

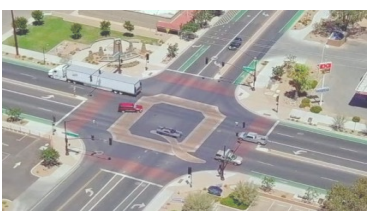


FY 2022-23 Tentative Budget Adoption

Town Council Meeting

May 4, 2022

BUDGET DISCUSSIONS THUS FAR ...



Date	Item
February 26	Strategic Planning Session: Budget Introduction and Overview
April 11	Budget Committee Meeting

Budget Committee Action

- Approved Unanimous Motion to Recommend Approval of the FY 22-23 \$730.2M Tentative Budget to the Town Council
 - This Represents an Increase of \$23M for Park Land Acquisition from the Town Manager's Recommended Budget



Purpose of Presentation

1. Economic Overview and Growth Projections
2. Important Financial Policies
3. FY 22-23 Policy Decisions
4. Overview Summary
5. Operating Budget
6. Other Major Budgets
7. Calendar





1. Economic Overview and Growth Projections

The Economy

US

- COVID
- Rising Inflation
- Rising Wage Growth
- Rising Interest Rates

ARIZONA

- #3 in Job Growth
- #3 in Population Growth
- Expected to be Better than US Average



Why Growth Projections are Critical to QC?



