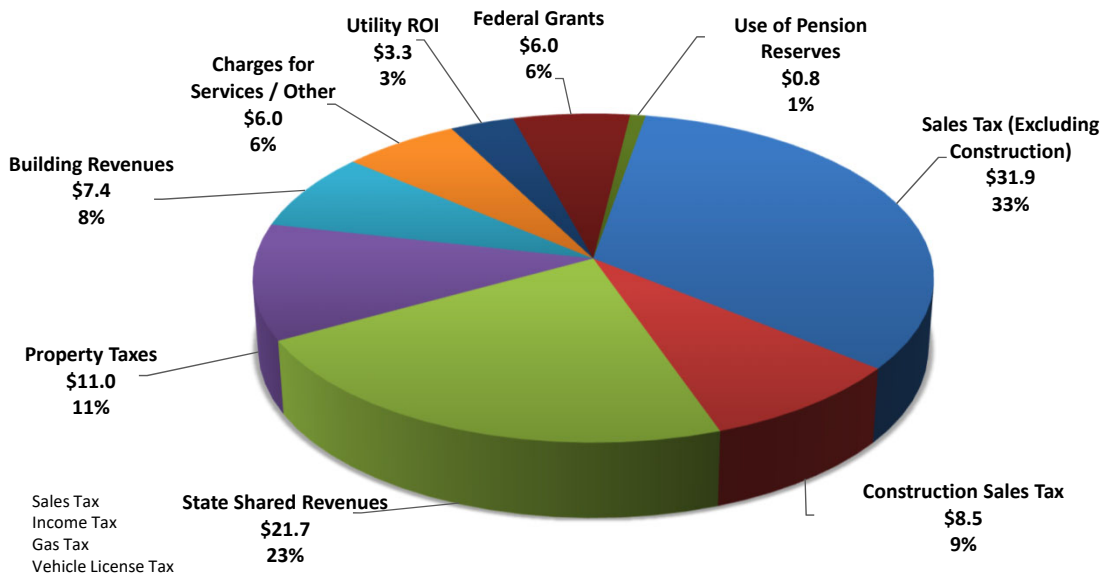


OPERATING BUDGET REVENUE / SOURCES PROJECTIONS

Various Operating Revenue Projections



FY 21-22 OPERATING REVENUES / SOURCES \$96.6M



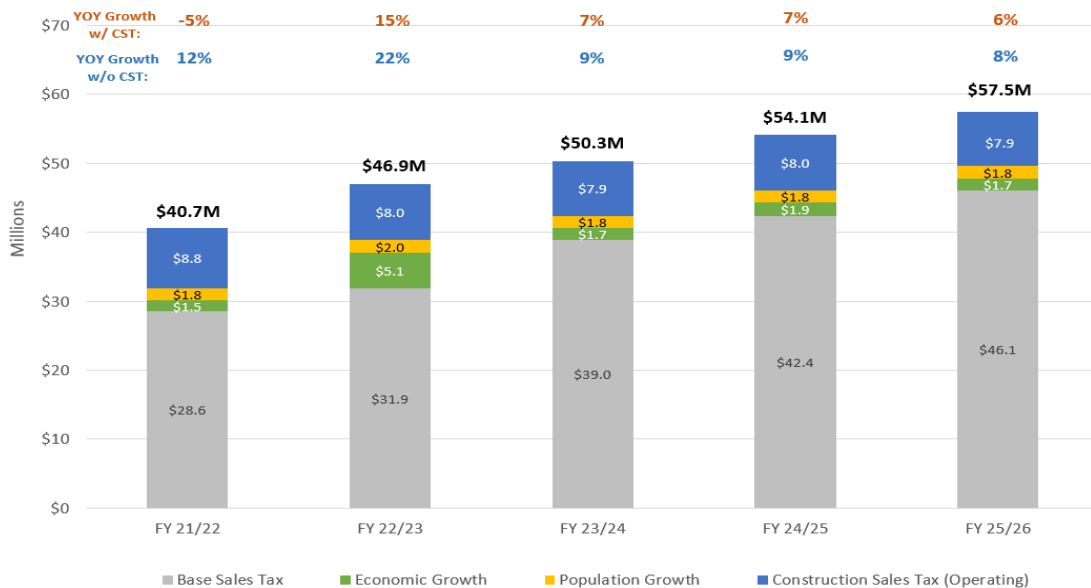
Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)

REVENUE SUMMARY

	FY 20-21 Revised Budget	FY 21-22 Recommended	\$ Change	% Change
Sales Tax	\$28.6	\$31.9	\$3.3	+12%
Construction Sales Tax	\$14.1	\$8.5	(\$5.6)	(40%)
State Shared Revenue	\$18.9	\$21.7	\$2.8	+15%
Property Tax	\$9.8	\$11.0	\$1.2	+12%
Building Revenues	\$8.7	\$7.4	(\$1.3)	(15%)
Charges for Services	\$5.6	\$6.0	\$0.4	+7%
Utility ROI for Public Safety	\$3.0	\$3.3	\$0.3	+10%
Federal Grants (American Rescue Plan)	\$6.0	\$6.0	\$ -	- %
Use of Pension Reserves (MCSO)	<u>\$1.7</u>	<u>\$0.8</u>	<u>(\$0.9)</u>	<u>(53%)</u>
Total Revenue	\$96.4	\$96.6	\$0.2	- %

29

Sales Tax Revenue Composition



30

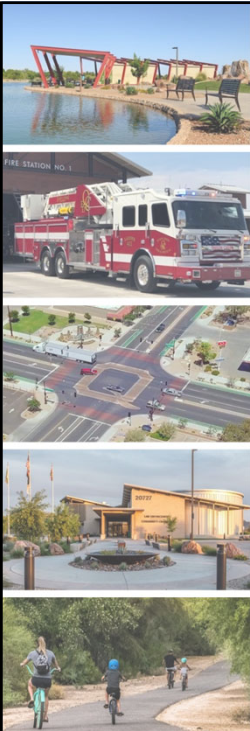
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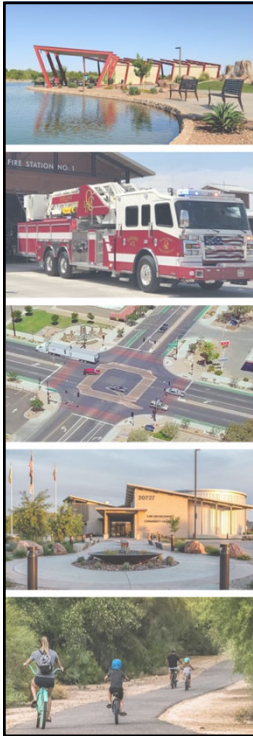
SALES TAX BREAKOUT

	FY 20-21 Revised Budget	FY 21-22 Recommended	\$ Change	% Change
Construction Sales Tax	\$14.1	\$8.5	(\$5.6)	(40%)
Retail	\$18.8	\$21.0	\$2.2	12%
Restaurants / Bars	\$3.7	\$4.1	\$0.4	11%
Communications / Utilities	\$2.6	\$2.9	\$0.3	12%
Real Estate, Rental, & Leasing	\$2.0	\$2.2	\$0.2	10%
All Other	<u>\$1.5</u>	<u>\$1.7</u>	<u>\$0.2</u>	<u>13%</u>
Total Sales Tax	\$42.7	\$40.4	(\$2.3)	(5%)

FY 21-22 ASSESSED VALUE INCREASE

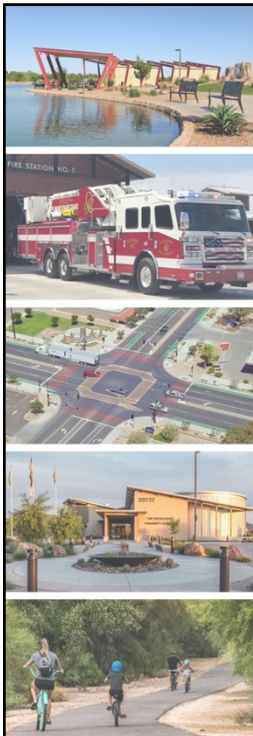
	Assessed Value	% Change
FY 20-21	\$535.7M	
FY 21-22 Increases:		
Existing Property	\$27.1M	+5%
New Construction	<u>\$42.2M</u>	+8%
FY 21-22 Increase	\$69.3M	
FY 21-22	\$605.0M	+13%





PROPERTY TAX REVENUE FORMULA

<p>Assessed Value (AV)</p> <p>\$605M</p> <p>Maricopa / Pinal County</p>	X	<p>Levy Rate (per \$100 AV)</p> <p>\$1.83</p>	=	<p>Annual Revenues</p> <p>\$11.0M</p> <p>Town Council</p>
--	---	--	---	--



DISCUSS FINANCIAL IMPACTS

1. Aggregate Impact
2. Individual Parcel Impacts

AGGREGATE IMPACT

	Annual Revenue	Total Increase from FY 20-21	Increase From New Properties	Change from Existing Properties	Levy Rate*	% of EMS Funded
FY 20-21 Amount	\$9.8M				\$1.83	35%
FY 21-22 Options:						
A. Same <u>Revenue</u> as Current Year	\$9.8M	\$0	+\$0.7M	-\$0.7M	\$1.62	29%
B. Same <u>Revenue</u> as Current Year from Existing Properties and Additional Revenue from New Properties Only	\$10.5M	+\$0.7M	+\$0.7M	\$0	\$1.74	31%
C. Same Levy Rate as FY 20-21 (RECOMMENDED)	\$11.0M	+\$1.2M	+\$0.7M	+\$0.5M	\$1.83	32%
D. Maximum Revenue Amount	\$11.8M	+\$2.0M	+\$0.8M	+\$1.2M	\$1.95	34%

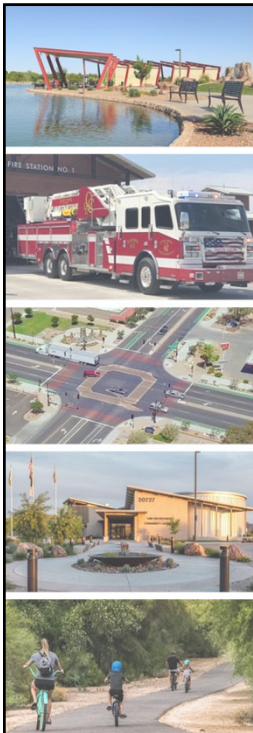
* Ballot language stated "Under no circumstances shall the primary property tax rate exceed \$1.95 per \$100 of assessed valuation"

35

Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)

INDIVIDUAL PARCEL IMPACT

- About 28K Parcels
- Property Taxes Paid by Each Parcel Could Increase, Decrease, or Have No Change from the Prior Year
 - The Individual Parcel Appreciation Increase is Limited by State Statute to 5% (Assuming Land Use Remains the Same)



36

INDIVIDUAL PARCEL IMPACT

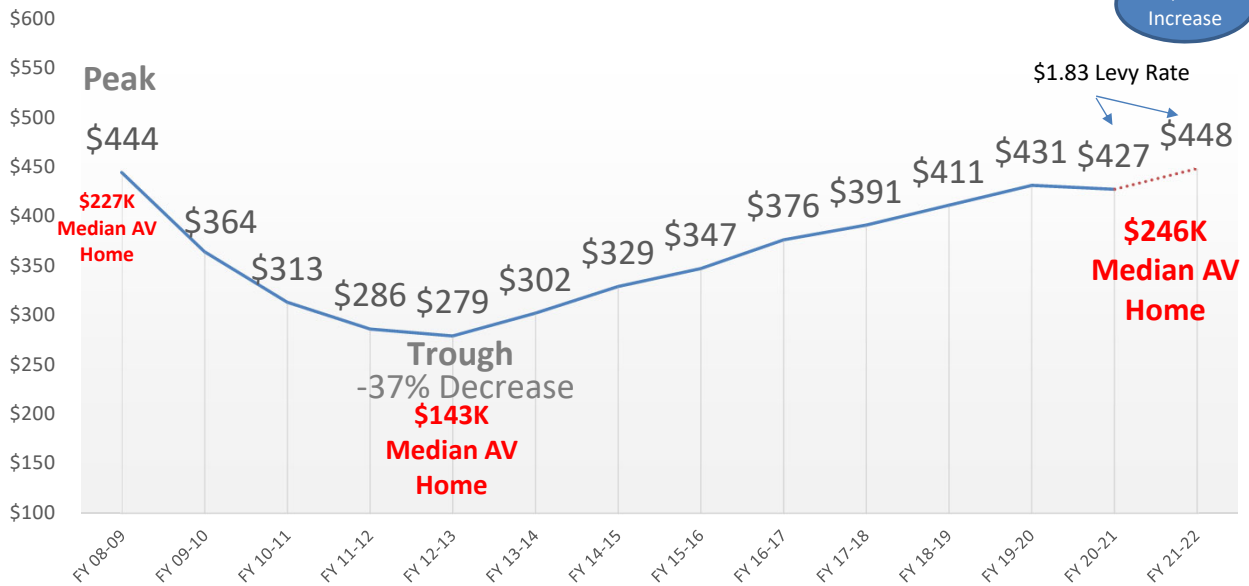
(CONCLUDED)

Single Family Residential	Median Home Value	Option A Same Revenue as FY 20-21 \$1.62 Levy*	Option B Same Revenue as FY 20-21 (plus new properties only) \$1.74 Levy	Option C Same Rate as FY 20-21 \$1.83 Levy	Option D Maximum Revenue \$1.95 Levy
FY 20-21	\$234K			\$427	
FY 21-22: AV +5%	\$246K	\$398 (-\$29)*	\$427(\$0)	\$448 (+\$21)	\$479 (+\$52)

* At \$1.62 levy rate, 17,300 Single Family Parcels (96%) would see a savings in QC property tax up to \$50