1. Indicates Quantity and Cost of New Services

- Example: PD and Fire/EMS Calls

2. Identifies Location of New Infrastructure

- Examples: Roads, Water and Wastewater Infrastructure

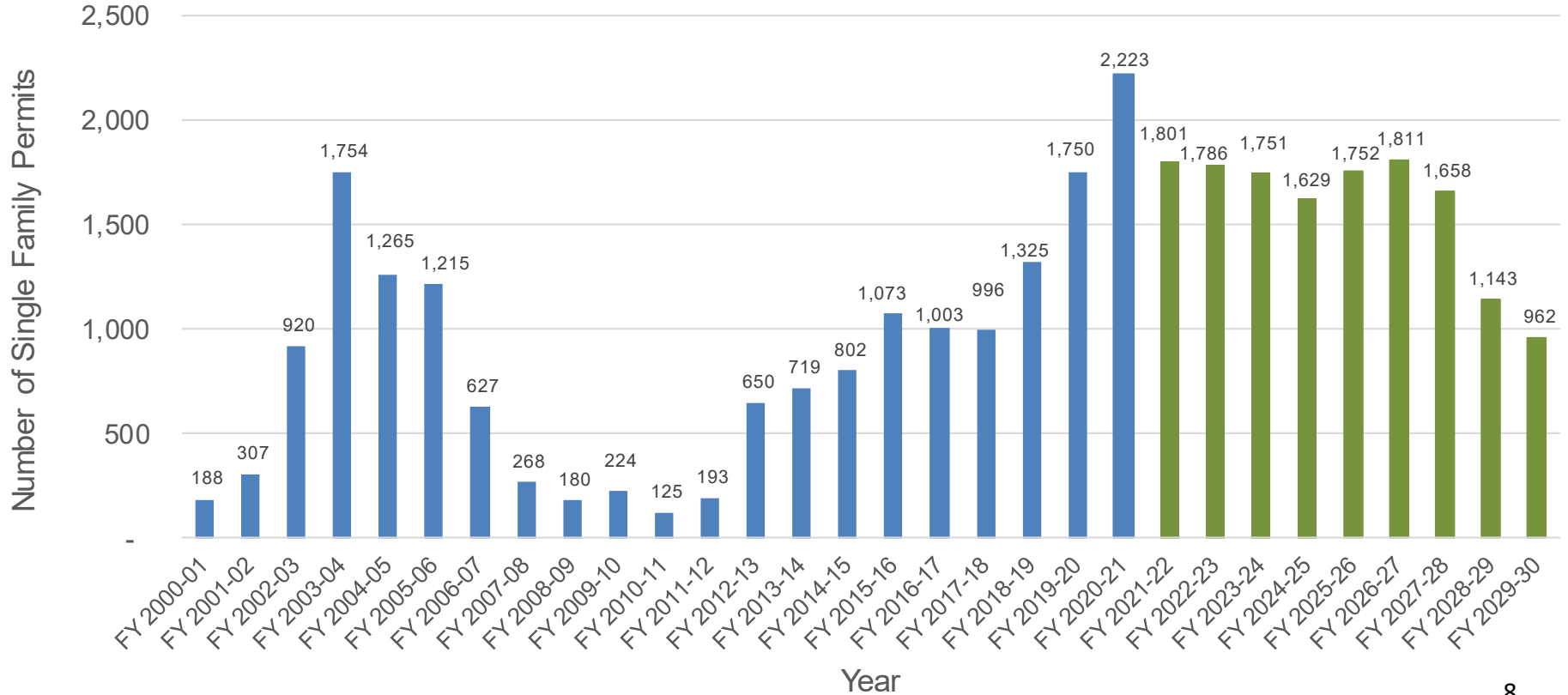
3. Identifies One-Time Revenues

- Building Permit Revenues, Construction Sales Tax, Impact/Capacity Fees

4. Identifies Ongoing Revenues

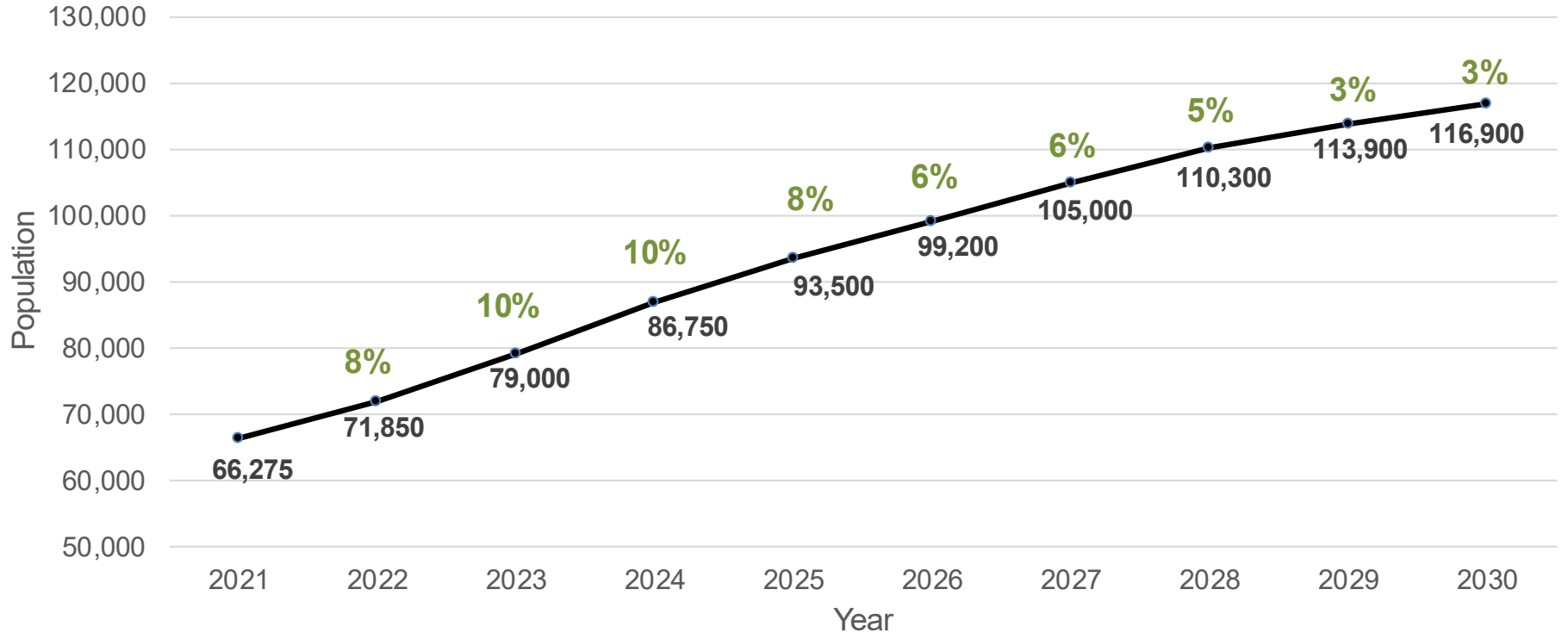
- Sales Tax Revenues, State Shared Revenues

Single-Family Permit Projections



10-Year Population Projections

Buildout Population: ~150K

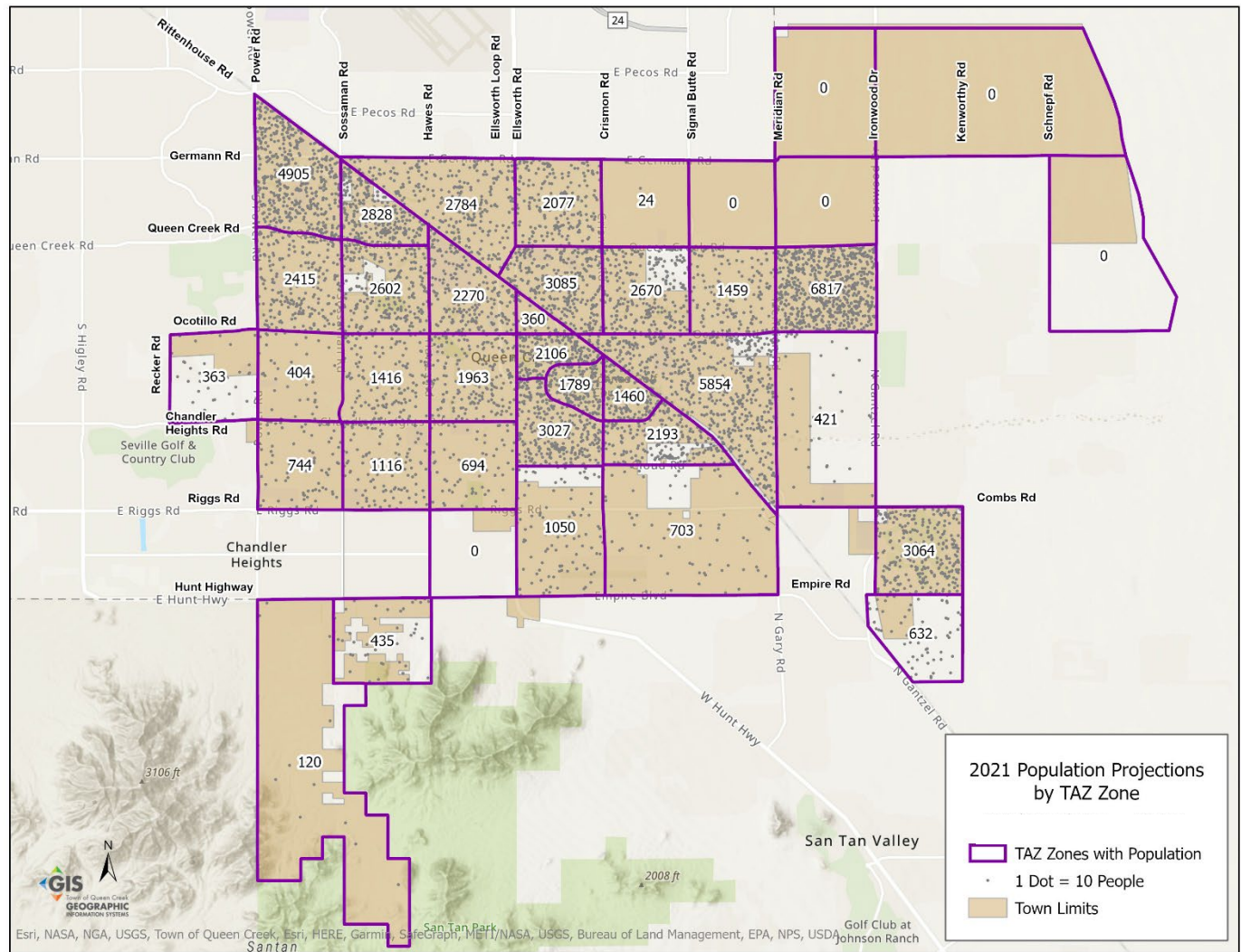




Population Projection Dot Maps (In Town)