37

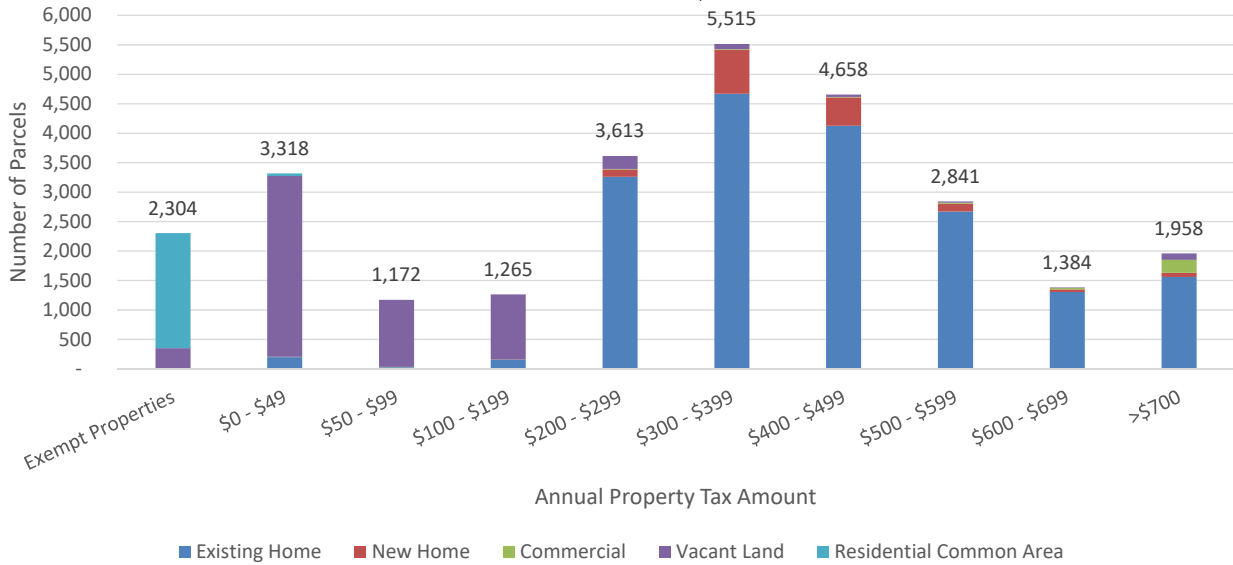
QC PROPERTY TAX PAID ON A MEDIAN VALUE HOME



38

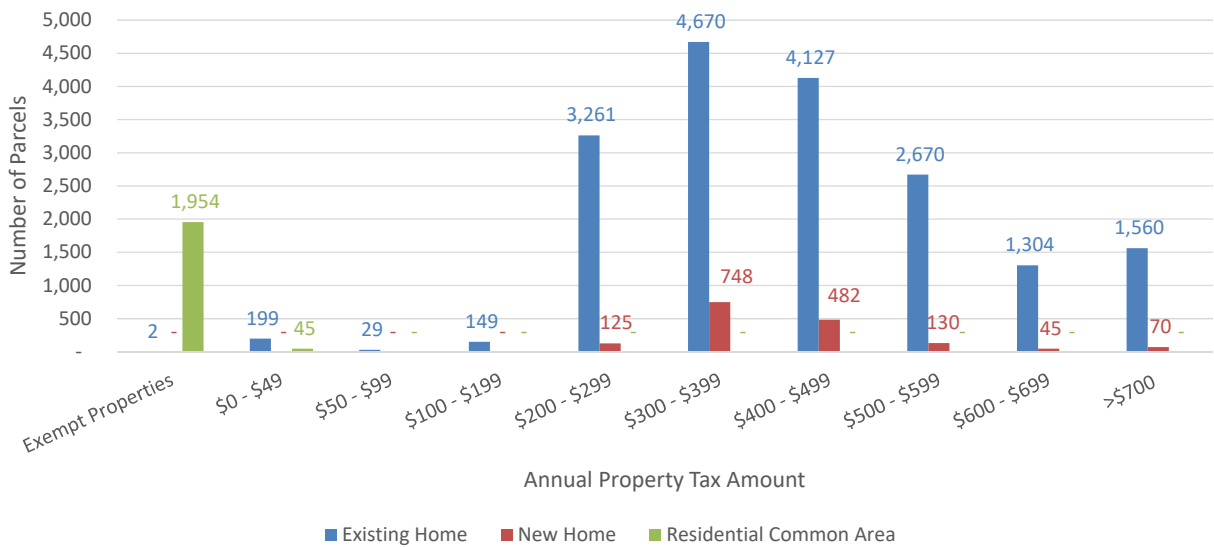
Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)

PROPERTY TAXES: ALL PROPERTY TYPES (28K PARCELS)



39

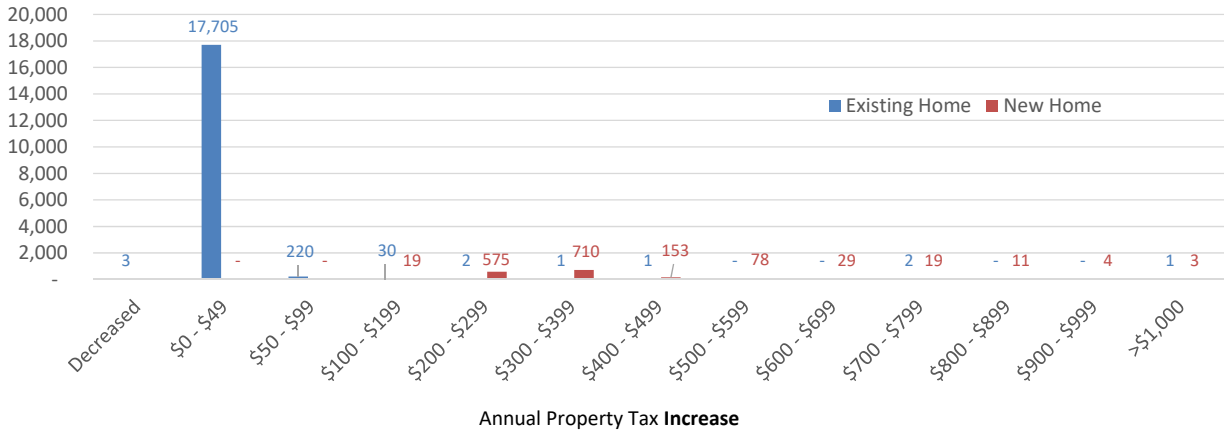
PROPERTY TAXES: HOMES ONLY



40

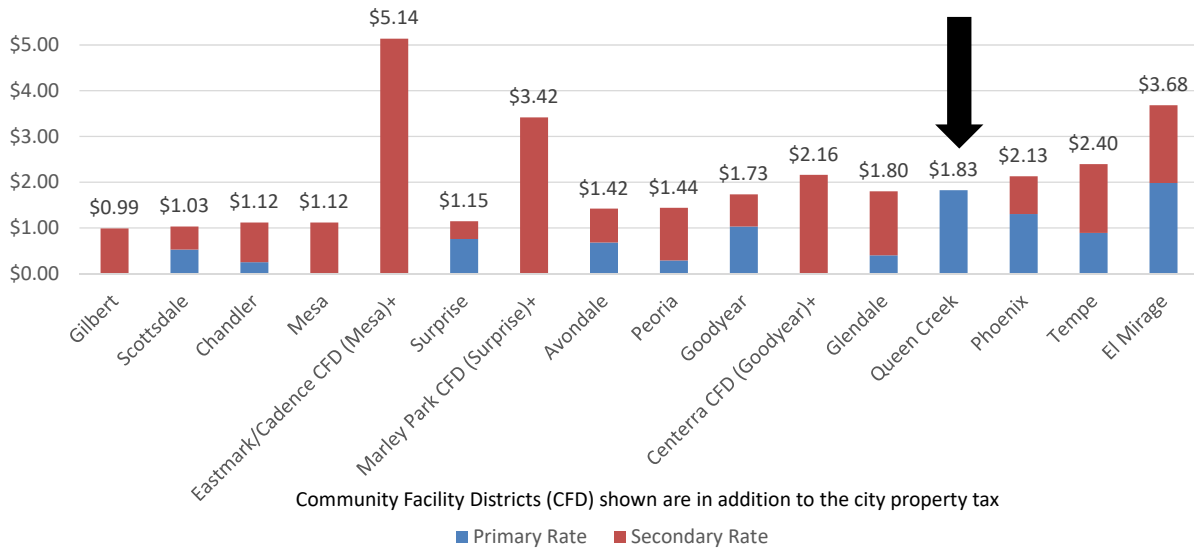
HOME PROPERTY TAX INCREASE @ \$1.83 LEVY RATE

Increase Results from Increase in Assessed Value Only



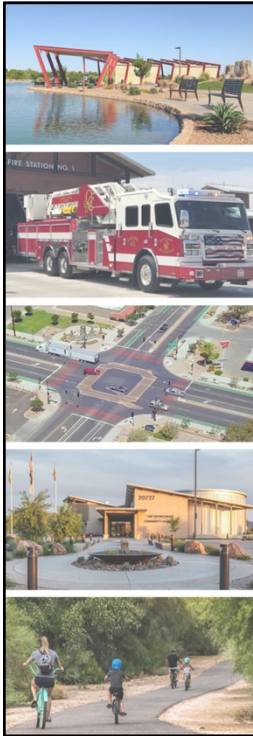
41

PROPERTY TAX COMPARISONS (FY 20-21 RATES)*



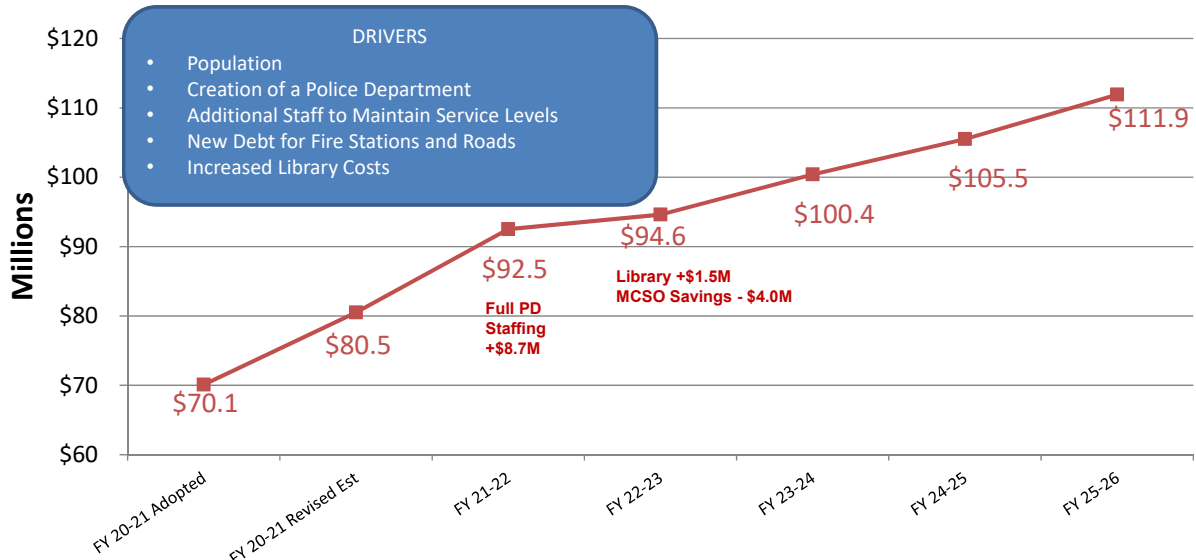
*All cities are currently in the process of setting the FY 21-22 rates.