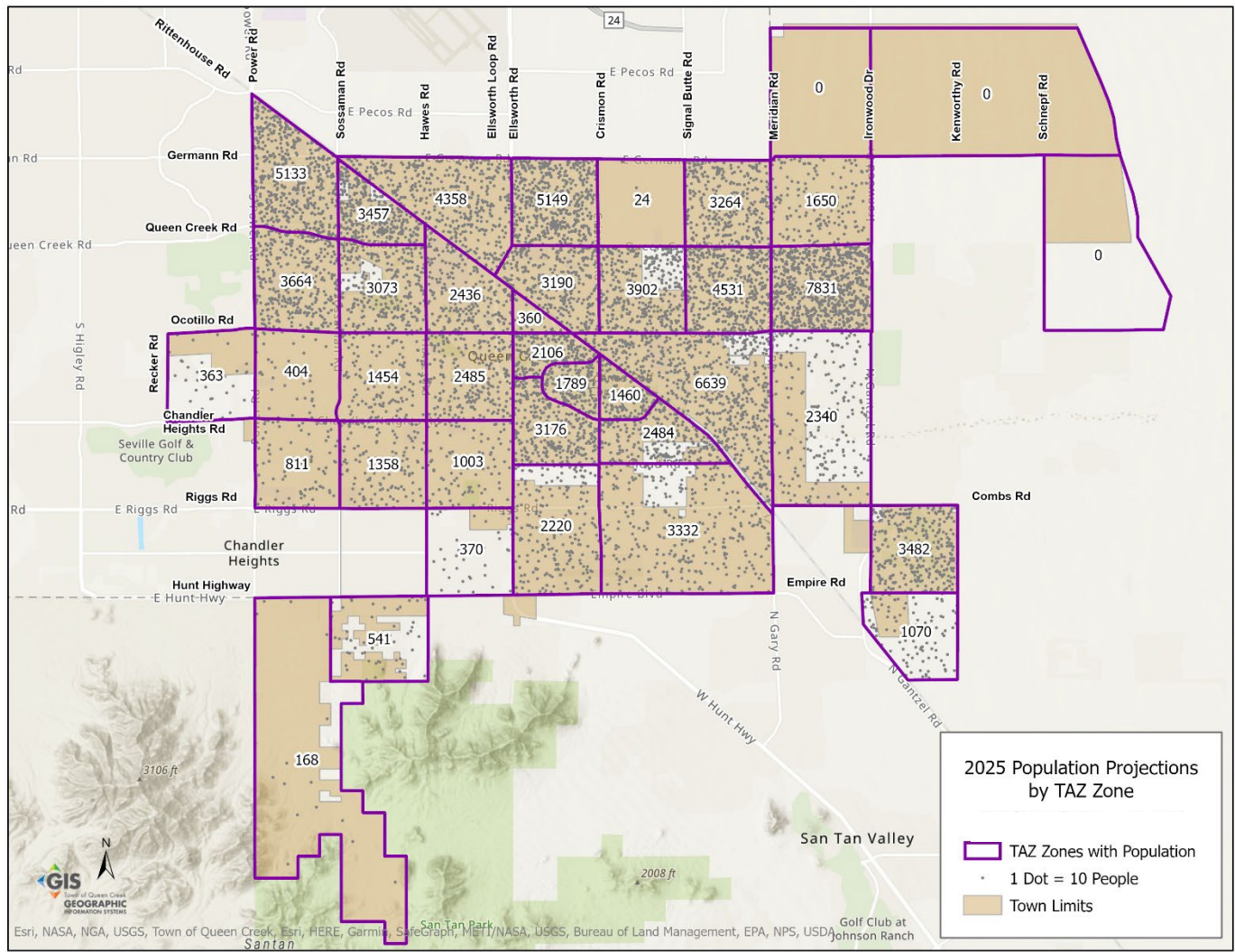
2021

Population 66,275



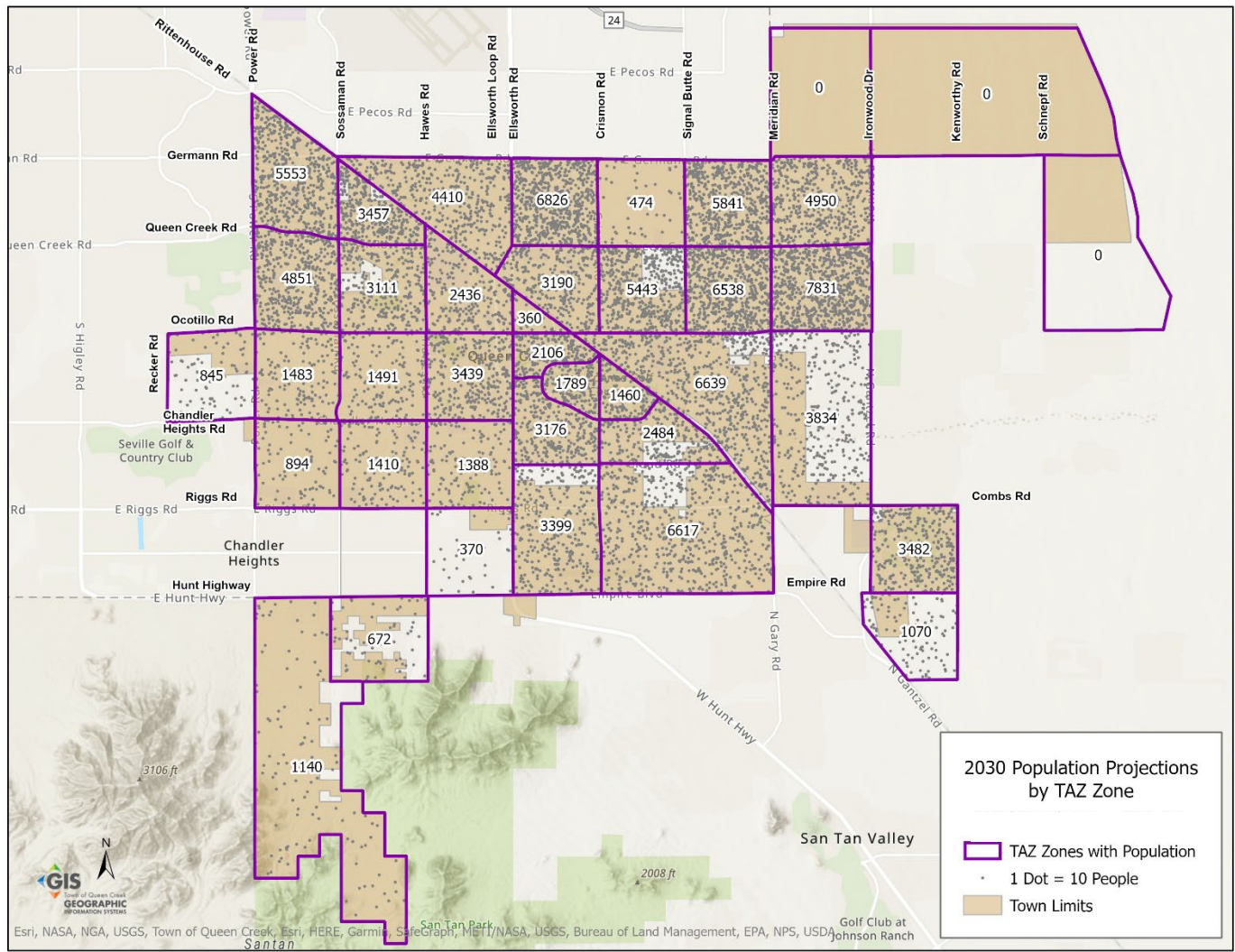
2025

Population 93,500



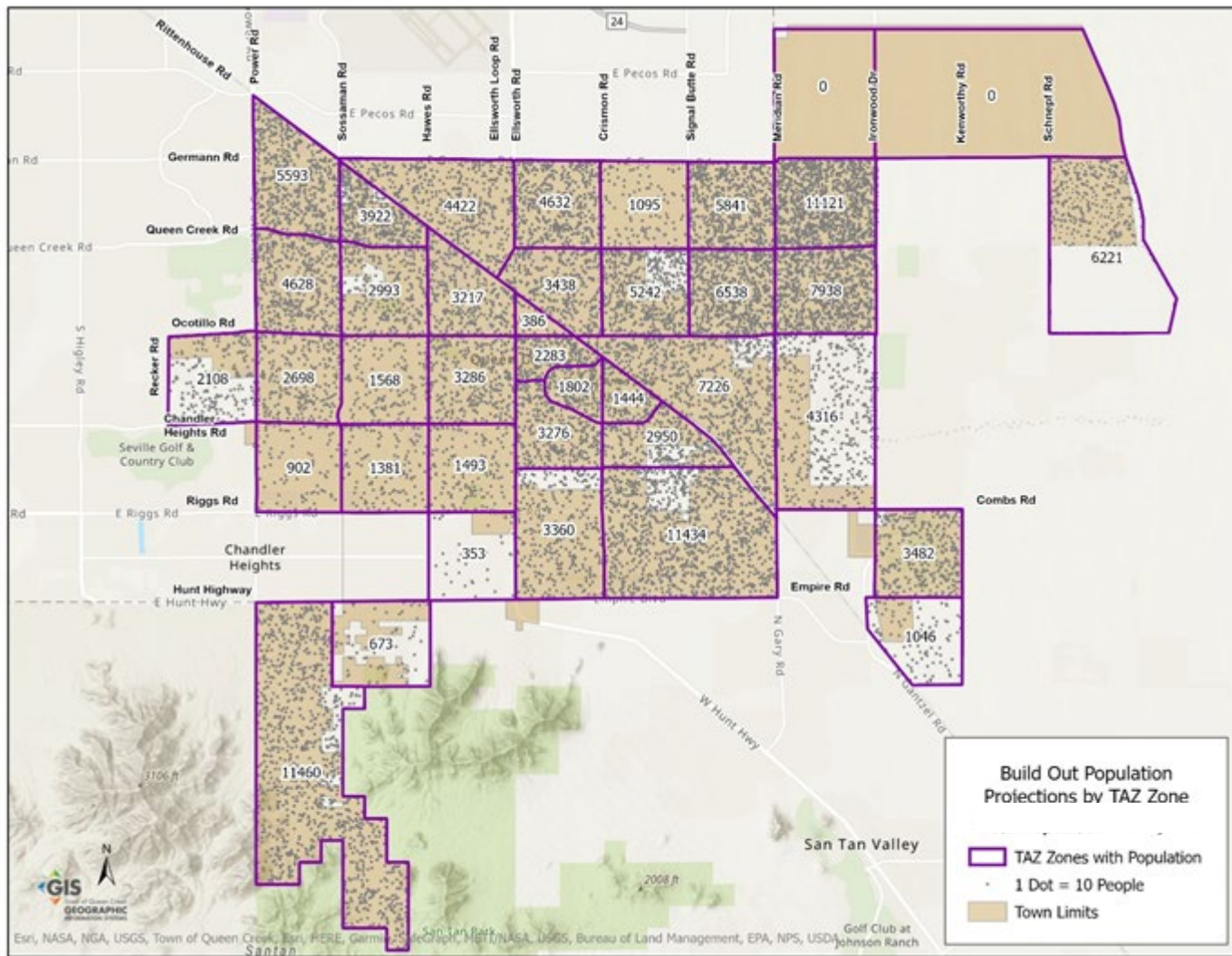
2030

Population 116,900

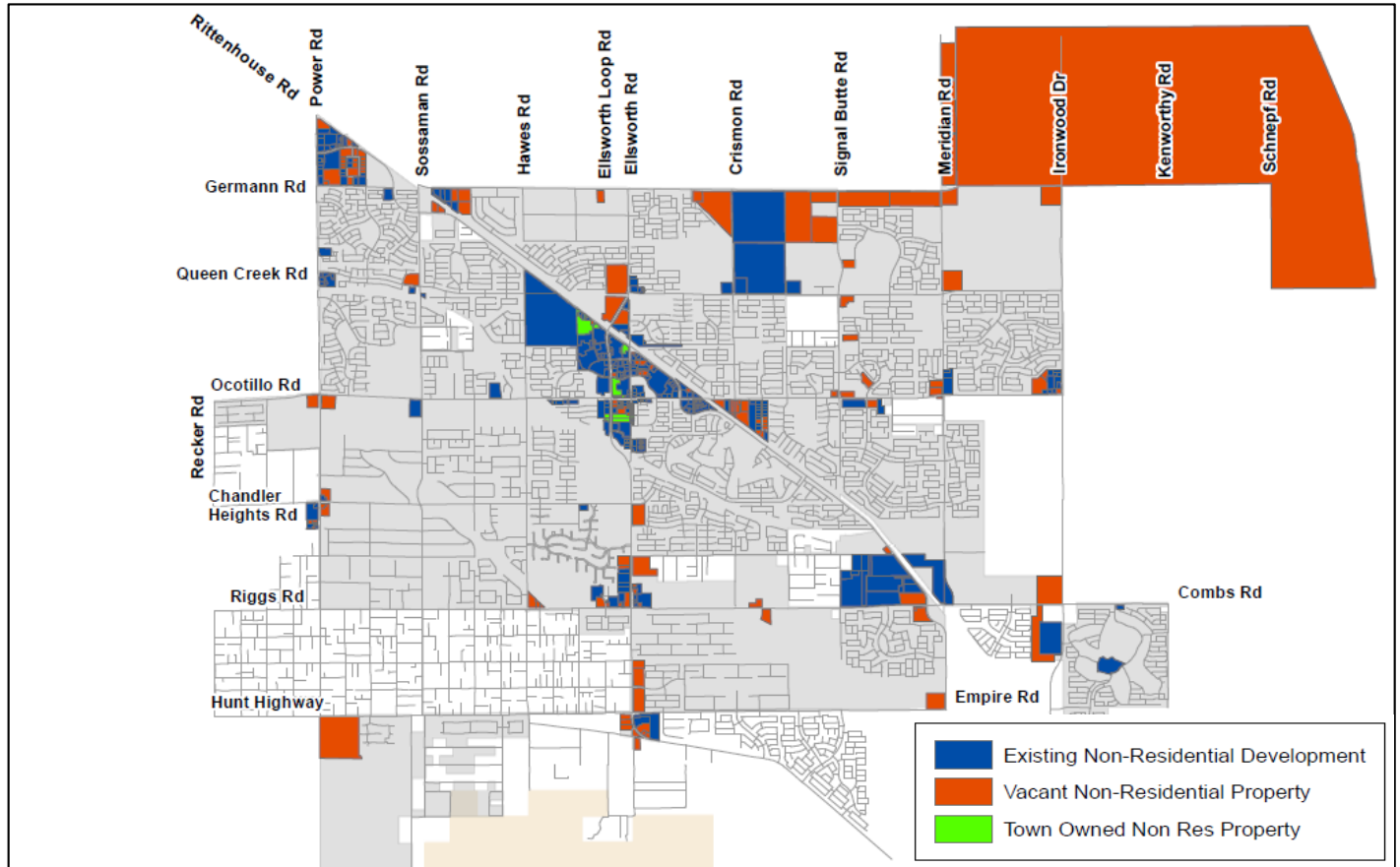


Buildout

Population
~150K



Non-Residential Development



Remaining Non-Residential Development