42

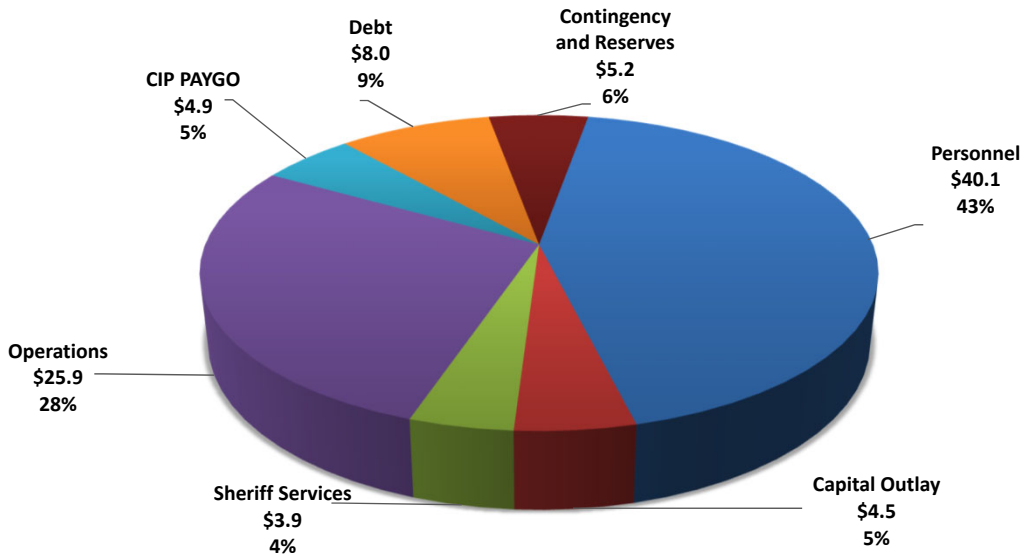


OPERATING BUDGET EXPENSE PROJECTIONS

5-Year Operating Budget Expenses/Uses

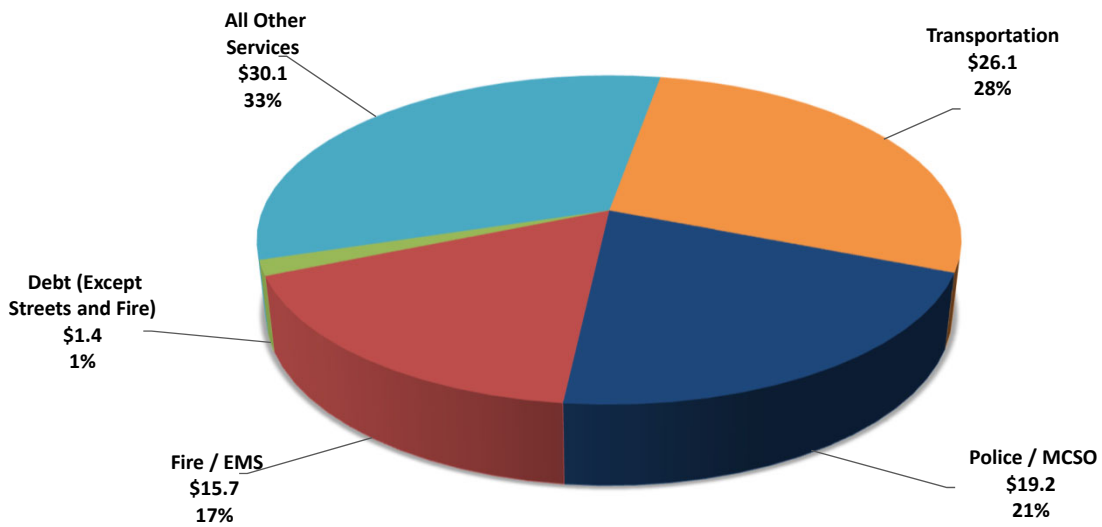


FY 21-22 OPERATING EXPENSES / USES \$92.5M BY CATEGORY

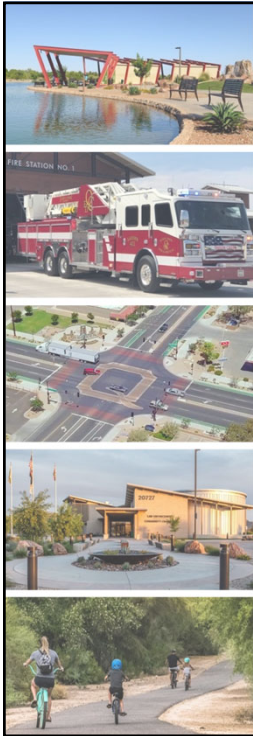


45

FY 21-22 OPERATING EXPENSES / USES \$92.5M BY PROGRAM

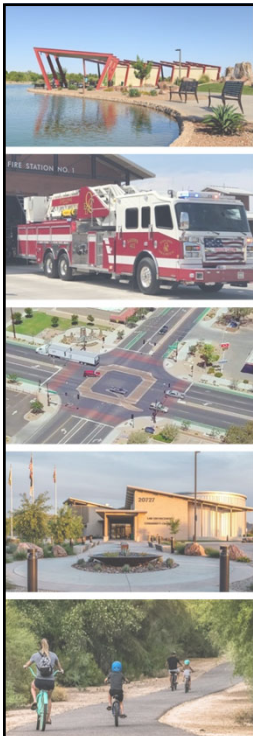


46



EXPENSE SUMMARY

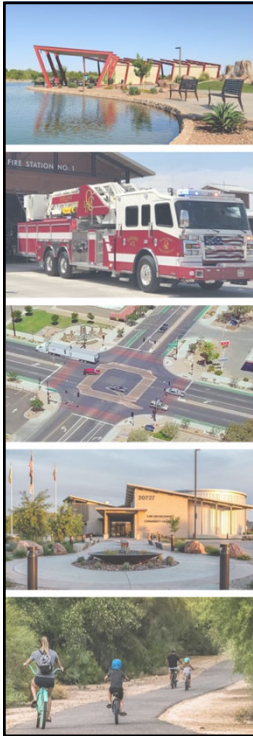
- QC Police Department: +\$6.3M (Net)
 - \$8.7M for 65 New FTE
 - \$1.7M for Additional Operating Expenses
 - \$4.1M Reduction to MCSO Contract Expenses
- Debt Service for Non-Growth Share of Infrastructure: +\$1.7M
 - \$1.3M for Transportation
 - \$0.4M for Fire



EXPENSE SUMMARY

(CONCLUDED)

- Other Highlights:
 - Replacement Fire Pumper Truck: \$1.0M
 - Personnel Changes: +\$1.6M
 - \$1.0M for 11 New FTE
 - \$0.6M for Market Increases and Merit Program



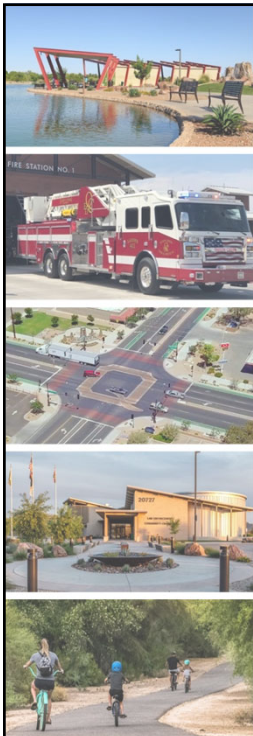
EXPENSE SUMMARY

	FY 20-21 Revised Budget	FY 21-22 Recommended	\$ Change	% Change
Personnel	\$30.1	\$40.1	\$10.0	+33%
Operating	\$21.1	\$25.9	\$4.8	+23%
MCSO	\$8.0	\$3.9	(\$4.1)	(51%)
Capital Outlay	\$4.7	\$4.5	(\$0.2)	(4%)
Contingency	<u>\$1.2</u>	<u>\$2.1</u>	<u>\$0.9</u>	<u>+75%</u>
Subtotal Expense	\$65.1	\$76.5	\$11.4	+18%
Debt	\$6.3	\$8.0	\$1.7	+27%
CIP Funding	\$3.4	\$4.9	\$1.5	+44%
Increase to 25% Reserve*	<u>\$5.7</u>	<u>\$3.1</u>	(\$2.6)	(46%)
Total Uses	\$80.5	\$92.5	\$12.0	+15%

*Reserve Fully Funded

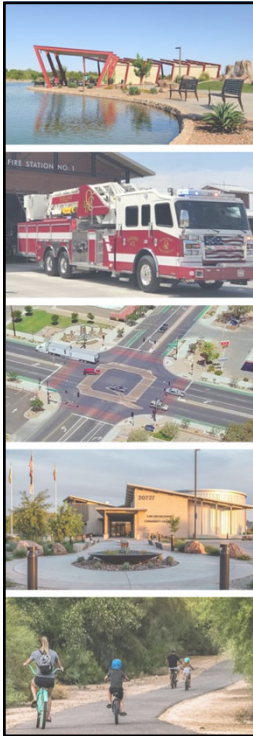
49

Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)



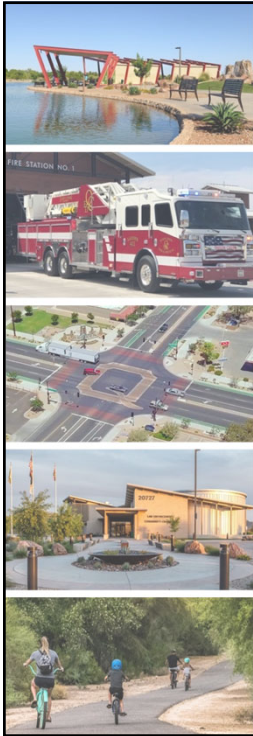
Important Expense Changes: +\$12M

Item	Amount
Police Department – Full Staffing	\$8.7M
Police Department – Start Up / Outfitting	\$1.7M
MCSO Contract Savings – ½ Year Funding	(\$4.1M)
New Debt Service – Streets & Fire (full year principal + interest)	\$1.7M
Personnel Changes – 11 New FTEs, Continue Compensation Program	\$1.6M
Commitments Under Development Agreements	\$1.5M
Fire – Apparatus Replacement (Pumper)	\$1.0M
Additional Contingency	\$0.9M
New Software and Maintenance Agreements	\$0.6M
Other – Maintain Service Levels, Contract Increases, Restore COVID Cuts	\$0.6M
Studies / Development (State Lands, Comp/Class Study)	<u>\$0.4M</u>
Subtotal	\$14.6M
Amount added to 25% Reserve is less than prior year	(\$2.6M)
Total	\$12.0M



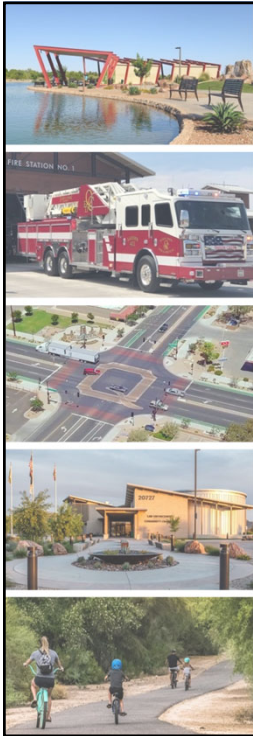
OPERATING BUDGET RESERVES

Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)



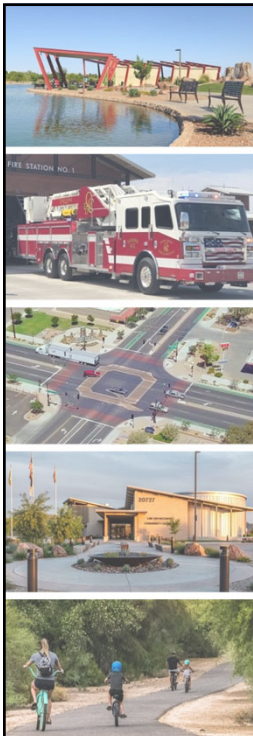
FY 2021-22 ENDING RESERVES

	FY 2021-22 Estimates	
Revenues / Sources	\$96.6	
Expenses / Uses	(\$92.5)	
Net FY 21-22	<u>\$4.1</u>	
Ending Fund Balance		\$87.7
Restrictions:		
COVID Reserve	Eliminated	
Federal Grant Funds Reserve (NEW)	\$12.0	
25% Revenue Reserve Requirement	\$25.5	
MSCO Pension Reserve (Fully Funded)	\$25.2	
ASRS Pension Reserve (Fully Funded)	<u>\$18.5</u>	
Total Restrictions		\$81.2
Available		\$6.5
		<u>\$87.7</u>



OTHER MAJOR BUDGETS

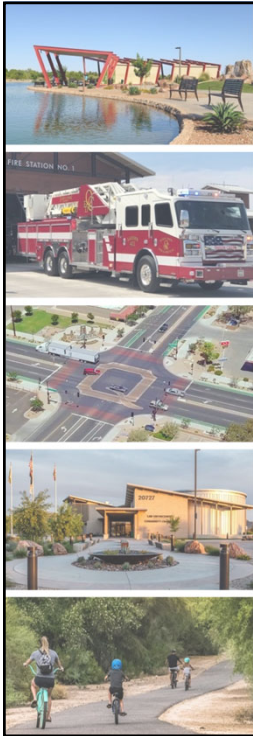
53



STREETLIGHT IMPROVEMENT DISTRICTS

- Property Tax Assessments: \$29K
- Number of SLIDs: 109 (23 with a Levy)
- Number of Parcels: 15,750 (3,212 with a Levy)

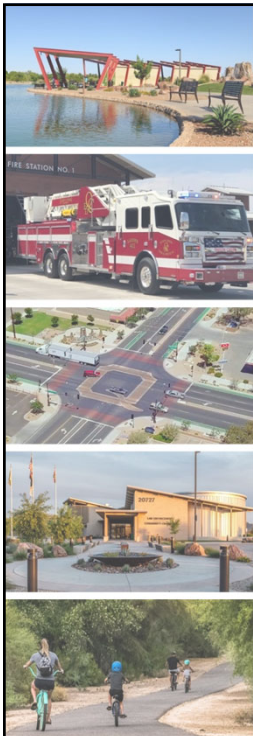
54



WATER FUND (SELF-FUNDED)

- \$53M Placeholder for Water Rights Purchases
- Operational Increases Due to System Growth Partially Offset by Changes in Other Expenses
 - \$0.6M Increase for Electricity, Chemicals, ROI
 - \$0.4M New / Replacement Vehicles
 - \$0.3M Reduction in Legal Fees and Contract Payments
 - \$0.6M Well Site Maintenance & Repairs Moved to CIP Budget
- No Rate Increase but Rate Study Underway

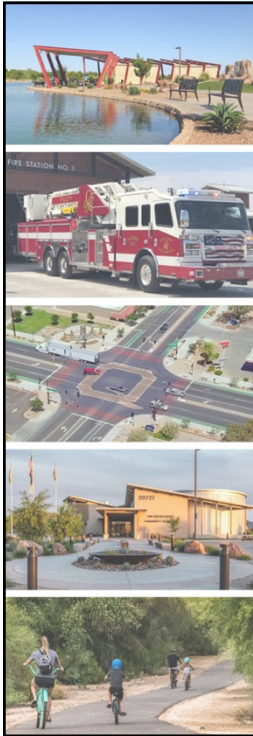
55



WASTEWATER FUND (SELF-FUNDED)

- Operational Increases Offset by Reduction in Equipment Funding
 - \$0.5M Increase in Treatment Plant O&M due to growth and interconnection agreement
 - \$0.5M Decrease for Vac Truck & Heavy Truck Replacement in prior year's budget
- No Rate Increase but Study Underway
 - Residential Rate Cap Forthcoming

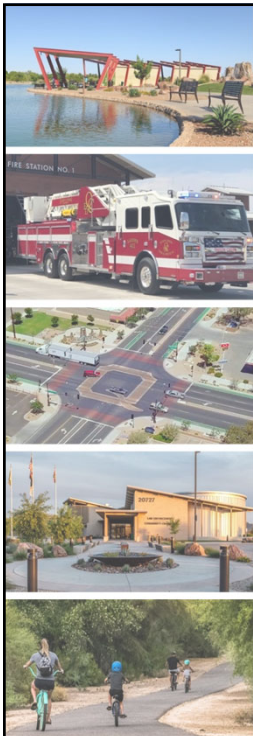
56



SOLID WASTE/RECYCLING FUND (SELF-FUNDED)

- Service Provider Costs increasing 16% due to Account Growth (\$427K)
 - Revenue from New Accounts Will Cover Increased Costs
- Contract Renewed through 2027
 - Followed by Option to Renew for 3 Years
- No Rate Increase but Study Underway

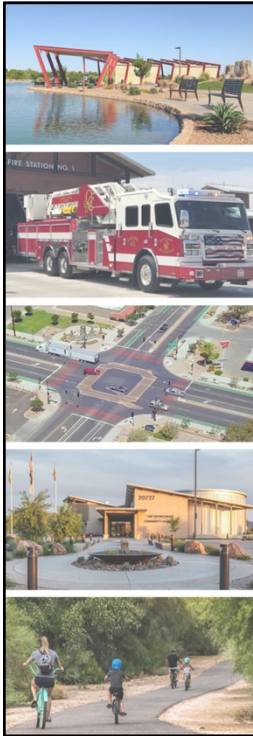
57



TOWN CENTER FUND

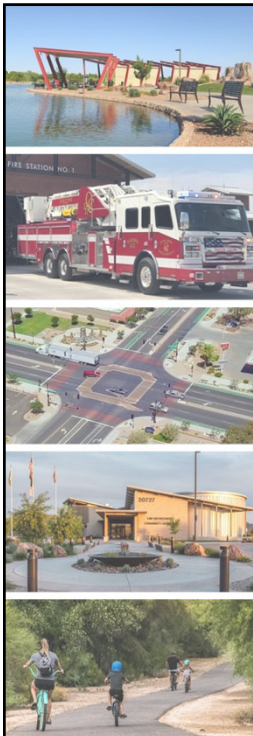
- Dedicated 0.25% Sales Tax: \$1.0M Annually
- Implement Town Center Master Plan
 - Drainage Improvements
 - Transportation and Utilities Infrastructure (Budgeted Separately in Appropriate Funds)

58



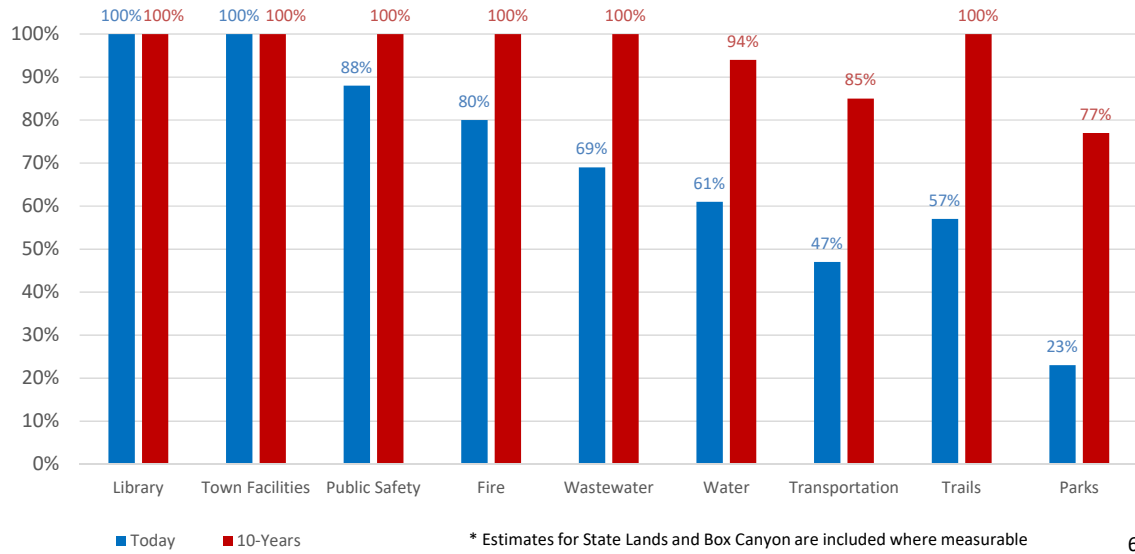
HEALTHCARE FUND

- Self-Funded
- Revenues: \$7.1M Annually
 - No Change to Employer Premiums
 - No Change to Employee Premiums
- Healthcare Claims/Costs: \$6.3M Annually
- Objective: Build Reserves to Offset Future Premium Increases



INFRASTRUCTURE BUDGETS

TOWN INFRASTRUCTURE: PERCENT COMPLETE TODAY VS IN 10-YEARS *



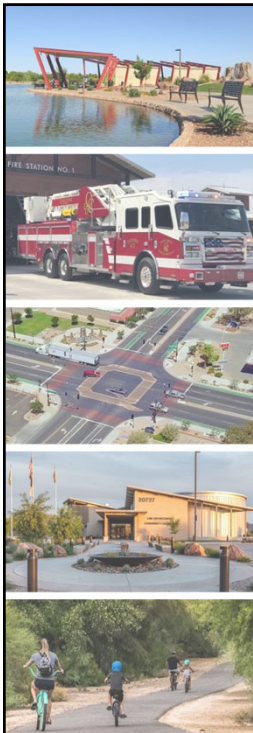
61

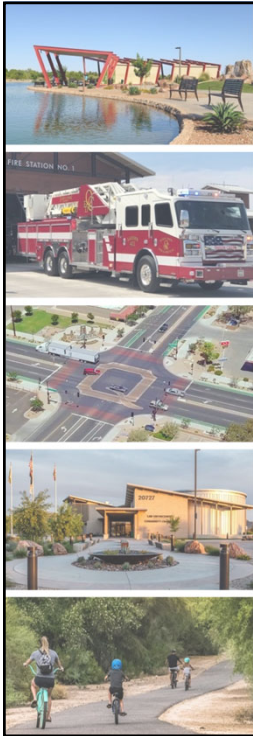
Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)

INFRASTRUCTURE SUMMARY

	Projects Under Contract	Previously Approved Projects	New Projects	Total FY 21-22 Budget
Transportation	\$14.9	\$85.6	\$18.7	\$119.2
Water	8.5	18.5	24.0	51.0
Wastewater	6.5	14.0	8.1	28.6
Water Rights	-	-	53.0	53.0
Fire	0.4	21.6	1.0	23.0
Police	-	1.5	-	1.5
Parks and Trails	1.7	9.3	15.0	26.0
Municipal Facilities	-	0.4	0.5	0.9
Contingencies	-	-	20.0	20.0
Total Infrastructure	\$32.0	\$150.9	\$140.3	\$323.2

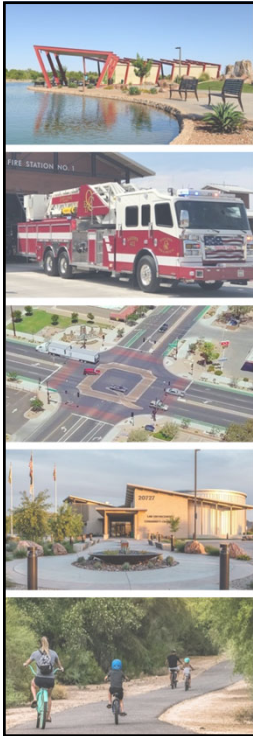
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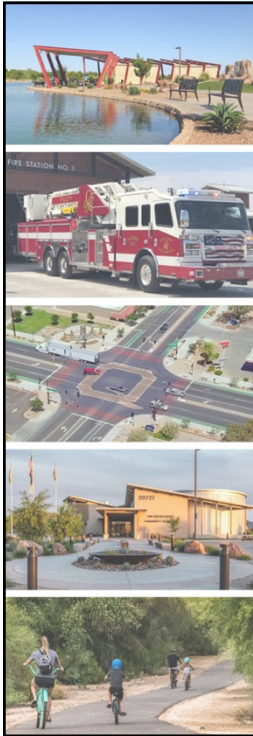
STREET INFRASTRUCTURE

- 10-Year Capital Plan: \$303M
- FY 21-22 CIP Budget: \$119M
 - \$100M Carry-Forward Projects
 - \$19M New Projects



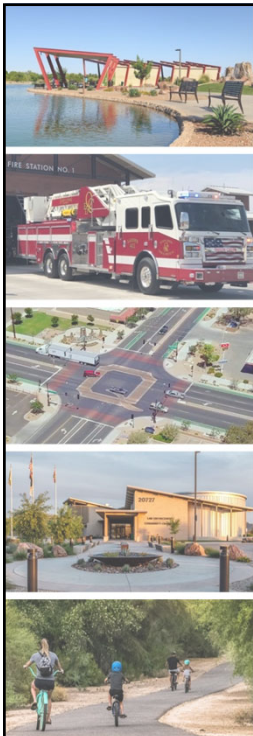
WATER INFRASTRUCTURE

- 10-Year Capital Plan \$144M
- FY 21-22 CIP Budget: \$51M
 - \$27M Carry-Forward Projects
 - \$24M New Projects
- WIFA and Bank Loans Pending



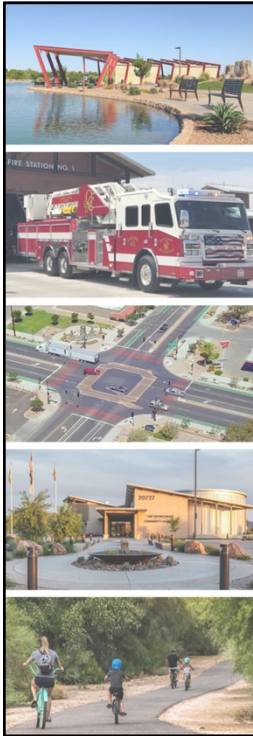
WASTEWATER INFRASTRUCTURE

- 10-Year Capital Plan \$78M
- FY 21-22 CIP Budget: \$29M
 - \$21M Carry-Forward Projects
 - \$8M New Projects
- WIFA and Bank Loans Pending



FIRE / LAW ENFORCEMENT

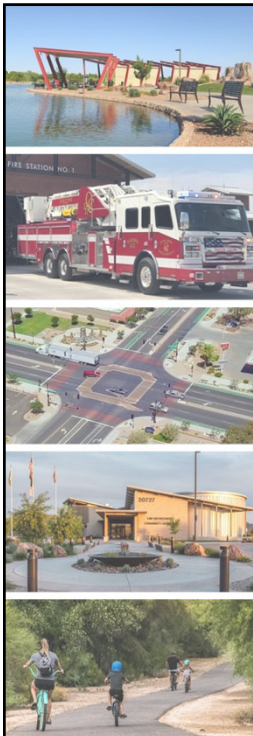
- FY 21-22 CIP Budget: \$24.5M
 1. \$1.0M Replacement Pumper Truck
 2. \$23.5M Projects Underway (carry-forward)
 1. \$8.6M Station #2 (in construction)
 2. \$9.2M Station #5 (in construction)
 3. \$5.0M Resource Center (in design)
 4. \$0.7M Station #4 (close-out/warranty items)



PARKS AND TRAILS INFRASTRUCTURE: \$26M

- Trails \$2.6M
 - \$2.3M Sonoqui Wash design and construction, 2 segments (carry-forward from FY 20-21)
 - \$0.3M QC Wash design (carry-forward from FY20-21)
- Parks \$23.4M
 - \$8.4M East Park Design/Construction for Site/Drainage (carry-forward from FY 20-21)
 - \$5.0M Placeholder for Park Design/Development
 - \$10.0M Placeholder for Park Land Acquisition

67



DEBT BUDGETS

68

OUTSTANDING BONDED DEBT (1)

Purpose	Outstanding Amount 6/30/21	% of Total (2)
Transportation	\$127.0M	71%
Fire	\$29.6M	17%
Law Enforcement	\$1.8M	1%
Library	\$4.8M	3%
Town Buildings	\$4.4M	2%
Parks	\$3.6M	2%
HPEC	\$4.4M	2%
Recreation Annex	<u>\$4.1M</u>	<u>2%</u>
TOTAL	\$179.7M	100%

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

(2) 89% of outstanding debt is for Transportation, Fire, and Law Enforcement.