Development Type	Acres to Buildout	Total Buildout Square Footage
Mixed	91	620K
Regional Commercial	36	161K
Community Commercial	479	4.8M
Light Industrial	90	987K
Office	35	308K
Religious	<u>47</u>	<u>346K</u>
Total	777	7.2M



2. Important Financial Policies

Important Financial Policies

1. Pension Funding Policy

1. Fire (Fully Funded)
2. \$26.3M Police Reserve (Fully Funded)
 - Will be Transferred to PSPRS Police Plan at a Future Date
3. \$22.7M ASRS Reserve (Fully Funded)
 - Reserve Amount: \$19.4M Operating Budget, \$3.3M in Utility Funds
 - FY 22-23 Savings: \$925K in Operating Budget, \$333K in Utilities



Important Financial Policies

(continued)

2. Operating Budget: 25% Revenue Reserve Policy (\$32.5M at 6/30/23)

- Funded from Annual Revenue Increase
- Example:
 - FY 22-23 Revenue Increase = \$11.3M
 - Savings = \$2.9M (25%)
 - Saving 25¢ out of every new dollar

3. Operating Budget: Asset Repair/Replacement Accounts

- IT: \$425K Annually (Increased from \$325K)
- Buildings: \$350K Annually (Increased from \$250K)
- HPEC: \$150K Annually