69

ANNUAL BOND DEBT PAYMENT (1)

Funding Source	FY 21-22 Payment	% of Total Payment
Operating Budget	\$8.0M	62%
Dedicated Transportation Sales Tax	\$1.5M	12%
Town Center Sales Tax	\$0.3M	2%
Transportation Impact Fees	\$0.9M	7%
Fire Impact Fees	\$1.1M	8%
Law Enforcement Impact Fees	\$0.2M	2%
Library Impact Fees	\$0.2M	2%
Town Building Impact Fees	\$0.3M	2%
Parks Impact Fees	<u>\$0.5M</u>	<u>4%</u>
TOTAL	\$13.0M	100%

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

70

OPERATING BUDGET PAYMENT

Purpose	FY 21-22 Payment	% of Total Payment
Transportation	\$5.8M	73%
Fire	\$0.8M	10%
Library	\$0.3M	3%
Town Buildings	\$0.3M	3%
HPEC	\$0.3M	4%
Parks	\$0.2M	3%
Recreation	<u>\$0.3M</u>	<u>4%</u>
TOTAL	\$8.0M	100%

71

OUTSTANDING BONDED DEBT - UTILITIES

Purpose	Outstanding Amount 12/31/20	% of Total	Estimated FY 20-21 WIFA and Bank Loans	Total Outstanding Amount 6/30/21	% of Total
Water – Company Acquisitions	\$65.5M	49%	\$ -	\$65.5M	25%
Water – Water Resources	\$66.6M	49%	\$ -	\$66.6M	25%
Water – CIP	-	-	\$80M	\$80.0M	30%
Wastewater – GWRP Buy-in	\$ 2.6M	2%	-	\$2.6M	1%
Wastewater – CIP	<u>-</u>	<u>-</u>	<u>\$50M</u>	<u>\$50.0M</u>	<u>19%</u>
TOTAL	\$134.7M	100%	\$130M	\$264.7M	100%

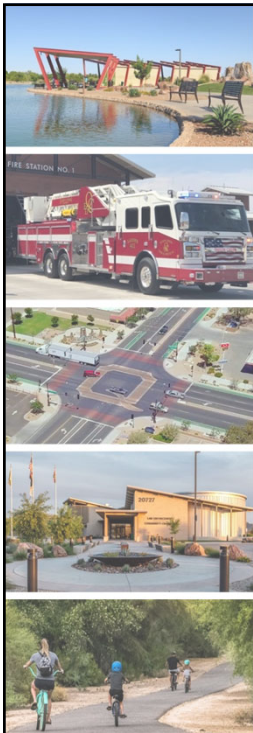
72

Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)

ANNUAL DEBT SERVICE - UTILITIES

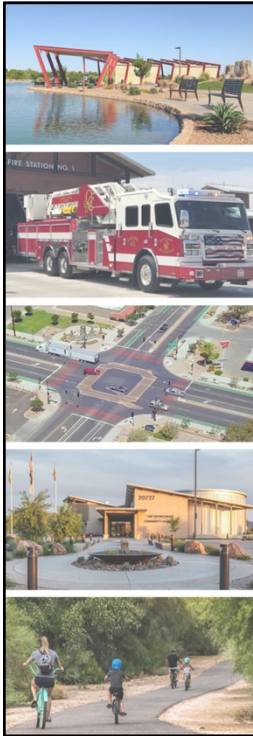
Purpose	Operating Revenues / Rates	Capacity Fees	Total FY 21-22 Payment
Water – Company Acquisitions	\$4.5M	\$ -	\$4.5M
Water – Water Resources	\$2.9M	\$ -	\$2.9M
Water – CIP	\$1.7M	\$2.2M	\$3.9M
Wastewater – GWRP Buy-in	\$0.4M	\$ -	\$0.4M
Wastewater – CIP	\$0.7M	\$1.6M	\$2.3M
TOTAL	\$10.2M	\$3.8M	\$14.0M
% of Total	73%	27%	

73



CONTINGENCIES

74

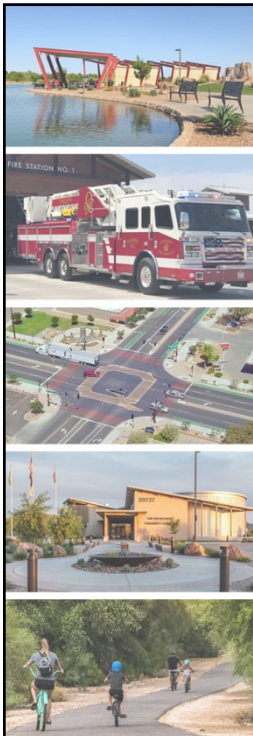


Infrastructure Carry-Forward / Contingencies

Purpose	Description	Amount
1. Projects Under Contract	Carryforward of approved contracts into FY 21-22	\$31.9M
2. Project Budgets Approved – Not yet under Contract	Expenditure authority for projects previously approved but not under contract by end of fiscal year	\$150.9M
3. Unanticipated Expenses	Expenditure authority for private development partnerships, new projects, or emergency needs	<u>\$20.0M</u>
Total CIP Contingency		\$202.8
4. Police / Grants Contingency	Expenditure authority for potential additional PD start-up costs and/or receipt of grants for PD, Trails, Traffic	\$5.0M
5. Federal Grants Contingency	Expenditure authority for possible uses of the Town’s federal stimulus funding	\$12.0M
Total FY 21-22 Contingency		<u>\$219.8M</u>

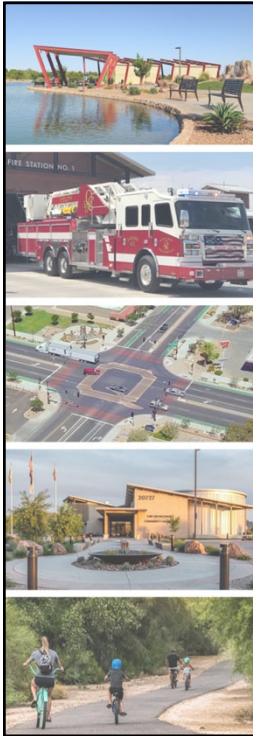
75

Attachment: FY 2021/22 Tentative Budget Adoption Presentation (Tentative FY22 Budget)



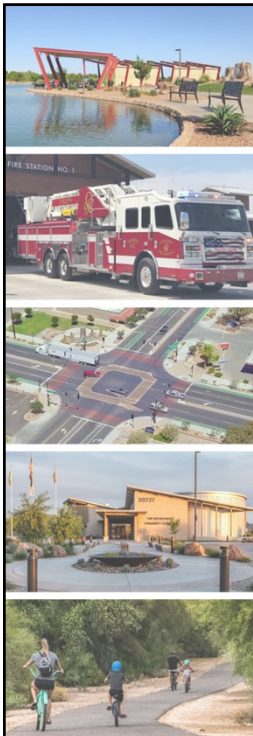
BUDGET ADOPTION CALENDAR

76



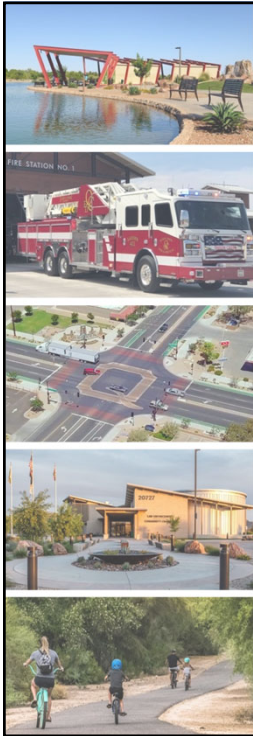
REMAINING BUDGET DATES

Date	Item
May 5	Tentative Budget Approval
May 19	Final Budget Adoption
June 2	Property Tax Levy Adopted



RECOMMENDED MOTION

Move to Approve the FY 2021/22 Tentative Budget of \$487.2M and Set May 19, 2021 as the date of the Public Hearing for the FY 2021/22 Final Budget and the Truth-in-Taxation Hearing as required under Arizona Revised Statutes



DISCUSSION AND QUESTIONS

**TOWN OF QUEEN CREEK
Summary Schedule of Estimated Revenues and Expenditures/Expenses
Fiscal Year 2022**

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	
2021	Adopted/Adjusted Budgeted Expenditures/Expenses*	E	28,837,320	40,341,105	12,366,827	178,588,127	0	144,336,448	4,641,515	409,111,342
2021	Actual Expenditures/Expenses**	E	28,837,320	40,341,105	12,366,827	23,202,276	0	96,890,342	4,641,515	206,279,385
2022	Fund Balance/Net Position at July 1***		70,367,463	45,042,778	0	111,991,236	0	99,532,531	224,297	327,158,305
2022	Primary Property Tax Levy	B	0	11,045,515	0	0				11,045,515
2022	Secondary Property Tax Levy	B	0	0	0	0				0
2022	Estimated Revenues Other than Property Taxes	C	60,793,112	50,178,154	1,737,222	39,588,253	0	107,024,406	7,088,351	266,409,498
2022	Other Financing Sources	D	0	0	0	0	0	0	0	0
2022	Other Financing (Uses)	D	0	0	0	0	0	0	0	0
2022	Interfund Transfers In	D	0	15,583,321	13,055,652	29,422,290	0	46,003,116	0	104,064,379
2022	Interfund Transfers (Out)	D	26,149,899	31,911,364	0	0	0	46,003,116	0	104,064,379
2022	Reduction for Amounts Not Available:									
2022	Total Financial Resources Available		105,010,676	89,938,404	14,792,874	181,001,779	0	206,556,937	7,312,648	604,613,318
2022	Budgeted Expenditures/Expenses	E	34,531,776	60,690,273	14,792,873	185,558,306	0	185,307,929	6,302,457	487,183,614

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

	2021	2022
Budgeted expenditures/expenses	\$ 409,111,342	\$ 487,183,614
Add/subtract: estimated net reconciling items		
Budgeted expenditures/expenses adjusted for reconciling items	409,111,342	487,183,614
Less: estimated exclusions		
Amount subject to the expenditure limitation	\$ 409,111,342	\$ 487,183,614
EEC expenditure limitation	\$ 409,111,342	\$ 487,183,614

* 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).

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

TOWN OF QUEEN CREEK
Tax Levy and Tax Rate Information
Fiscal Year 2022

	2021	2022
1. Maximum allowable primary property tax levy. A.R.S. §42-17051(A)	\$ <u>15,716,317</u>	\$ <u>17,234,077</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>9,779,705</u>	\$ <u>11,045,515</u>
B. Secondary property taxes	<u>0</u>	<u>0</u>
C. Total property tax levy amounts	\$ <u>9,779,705</u>	\$ <u>11,045,515</u>
4. Property taxes collected*		
A. Primary property taxes		
(1) Current year's levy	\$ <u>9,779,705</u>	
(2) Prior years' levies	<u>79,572</u>	
(3) Total primary property taxes	\$ <u>9,859,277</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>9,859,277</u>	
5. Property tax rates		
A. City/Town tax rate		
(1) Primary property tax rate	<u>1.8257</u>	<u>1.8257</u>
(2) Secondary property tax rate	<u> </u>	<u> </u>
(3) Total city/town tax rate	<u>1.8257</u>	<u>1.8257</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 <u>102</u> 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.

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

TOWN OF QUEEN CREEK
Revenues Other Than Property Taxes
Fiscal Year 2022

SOURCE OF REVENUES	ESTIMATED REVENUES 2021	ACTUAL REVENUES* 2021	ESTIMATED REVENUES 2022
GENERAL FUND			
Local taxes			
City Sales Tax	\$ 16,692,324	\$ 25,403,605	28,328,818
Construction Sales Tax	4,134,393	12,511,525	7,520,485
Licenses and permits			
Business Licenses	75,000	75,000	75,000
Liquor License	10,500	10,500	10,500
Building Revenue	4,545,000	8,702,800	7,362,600
Intergovernmental			
State Sales Tax	5,011,800	5,617,000	6,898,800
Urban Revenue Sharing	7,200,700	7,272,892	7,494,700
Charges for services			
Recreation User Fees	327,842	327,842	442,491
Interest on investments			
Interest Income	472,000	472,000	200,000
Miscellaneous			
Telecommunications	160,000	160,000	165,000
Building Lease Revenue	-	-	-
Gas Franchises	115,000	115,000	115,000
Cable Licenses	330,000	330,000	390,000
Miscellaneous	103,500	103,500	103,500
Departmental Support Revenue	1,686,218	1,686,218	1,686,218
Total General Fund	\$ 40,864,277	\$ 62,787,882	\$ 60,793,112
SPECIAL REVENUE FUNDS			
Highway User Revenue Fund			
Highway Users Revenue	\$ 2,725,200	\$ 3,429,900	4,083,000
Pinal County Taxes	23,600	23,600	23,600
Vehicle License Tax	2,186,800	2,582,700	3,162,100
Grants	-	-	255,000
Interest Income	-	-	-
Total Highway User Revenue Fund	\$ 4,935,600	\$ 6,036,200	\$ 7,523,700
Municipal Town Center Fund			
City Sales Tax	\$ 669,998	\$ 927,265	1,010,719
Building Lease Revenue	80,650	80,650	81,426
Signage Revenue	13,200	13,200	20,000
Interest Income	6,500	6,500	-
Total Municipal Town Center Fund	\$ 770,348	\$ 1,027,615	\$ 1,112,145
Construction Sales Tax Fund			
2% Construction Sales Tax	\$ 4,134,393	\$ 12,511,525	7,520,485
Total Construction Sales Tax Fund	\$ 4,134,393	\$ 12,511,525	\$ 7,520,485
Grants & Contingency Fund			
Grants	\$ 2,000,000	\$ 7,842,506	5,000,000
Contingency	-	-	-
Total Grants & Contingency Fund	2,000,000	7,842,506	5,000,000
Parks Development Fund			
Parks Development Fee	\$ 2,532,510	\$ 5,578,665	4,967,809
3rd Party Contributions	-	-	-
Interest Income	77,040	77,040	143,740
Miscellaneous	-	-	-

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

TOWN OF QUEEN CREEK
Revenues Other Than Property Taxes
Fiscal Year 2022

SOURCE OF REVENUES	ESTIMATED REVENUES 2021	ACTUAL REVENUES* 2021	ESTIMATED REVENUES 2022
Total Parks Development Fund	\$ 2,609,550	\$ 5,655,705	\$ 5,111,549
Town Buildings Fund			
Town Building & Vehicle Development Fee	\$ 60,720	\$ 132,926	118,316
Interest Income	22,610	22,610	3,000
Total Town Buildings Fund	\$ 83,330	\$ 155,536	\$ 121,316
Transportation Development Fee Fund			
Transportation Development Impact Fee	\$ 1,975,820	\$ 4,029,644	3,921,888
Interest Income	-	-	5,000
Total Transportation Development Fee Fund	\$ 1,975,820	\$ 4,029,644	\$ 3,926,888
Library Development Fee Fund			
Library Development Impact Fee	\$ 133,380	\$ 292,153	260,157
Interest Income	17,540	17,540	3,000
Total Library Development Fee Fund	\$ 150,920	\$ 309,693	\$ 263,157
Public Safety Development Fee Fund			
Public Safety Development Fees	\$ 506,020	\$ 1,013,723	1,054,861
Interest Income	2,380	2,380	-
Total Public Safety Development Fee Fund	\$ 508,400	\$ 1,016,103	\$ 1,054,861
Emergency Services Fund			
City Sales Tax	\$ 2,086,540	\$ 3,175,451	3,541,102
Construction Sales Tax	527,601	1,563,941	940,061
County Island Fire District	1,445,000	1,445,000	1,500,000
Fire Inspections	56,250	56,250	75,000
PSPRS Premium Tax Credit	144,000	144,000	145,000
ROI Utility Revenue	3,034,871	3,034,871	3,372,160
IGA - School District	155,000	155,000	155,000
Wildland Reimbursement	65,000	65,000	15,000
Building Lease Revenue	28,000	28,000	28,000
Grants	-	6,000,000	6,000,000
Miscellaneous	35,000	35,000	40,000
Total Emergency Services Fund	\$ 7,577,262	\$ 15,702,513	\$ 15,811,323
Fire Development Fee Fund			
Fire Development Fees	\$ 954,070	\$ 1,961,670	1,959,010
Interest Income	-	-	5,000
Total Fire Development Fee Fund	\$ 954,070	\$ 1,961,670	\$ 1,964,010
Streetlight Improvement Districts			
Special Assessment	\$ 67,370	\$ 67,370	43,720
Interest Income	-	-	-
Total Streetlight Improvement Districts	\$ 67,370	\$ 67,370	\$ 43,720
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	\$ 431,193	\$ 431,193	650,000
Total HPEC Fund	\$ 431,193	\$ 431,193	\$ 650,000
Total Special Revenue Funds	\$ 26,273,256	\$ 56,822,273	\$ 50,178,154
DEBT SERVICE FUNDS			
Special Assessment Fund			
Property Assessments	\$ 1,736,651	\$ 1,750,453	1,737,222
Interest Income	-	-	-

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

TOWN OF QUEEN CREEK
Revenues Other Than Property Taxes
Fiscal Year 2022

SOURCE OF REVENUES	ESTIMATED REVENUES 2021	ACTUAL REVENUES* 2021	ESTIMATED REVENUES 2022
Total Special Assessment Fund	\$ 1,736,651	\$ 1,750,453	\$ 1,737,222
Total Debt Service Funds	\$ 1,736,651	\$ 1,750,453	\$ 1,737,222
CAPITAL PROJECTS FUNDS			
Drainage & Transportation Fund			
Reimbursement from Government Agency	\$ 7,433,922	\$ 7,433,922	14,438,253
Other Funding	-	-	12,500,000
Interest Income	-	-	150,000
Bond/Loan Proceeds	-	-	-
Total Drainage & Transportation Fund	\$ 7,433,922	\$ 7,433,922	\$ 27,088,253
General CIP			
Contributions from Outside Agencies	\$ 6,000,000	\$ -	-
Other Funding	-	-	12,500,000
Bond Proceeds	-	-	-
Total General CIP	\$ 6,000,000	\$ -	\$ 12,500,000
Total Capital Projects Funds	\$ 13,433,922	\$ 7,433,922	\$ 39,588,253
INTERNAL SERVICE FUNDS			
Healthcare Self-Insurance			
Premiums	\$ 4,498,615	\$ 4,498,615	6,988,351
Stop Loss Reimbursement	100,000	100,000	100,000
Interest Income	12,900	12,900	-
Total Healthcare Self-Insurance	\$ 4,611,515	\$ 4,611,515	\$ 7,088,351
ENTERPRISE FUNDS			
Sewer Utility Funds			
User Fees	\$ 6,841,556	\$ 6,841,556	8,246,236
Miscellaneous	768,078	768,078	990,946
Bond/Loan Proceeds	40,000,000	40,000,000	-
Capacity Fee	1,863,540	5,007,772	3,689,965
Interest Income	86,000	86,000	100,000
Total Sewer Utility	\$ 49,559,174	\$ 52,703,406	\$ 13,027,147
Water Fund			
Water Revenues/User Fees	\$ 24,683,892	\$ 29,171,350	31,519,400
Capacity Fee	1,973,055	4,213,547	3,900,954
Miscellaneous	448,447	448,447	518,526
Interest Income	248,618	248,618	350,000
Bond/Loan Proceeds	110,000,000	120,250,000	53,000,000
Total Water Fund	\$ 137,354,012	\$ 154,331,962	\$ 89,288,880
Solid Waste Fund			
User Fees	\$ 3,625,735	\$ 3,625,735	4,417,279
Recycling	21,000	21,000	16,000
Cart Fees	176,310	176,310	270,000
Interest Income	11,000	11,000	5,100
Miscellaneous	-	-	-
Total Solid Waste	\$ 3,834,045	\$ 3,834,045	\$ 4,708,379
Total Enterprise Funds	\$ 190,747,231	\$ 210,869,413	\$ 107,024,406
TOTAL ALL FUNDS	\$ 277,666,852	\$ 344,275,458	\$ 266,409,498

* 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.

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

TOWN OF QUEEN CREEK
Other Financing Sources/(Uses) and Interfund Transfers
Fiscal Year 2022

FUND	OTHER FINANCING 2022		INTERFUND TRANSFERS 2022	
	SOURCES	(USES)	IN	(OUT)
GENERAL FUND				
Debt Service	\$	\$	\$	\$ 6,685,278
Interfund Loan				
Infrastructure (CIP)				3,881,300
Emergency Services Fund				14,006,645
Horseshoe Park & Equestrian Center Fund				1,576,676
HURF				
Community Events				
Total General Fund	\$ -	\$ -	\$ -	\$ 26,149,899
SPECIAL REVENUE FUNDS				
Library Development Fee Fund	\$	\$	\$	\$ 232,116
Emergency Services Fund			14,006,645	1,752,950
Grants Fund				
Parks Development				5,507,543
Public Safety Development Fee Fund				140,075
Town Buildings & Vehicles Development Fee				287,723
Fire Development Fee Fund				1,090,538
Transportation Development Fund				13,459,355
Construction Sales Tax				8,556,566
Town Center				331,475
HURF				262,790
Community Events				
Horseshoe Park & Equestrian Center Fund			1,576,676	290,233
Total Special Revenue Funds	\$ -	\$ -	\$ 15,583,321	\$ 31,911,364
DEBT SERVICE FUNDS				
Special Assessment Fund	\$	\$	\$	\$
Debt Service			13,055,652	
Total Debt Service Funds	\$ -	\$ -	\$ 13,055,652	\$ -
CAPITAL PROJECTS FUNDS				
Transportation CIP	\$	\$	\$ 22,947,290	\$
General CIP			6,475,000	
Total Capital Projects Funds	\$ -	\$ -	\$ 29,422,290	\$ -
ENTERPRISE FUNDS				
Water Fund	\$	\$	\$	18,984,177
Water Capacity				16,248,659
Water CIP			23,975,582	
Water Debt			11,257,254	
Sewer/Wastewater Fund				2,583,810
Sewer/Wastewater Capacity				8,186,470
Sewer/Wastewater CIP			8,090,859	
Sewer/Wastewater Debt			2,679,421	
Total Enterprise Funds	\$ -	\$ -	\$ 46,003,116	\$ 46,003,116
TOTAL ALL FUNDS	\$ -	\$ -	\$ 104,064,379	\$ 104,064,379

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

**TOWN OF QUEEN CREEK
Expenditures/Expenses by Fund
Fiscal Year 2022**

FUND/DEPARTMENT	ADOPTED BUDGETED EXPENDITURES/ EXPENSES	EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED	ACTUAL EXPENDITURES/ EXPENSES*	BUDGETED EXPENDITURES/ EXPENSES
	2021	2021	2021	2022
GENERAL FUND				
Town Council	\$ 439,120	\$ 3,242	442,362	444,052
Town Manager	1,168,570	28,963	1,197,533	1,236,238
Legal Services	465,000	-	465,000	565,000
Town Clerk	306,598	7,454	314,052	284,121
Finance	2,203,392	894,716	3,098,108	3,308,469
Workforce & Technology	4,364,109	166,170	4,530,279	5,741,668
Communications, Marketing & Recreation	2,212,438	139,464	2,351,902	2,677,194
Economic Development	790,833	682,376	1,473,209	1,115,287
Development Services	3,319,502	254,768	3,574,270	3,691,598
Public Works	7,714,677	335,021	8,049,698	9,417,099
Centralized Services	2,593,750	747,157	3,340,907	6,051,050
Total General Fund	\$ 25,577,989	\$ 3,259,331	\$ 28,837,320	\$ 34,531,776
SPECIAL REVENUE FUNDS				
HURF				
Public Works	\$ 4,768,890	\$ 1,430,418	6,199,308	7,027,077
Municipal Town Center Fund				
Economic Development	1,146,441	138,105	1,284,546	967,400
Streetlight Improvement District				
General Operations	181,600		181,600	199,360
Grants & Contingency Fund				
General Operations	6,262,796	(3,964,697)	2,298,099	17,000,000
Construction Sales Tax Fund				
Capital	146,147		146,147	-
Parks Development Fund				
Comm, Marketing & Recreation				80,000
Carryforward Allowance				
Town Buildings & Vehicles Fund				
General Operations				20,000
Transportation Development Fund				
Public Works				125,000
Library Development Fund				
Comm, Marketing & Recreation				20,000
Public Safety Development Fund				
Emergency Management Services				40,000
Fire Development Fund				
Emergency Management Services		-	-	40,000
Emergency Services Fund				
Emergency Management Services	23,905,600	4,706,092	28,611,692	33,069,993
Community Events Fund				
Comm, Marketing & Recreation	165,000	-	165,000	165,000
HPEC Fund				
Economic Development	1,368,777	85,936	1,454,713	1,936,443
LTAf				
Public Works	-	-	-	-
Total Special Revenue Funds	\$ 37,945,251	\$ 2,395,854	\$ 40,341,105	\$ 60,690,273
DEBT SERVICE FUNDS				
Special Assessment Fund				
General Operations	\$ 1,736,651	\$	1,736,651	1,737,222
Debt Service Fund				
General Operations	10,952,351	(322,175)	10,630,176	13,055,651
Total Debt Service Funds	\$ 12,689,002	\$ (322,175)	\$ 12,366,827	\$ 14,792,873

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

**TOWN OF QUEEN CREEK
Expenditures/Expenses by Fund
Fiscal Year 2022**

FUND/DEPARTMENT	ADOPTED BUDGETED EXPENDITURES/ EXPENSES 2021	EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED 2021	ACTUAL EXPENDITURES/ EXPENSES* 2021	BUDGETED EXPENDITURES/ EXPENSES 2022
CAPITAL PROJECTS FUNDS				
Drainage & Transportation				
Public Works	\$ 100,359,623	\$ 37,893,531	138,253,154	131,669,814
Carryforward Allowance			(120,472,359)	
General CIP -				
General Operations	43,940,333	(3,605,360)	40,334,973	53,888,492
Carryforward Allowance			(34,913,492)	
Total Capital Projects Funds	\$ 144,299,956	\$ 34,288,171	\$ 23,202,276	\$ 185,558,306
ENTERPRISE FUNDS				
Sewer/Wastewater Funds				
Sewer Operating	\$ 4,891,774	\$ 16,733	4,908,507	5,014,615
Sewer Capacity	-	-	-	-
Sewer Capital	40,594,713	650,000	41,244,713	31,057,770
Sewer Debt	392,100	-	392,100	2,679,421
Carryforward Allowance	-	-	(20,466,911)	
Subtotal Sewer/Wastewater	\$ 45,878,587	\$ 666,733	\$ 26,078,409	\$ 38,751,806
Water Funds				
Water Operating	82,353,030	(46,624,041)	35,728,989	77,197,446
Water Capacity	-	-	-	-
Water Capital	46,184,438	7,141,268	53,325,706	53,454,777
Water Debt	5,737,529	(792,353)	4,945,176	11,257,252
Carryforward Allowance	-	-	(26,979,195)	
Subtotal Water	\$ 134,274,997	\$ (40,275,126)	\$ 67,020,676	\$ 141,909,475
Solid Waste Fund	3,834,045	(42,788)	3,791,257	4,646,648
Total Enterprise Funds	\$ 183,987,629	\$ (39,651,181)	\$ 96,890,342	\$ 185,307,929
INTERNAL SERVICE FUNDS				
Healthcare / Self-Insurance Fund				
Healthcare	\$ 4,611,515	\$ 30,000	4,641,515	6,302,457
Subtotal Healthcare	\$ 4,611,515	\$ 30,000	4,641,515	6,302,457
Total Internal Service Funds	\$ 4,611,515	\$ 30,000	4,641,515	6,302,457
TOTAL ALL FUNDS	\$ 409,111,342	\$ 0	\$ 206,279,385	\$ 487,183,614

* 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.

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

TOWN OF QUEEN CREEK
Expenditures/Expenses by Department
Fiscal Year 2022

DEPARTMENT/FUND	ADOPTED BUDGETED EXPENDITURES/EXPENSES	EXPENDITURE/EXPENSE ADJUSTMENTS APPROVED	ACTUAL EXPENDITURES/EXPENSES*	BUDGETED EXPENDITURES/EXPENSES
	2021	2021	2021	2022
Town Council				
General Fund	\$ 439,120	\$ 3,242	\$ 442,362	\$ 444,052
Town Council Total	<u>\$ 439,120</u>	<u>\$ 3,242</u>	<u>\$ 442,362</u>	<u>\$ 444,052</u>
Town Manager				
General Fund	\$ 1,168,570	\$ 28,963	\$ 1,197,533	\$ 1,236,238
Town Manager Total	<u>\$ 1,168,570</u>	<u>\$ 28,963</u>	<u>\$ 1,197,533</u>	<u>\$ 1,236,238</u>
Legal Services				
General Fund	\$ 465,000	\$ -	\$ 465,000	\$ 565,000
Legal Services Total	<u>\$ 465,000</u>	<u>\$ -</u>	<u>\$ 465,000</u>	<u>\$ 565,000</u>
Town Clerk				
General Fund	\$ 306,598	\$ 7,454	\$ 314,052	\$ 284,121
Town Clerk Total	<u>\$ 306,598</u>	<u>\$ 7,454</u>	<u>\$ 314,052</u>	<u>\$ 284,121</u>
Finance				
General Fund	\$ 2,203,392	\$ 894,716	\$ 3,098,108	\$ 3,308,469
Finance Total	<u>\$ 2,203,392</u>	<u>\$ 894,716</u>	<u>\$ 3,098,108</u>	<u>\$ 3,308,469</u>
Communications, Marketing & Recreation				
General Fund	\$ 2,212,438	\$ 139,464	\$ 2,351,902	\$ 2,677,194
Parks Development Fund	0	0	0	80,000
Library Development Fund	0	0	0	20,000
Community Events Fund	165,000	-	165,000	165,000
Communications, Marketing	<u>\$ 2,377,438</u>	<u>\$ 139,464</u>	<u>\$ 2,516,902</u>	<u>\$ 2,942,194</u>
Development Services				
General Fund	\$ 3,319,502	\$ 254,768	\$ 3,574,270	\$ 3,691,598
Development Services Total	<u>\$ 3,319,502</u>	<u>\$ 254,768</u>	<u>\$ 3,574,270</u>	<u>\$ 3,691,598</u>
Public Works				
General Fund	\$ 7,714,677	\$ 335,021	\$ 8,049,698	\$ 9,417,099
HURF	4,768,890	1,430,418	6,199,308	7,027,077
Solid Waste Fund	3,834,045	(42,788)	3,791,257	4,646,648
LTAf	-	-	-	-
Transportation Development Fun	0	0	0	125,000
Drainage & Transportation Fund	100,359,623	37,893,531	17,780,795	131,669,814
Public Works Total	<u>\$ 116,677,235</u>	<u>\$ 39,616,182</u>	<u>\$ 35,821,058</u>	<u>\$ 152,885,638</u>
Workforce & Technology				
General Fund	\$ 4,364,109	\$ 166,170	\$ 4,530,279	\$ 5,741,668
Workforce & Technology Total	<u>\$ 4,364,109</u>	<u>\$ 166,170</u>	<u>\$ 4,530,279</u>	<u>\$ 5,741,668</u>
Economic Development				
General Fund	\$ 790,833	\$ 682,376	\$ 1,473,209	\$ 1,115,287
Municipal Town Center Fund	1,146,441	138,105	1,284,546	967,400
Horseshoe Park Fund	1,368,777	85,936	1,454,713	1,936,443
Economic Development Total	<u>\$ 3,306,051</u>	<u>\$ 906,417</u>	<u>\$ 4,212,468</u>	<u>\$ 4,019,130</u>

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

**TOWN OF QUEEN CREEK
Expenditures/Expenses by Department
Fiscal Year 2022**

DEPARTMENT/FUND	ADOPTED BUDGETED EXPENDITURES/EXPENSES	EXPENDITURE/EXPENSE ADJUSTMENTS APPROVED	ACTUAL EXPENDITURES/EXPENSES*	BUDGETED EXPENDITURES/EXPENSES
	2021	2021	2021	2022
Emergency Management Services (EMS)				
Emergency Services Fund	\$ 23,905,600	\$ 4,706,092	\$ 28,611,692	\$ 33,069,993
Public Safety Development Fund	-	0	0	40,000
Fire Development Fund	-	-	-	40,000
EMS Total	\$ 23,905,600	\$ 4,706,092	\$ 28,611,692	\$ 33,149,993
Utilities Department				
Sewer Utility Fund	\$ 4,891,774	\$ 16,733	\$ 4,908,507	\$ 5,014,615
Sewer Capacity Fund	-	0	0	-
Sewer Capital Fund	40,594,713	650,000	41,244,713	31,057,770
Sewer Debt Fund	392,100	-	392,100	2,679,421
Carryforward Allowance			(20,466,911)	
Water Operating Fund	82,353,030	(46,624,041)	35,728,989	77,197,446
Water Capacity Fund	-	0	0	-
Water Capital Fund	46,184,438	7,141,268	53,325,706	53,454,777
Water Debt Fund	5,737,529	(792,353)	4,945,176	11,257,252
Carryforward Allowance			(26,979,195)	
Utilities Department Total	\$ 180,153,584	\$ (39,608,393)	\$ 93,099,085	\$ 180,661,281
Centralized Services/General Operations				
General Fund	\$ 2,593,750	\$ 747,157	\$ 3,340,907	\$ 6,051,050
General CIP	43,940,333	(3,605,360)	5,421,481	53,888,492
Construction Sales Tax	146,147	0	146,147	-
Town Buildings & Vehicle Develop	-	0	0	20,000
Grants & Contingency Fund	6,262,796	(3,964,697)	2,298,099	17,000,000
Streetlight Improvement Districts	181,600	-	181,600	199,360
Special Assessments Fund	1,736,651	0	1,736,651	1,737,222
Debt Service Fund	10,952,351	(322,175)	10,630,176	13,055,651
Healthcare / Self-Insurance	4,611,515	30,000	4,641,515	6,302,457
Centralized Services/General Operations Total	\$ 70,425,143	\$ (7,115,075)	\$ 28,396,576	\$ 98,254,232
Total All Departments	\$ 409,111,342	\$ -	\$ 206,279,385	\$ 487,183,614

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)

**TOWN OF QUEEN CREEK
Full-Time Employees and Personnel Compensation
Fiscal Year 2022**

FUND	Full-Time Equivalent (FTE) 2022	Employee Salaries and Hourly Costs 2022	Retirement Costs 2022	Healthcare Costs 2022	Other Benefit Costs 2022	Total Estimated Personnel Compensation 2022
GENERAL FUND						
Town Council	7.00	\$ 209,820	\$ -	\$ 68,235	\$ 47,677	= \$ 325,732
Town Manager	6.00	881,137	110,942	75,533	101,221	= 1,168,833
Town Clerk	2.00	176,353	21,887	22,027	15,474	= 235,741
Finance	36.48	1,866,309	228,536	237,391	158,558	= 2,490,794
Communications, Marketing & Rec	24.06	1,553,670	149,511	123,725	144,308	= 1,971,214
Development Services	26.50	2,346,060	284,036	307,272	233,400	= 3,170,768
Public Works	52.43	3,370,318	399,844	609,374	352,635	= 4,732,171
Workforce & Technology	19.00	1,700,488	210,222	231,136	146,416	= 2,288,262
Economic Development	5.00	476,130	58,905	43,337	40,930	= 619,302
Non-Departmental		-				= -
Total General Fund	178.47	\$ 12,580,285	\$ 1,463,883	\$ 1,718,030	\$ 1,240,619	= \$ 17,002,817
SPECIAL REVENUE FUNDS						
Emergency Services	152.00	\$ 14,414,140	\$ 2,325,578	\$ 2,363,927	\$ 1,604,753	= \$ 20,708,398
HPEC	8.00	544,844	62,371	84,297	56,994	= 748,506
HURF	19.00	1,187,880	140,092	218,277	127,722	= 1,673,971
Total Special Revenue Funds	179.00	\$ 16,146,864	\$ 2,528,041	\$ 2,666,501	\$ 1,789,469	= \$ 23,130,875
Capital Funds						
Drainage & Transportation	8.00	\$ 695,909	\$ 84,724	\$ 97,206	\$ 67,205	= \$ 945,044
ENTERPRISE FUNDS						
Sewer Utility Fund	6.00	\$ 495,732	\$ 58,557	\$ 80,001	\$ 54,622	= \$ 688,912
Water Fund	57.00	5,900,647	688,249	872,479	586,246	= 8,047,621
Solid Waste Fund	3.00	333,484	41,252	52,842	31,528	= 459,106
Total Enterprise Funds	66.00	\$ 6,729,863	\$ 788,058	\$ 1,005,322	\$ 672,396	= \$ 9,195,639
TOTAL ALL FUNDS	431.47	\$ 36,152,921	\$ 4,864,706	\$ 5,487,059	\$ 3,769,689	= \$ 50,274,375

Attachment: Required State Budget Forms (Schedules A-G) (Tentative FY22 Budget)



TO: HONORABLE MAYOR AND TOWN COUNCIL

THROUGH: JOHN KROSS, TOWN MANAGER, ICMA-CM

FROM: SCOTT MCCARTY, FINANCE DIRECTOR

RE: FY 2021-22 BUDGET COMMITTEE FOLLOW-UP MEMO

DATE: April 26, 2021

During budget briefings with the Town Council, as well as during the Budget Committee Meeting on April 12, several questions and comments were raised regarding the FY 2021-22 Town Manager's Recommended Budget. This memo is intended to address those items for the benefit of the full Town Council.

1. Does the State of Arizona hire economists to analysis the long-term impacts of proposed fiscal policy changes?

The Joint Legislative Budget Committee (JLBC) is tasked with providing the Arizona Legislature sound research, analysis, forecasts and recommendations on government finances and public policies. The JLBC staff who analyze state revenues and legislation related to fiscal policy are professional economists with extensive background in economics, finance, and public policy. JLBC staff provide a fiscal impact analysis on all proposed legislation including any proposed changes to the state's tax structure or fiscal policy.

In addition, the state's Finance Committee is comprised of JLBC staff, economic researchers at the University of Arizona, and consultants from economic advisory firms such as Elliot Pollack and Rounds Consulting. This committee meets regularly to review actual revenue collections and revise revenue forecasts that are then provided to the Legislature as part of the state budget preparation process.

2. Please provide information about the Town's MCSO contract relative to the number of beats contracted for versus the number of beats actually provided.

The Town contracts with MCSO for six beats; however, given the difficulty MCSO has had in filling vacant positions, the Town's level of service is essentially five beats.

3. There have been a number of positions restored recently with Town Council action on budget adjustments. What is our progress on filling those positions?

Following is the status of the positions that were held vacant last year due to the COVID-19 pandemic but were restored through budget adjustments approved by the Town Council during FY 2020-21:

- a. Fire EMS Training Coordinator – position is filled
- b. Fire Inspector/Investigator – position is filled
- c. Finance Senior Financial Services Analyst – position is filled

- d. Finance Senior Accountant – position is filled
- e. Recreation Coordinator – position is filled
- f. Water Business Systems Analyst – position is in recruitment
- g. Water Maintenance Specialist – position is filled
- h. Water Deputy Director – position is filled

4. What is the time lag between the time a vendor collects sales tax and the Town receives those taxes from the Department of Revenue?

There is generally a two-month lag between when a vendor collects sales tax and when it is remitted to the Town by the Department of Revenue. Lag times may be longer in some instances if the vendor does not report their sales tax collections to the Department of Revenue in the month that those sales tax revenues are collected by the vendor.

5. The amount being added to the Town’s Operating Budget 25% Reserve in FY 2021-22 is less than the amount that will be added in FY 2020-21. Please explain why.

By policy, the 25% Operating Reserve amount is based on the *next* year’s estimated revenues. For FY 20-21, operating revenue estimates were significantly reduced in anticipation of the effects of the COVID-19 pandemic. This meant that at the end of FY 19-20 when staff closed the Town’s books, the amount that needed to be set aside in the 25% Operating Reserve was based on those lower revenues. Because the Town did not actually experience a drop in revenues due to COVID-19, the increase to the 25% Operating Reserve amount at the end of FY 20-21 will need to “catch up” to be in line with higher revenue estimates. Then, the amount needed to fully fund the Reserve at the end of FY 21-22 will be based on estimated revenues in the following year, which are still increasing but at a smaller rate than the prior year. The chart below explains the calculation of the 25% Operating Reserve amount for fiscal years 19-20, 20-21, and 21-22:

At year-end...	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>
The <i>next</i> year's budgeted revenue is...	\$ 63.6	\$ 89.8	\$ 102.0
The amount in the 25% Reserve needs to be 25% of <i>next</i> year's budgeted revenue, or...	15.9	22.5	25.5
The amount that is already in the 25% Reserve, before additional funding is...	16.7	16.7	22.5
The increase needed to bring the 25% Reserve to full funding is...	-	5.7	3.1

6. Are there any private contributions that will help pay for the drainage infrastructure in the Town Center that is currently being designed?

No, the improvements will be paid for using Town funds.

- 7. The drainage project at the East Park site is currently labeled as a “parks” project, but can it be considered a “public works” project since it’s not actually building any park amenities?**
J2 Engineering’s design contract has three components: design of the mass grading to 100%, design of the flood water channels to 100%, and design of the park site to 60%. Once construction begins, a portion of the grading will shape the park areas including the fields, play areas, and parking lot. Budget for the project to date has been accounted for in a single line item and project number.
- 8. The CIP/Infrastructure budget includes a \$20 million contingency for other projects that may come up during the next fiscal year. What percent of the total budget is that \$20 million? Is this amount enough to handle potential new development in the State Lands area?**
The \$20 million CIP contingency represents 4.1% of the total budget of \$487.2 million. Staff believes this amount is sufficient to handle any possible needs in the State Lands area for FY 2021-22, given the information currently known at this time.
- 9. If the Town uses the current vacancy in the Town Manager’s office to hire an additional park ranger, are there any budget consequences?**
Salary & benefits for a park ranger will likely be similar to or less than the position in the Town Manager’s office. Staff has identified savings in the current year budget sufficient to purchase a vehicle for the new park ranger, without an impact to next year’s budget.
- 10. Will the contract with the county for Library services by a year-to-year contract, or for multiple years (e.g., 5 years at a time)? What flexibility will we have to change course if the Town Council decides to go a different direction?**
The terms of the contract have not yet been negotiated. The County will likely desire a multi-year contract to provide certainty to their budget and planning needs; however, the Town will attempt to negotiate as much flexibility as possible into the contract.
- 11. How many full-time and part-time staff does the Library currently have?**
The Queen Creek Library currently has 25 employees, 13 full-time and 12 part-time.
- 12. Will there be a vote on the options considered for the Parks Master Plan?**
Yes, recommendations will come to the Town Council over the next several months. The Town Council will have multiple opportunities to provide input and give direction to staff on items relative to the Parks Master Plan.
- 13. The budget presentation showed that the Town is estimated to have \$6.5 million available fund balance at the end of FY 2021-22. Does this amount have to be spent? Is it earmarked for anything specific? Also, please clarify when it will be available.**
This amount is not earmarked for any specific purpose, nor does it have to be spent. The Town Council can choose what to do with these funds, or do nothing. If the funds are not spent, they will remain in the General Fund’s unrestricted fund balance. The \$6.5M will be

available at the end of FY 21-22 for use in FY 22-23. This amount should be considered one-time funds.

14. Why is the Town getting federal money from the American Rescue Plan if we didn't suffer any adverse financial impacts?

Congress tried to be fair to all state and local governments across the nation, rather than create a needs-based program that would require significant administrative costs. Congress chose to simply distribute funds based on each entity's population.

15. What can the \$12 million federal American Rescue Plan funds be used for?

The Town is still waiting for guidance from the U.S. Treasury Department on allowable uses. We expect this guidance to come sometime in May 2021. The funds must be spent by Dec. 31, 2024.

16. What was the FY 2020-21 total budget amount before it was reduced due to COVID? What was the percent change from FY 2019-20?

Prior to making reductions due to the COVID-19 pandemic, the FY 20-21 Recommended Budget was \$436.8M. This would have been a 4% decrease from FY 19-20, as shown in this chart from the "pre-COVID" budget in March 2020:

TOWN MANAGER'S RECOMMENDED BUDGET (IN MILLIONS)				
	FY 19/20 Revised	FY 20/21 Recommended	\$ Change	% Change
Total Expenses	\$452.7	\$436.8	-\$15.9	-4%
	FY 19/20 Revised	FY 20/21 Recommended	\$ Change	% Change
Revenues	\$331.5	\$317.7*	-\$13.8	-4%
Use of Fund Balance	<u>\$121.2</u>	<u>\$119.1</u>		
Total Sources	\$452.7	\$436.8		

17. Please present the Operating and Infrastructure budgets over the last 3 years.

The following chart shows Revised Budgets for FY 19-20 and FY 20-21 and the Recommended Budget for FY 21-22, by category:

	FY 2019/20 Revised	FY 2020/21 Revised	FY 2021/22 Recommended
Operating Budget	56.3	65.1	76.5
Enterprise/Utilities	30.1	32.8	33.8
Subtotal Operating	86.4	97.9	110.3
Transportation Infrastructure	120.3	99.9	131.7
Water Infrastructure	62.0	53.3	53.5
Wastewater Infrastructure	38.6	41.2	31.1
Water Rights	50.0	50.0	53.0
All Other Infrastructure	17.2	40.5	53.9
Subtotal - Infrastructure	288.1	284.9	323.2
Debt (1)	70.4	17.7	28.7
All Other Funds	7.8	8.6	25.0
Total Budget	452.7	409.1	487.2

(1) The Debt budget for FY 19-20 included \$50M to accommodate refinancing of water-related debt

18. Can staff estimate what tax revenue would have been in the Retail and Restaurants/Bars categories if not for COVID?

While impossible to know for certain, the chart below shows the Town’s sales tax revenue estimates both before and after taking into account the effects of COVID. It is reasonable to assume that, if not for COVID, the Town’s economy would have continued on its trajectory of steady growth. The best estimate is that, but for COVID, FY 20-21 sales tax revenues would have been similar to the amounts in the “Estimates Prior to COVID” column.

	FY 19-20 Revised Budget	FY 20-21			FY 21-22 Recommended Budget
		Estimates Prior to COVID	Estimates Reduced for COVID	Estimates Revised Feb 2021	
Retail	\$ 16.0	\$ 17.9	\$ 12.0	\$ 18.8	\$ 21.0
Restaurants / Bars	3.6	3.9	1.8	3.7	4.1
Communications / Utilities	1.8	1.9	1.8	2.6	2.9
Real Estate, Rental, & Leasing	1.9	2.0	1.9	2.0	2.2
All Other	1.5	1.5	1.3	1.5	1.7
Subtotal	\$ 24.8	\$ 27.2	\$ 18.8	\$ 28.6	\$ 31.9
Construction Sales Tax	8.9	9.1	4.7	14.1	8.5
Total Sales Tax	\$ 33.7	\$ 36.3	\$ 23.5	\$ 42.7	\$ 40.4

19. Do we have permit information for areas in the Town’s Water Service Area but outside the Town’s boundaries?

We do not receive building permit information from Pinal County, but staff tracks installation of new water meters as a proxy for monitoring out-of-town construction activity. In fiscal year 19-20, staff installed 2,475 residential water meters, of which 1,782 were inside the Town

Attachment: FY 2021/22 Budget Committee Follow-Up Memo (Tentative FY22 Budget)

and 693 were outside the Town. As a reference, the Town issued 1,750 single-family building permits during the same period.

For the current fiscal year through March 2021, staff has installed 1,780 new meters, of which 1,476 were in the Town and 304 were outside the Town. Through March 2021, the Town has issued 1,623 new single-family building permits.

20. Please provide an update on the status of the Utility delinquent accounts and if there is anything different in the FY 21-22 budget that we are doing to address this going forward. Also, do we know if the delinquency numbers are the same for both in-town and out-of-town customers?

With the suspension of water disconnections beginning in April 2020 due to the COVID-19 pandemic, the Town experienced an increase in the outstanding accounts receivable balance. In December 2020, the Town had 760 utility accounts that were 3 or more months delinquent with a combined balance of over \$279,000. I am pleased to report that through outreach efforts by customer service staff and implementation of a phased plan approach to returning to normal business practices, the overall outstanding accounts receivable balance has significantly declined.

In February, approximately 58% of our delinquent Phase 1 Customer Group were non-town customers. We began phasing in water disconnections the week of March 8th for customers who were three or more months delinquent as of January 21, 2021. There were 115 water disconnections in total for March, which was less than our normal number of approximately 150 disconnections per month. We received positive feedback regarding how smooth the process went from the utilities department metering staff and customer service. According to customer service, we received very little complaints from customers. The proactive approach and customer outreach really aided in the smooth transition.

In March and April, the customer service team conducted outreach efforts to focus on customers who were not in our Phase 1 Customer Group. The customer service team encouraged struggling customers to apply for federal financial assistance through DES and AZCEND. A letter was also mailed to these customers in March providing contact information for assistance programs and informing customers the Town would begin full reinstatement of water disconnections for nonpayment beginning on April 13th.

Full reinstatement of water disconnections occurred on Tuesday, April 13th. There were 192 delinquent accounts on the disconnection list. As of Thursday, April 15th, there were only 6 accounts that remained locked. Similar to the disconnections that occurred in March, the customer service and utilities metering teams said the disconnection process went very smoothly.

The current outstanding accounts receivable balance as of April 15th for active customers with a balance of \$50 or more is approximately \$8,000. The majority of the remaining balance

is related to non-residential accounts. Customer service is actively working on collection efforts for these non-residential delinquent accounts.

Going forward, the Town is now in the range of normal delinquencies and disconnections experienced prior to the COVID-19 pandemic. The finance and customer service teams will continue to monitor the situation closely.

There are 199 utility customers on payment arrangements for COVID related reasons with a total remaining balance of approximately \$100,000. This is one area that will be monitored closely. Customer service is continuing to reach out to these customers to encourage them to apply for financial assistance through our community action agencies if they think they might qualify. Also, customer service remains in close contact with our local non-profits including DES and AZCEND.

21. Please provide an overview on the needs in Public Works and Utilities for additional staff.

The new positions in Public Works and Utilities are directly related to increased infrastructure requiring maintenance due to annexations and growth over the past couple of years. With the addition of town buildings (Utilities, Fire Stations, etc.), increased roadways, and an expanded water service area, our infrastructure has increased significantly. In the last couple of years over 50 lane miles of arterial roadways, 40 miles of minor roadways, 38 miles of sidewalk, 10 box culverts, 9 intersections, over 300 streetlights, over 1,000 new traffic/roadway signs, 6 new buildings, and over 30 acres of new landscaping have been added to our maintenance inventory. Also, the recent acquisition of the Diversified Water service area added over nine square miles and 1,600 customers, with an expected build-out of over 15,000 customers.

Additionally, with the increased private development and our own Capital Improvement Program, additional traffic engineering services are needed. Traffic Control Plans and developer site reviews are both at all-time highs and current staff is finding it very difficult to maintain current expected processing turnaround times. Additionally, the town is implementing a new traffic optimization plan for traffic signals that will require oversight. The goal of the Traffic Optimization Plan is to increase traffic flow throughout Town by having the majority of motorists reach traffic signals during the green phase time.

22. Please provide an update on the Utility CIP Program and Master Plan Update.

Staff in Finance and Utilities continue to review and coordinate the preparation of the draft Utility CIP, a major element of the update. This effort is essential in that it will provide the framework of all utility infrastructure projects to be completed over the next 3-5 years. The Master Plan models water usage and future needs in the Town's water and wastewater service areas based on growth projections, existing and planned infrastructure, and available water resources. The water and sewer models used by the consultants take into account the significant growth of the Town's water service area due to residential and commercial construction, annexations, and acquisition of the Diversified Water Company.

The FY 21-22 CIP recommended budget for water and wastewater projects totals \$84.6 million and includes 42 new projects, on top of 105 projects that are already underway or getting ready to start. The consultants working on the Town’s Master Plan update have identified several additional projects that may need to be added to the Town’s CIP plan over the next 5 years. Staff is reviewing these projects to determine feasibility, cost, and timing. In addition, the consultants have identified possible strategies to increase the Town’s ability to recharge and reuse water in alignment with the Town’s water strategy to secure long-term water resources and become a designated assured water supply provider. For example, one strategy under discussion is the possibility of a Town-owned wastewater treatment facility to supplement the Town’s capacity at GWRP as we continue to recognize the cost effectiveness of these types of systems based on the geographic size and scale of the Town’s utility operations.

While the bulk of the update is anticipated to be in final form over the next several months, the Utility CIP will continue to be developed and may include several iterations, resulting from refinement of the Town’s future water and wastewater service areas. It is anticipated that these decisions will occur concurrently but will most likely lag the completion of the balance of the Master Plan Update.

23. For the budget allocation related to non-profit organizations, please provide a brief overview of the FY 2021-22 recommendation and some additional historical context.

In February 2014, the Town Council established a policy stipulating that a portion of General Fund expenditures be allocated to fund non-profit agency requests for both monetary and in-kind services. The amount identified by the policy is not more than 0.2% of the current year’s General Fund expenditures for both monetary and in-kind support combined.

The following table displays the amount of non-profit funding provided over the last five years, by recipient:

Entity	FY17 Funding		FY18 Funding		FY19 Funding		FY20 Funding		FY21 Funding		FY22 Recommended	
	Monetary	In Kind	Monetary	In Kind	Monetary	In Kind	Monetary	In Kind	Monetary (b)	In Kind	Monetary	In Kind
About Care	\$ -	\$ -	\$ 2,560	\$ -	\$ 5,000	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ 7,500	\$ -
American Cancer Society	1,500	1,000	1,500	1,500	1,500	2,500	2,000	-	-	-	-	-
American Legion	5,000	3,000	4,590	3,000	4,500	3,000	2,600	3,000	-	3,000	3,000	3,000
Child Crisis Center	2,500	-	3,090	-	-	-	-	-	-	-	-	-
Community Alliance Against Family Abuse (CAAFA)	-	-	2,560	-	-	-	1,450	-	-	-	-	-
Hoofbeats with Heart	-	4,000	-	-	-	-	-	-	-	-	-	-
LifeForce Community Service	-	-	-	-	-	-	-	-	-	-	3,200	-
Pan de Vida Foundation	6,000	2,791	3,090	3,519	7,500	3,500	5,000	-	-	547	-	-
Queen Creek 4H	-	6,920	-	7,660	-	10,300	-	8,894	-	5,052	-	6,620
San Tan Historical Society	4,475	1,637	3,090	1,440	(a)		-	-	-	-	-	-
Total by Type	\$ 19,475	\$ 19,348	\$ 20,480	\$ 17,119	\$ 18,500	\$ 19,300	\$ 16,050	\$ 11,894	\$ -	\$ 8,599	\$ 13,700	\$ 9,620
Grand Total	\$38,823		\$37,599		\$37,800		\$27,944		\$8,599		\$23,320	

(a) Beginning in FY19, the San Tan Historical Society funding was fixed at \$13,000 annually and moved to a separate line item outside of the non-profit process.
 (b) Due to the COVID-19 pandemic, all monetary support for non-profit organizations was eliminated for FY 20-21.

A Town staff committee was created in FY2019/20 to provide non-profit funding recommendations to the Town Council Budget Committee using an experience-based, qualitative approach. The staff review committee traditionally considers monetary requests first, encouraging agencies to organize and staff their own events and activities. In-kind services are traditionally considered only for use in renting space at Town facilities for regularly scheduled meetings and/or events. Additionally, the committee does not recommend approval of funding requests from prior recipients for additional programs that have not been requested or funded in past years, to uphold the Town’s policy of maintaining the status quo of current service offerings.

The funding level established by policy for FY 2021/22 is approximately \$50,000. The Town received requests from four (4) agencies totaling \$35,120 (\$25,500 in monetary requests, and \$9,620 for in-kind services). The FY 21-22 recommended awards total is \$23,320 (\$13,700 in monetary; \$9,620 for in-kind services).