4. Employee Compensation

- Class and Compensation Study: \$2.3M



Important Financial Policies (continued)

5. Parks Master Plan Funding

- Phase 1: \$11.3M Annual Increase at Completion
 - \$7.8M Debt Service (\$138M Bond Issue)
 - \$3.5M Operating Expenses

6. New Position Placeholder

- Increased to 25 Positions Annually (from 15) in the Operating Budget



Important Financial Policies (concluded)

7. Program Funding Placeholders

- The Intention is to Set Aside Annual Expense Capacity in the Operating Budget for the Expansion of Specifically Identified Programs

	FY 22-23 Amount
New Road Construction (Remaining from \$6.5M Original Placeholder)	\$0.9M
Road Replacement (Increases \$0.5M Annually)	\$1.0M
Parks Master Plan, Phase 2 Funding (Increases \$0.5M Annually)	<u>\$0.5M</u>
TOTAL	\$2.4M



3. FY 22-23 Policy Decisions

FY 2022-23 Policy Decisions



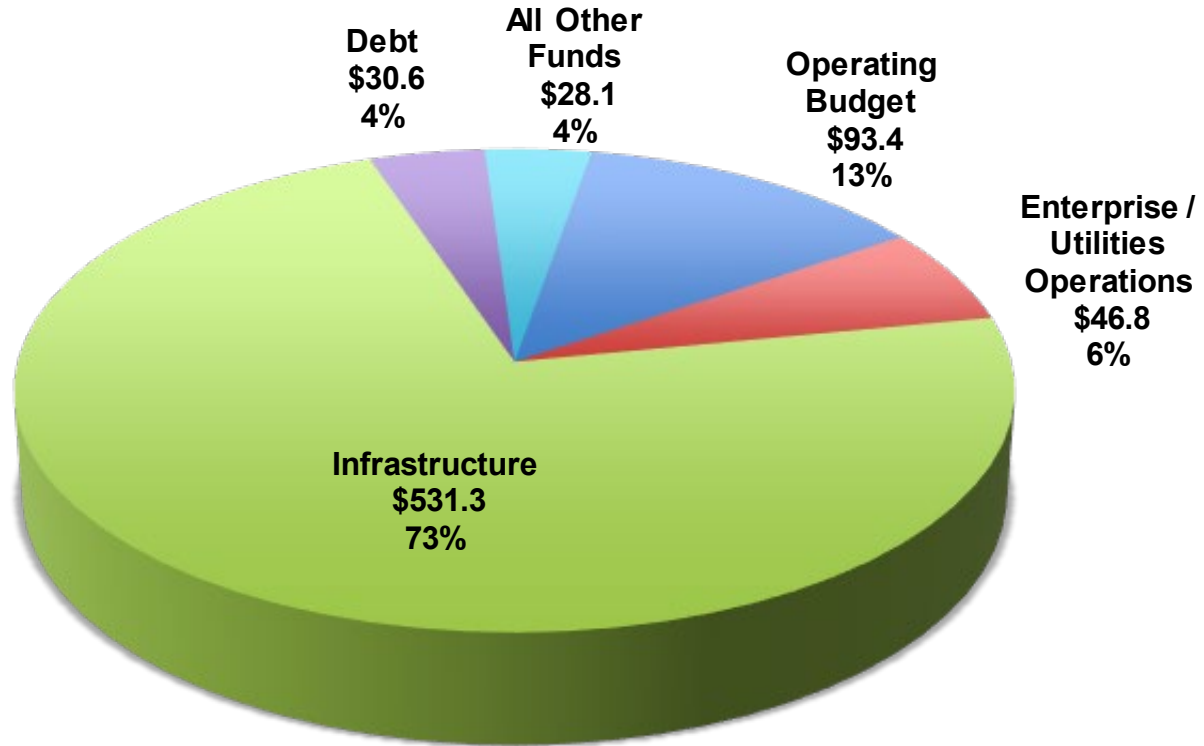
1. Create an Ambulance Transportation Service
 - Annual Revenues (once fully operational): \$2.2M
 - Annual Expenses (once fully operational): \$2.9M
2. Amount to be Received from Primary Property Taxes
 - \$12.5M Annual Revenues by Maintaining the Current \$1.83 Levy Rate



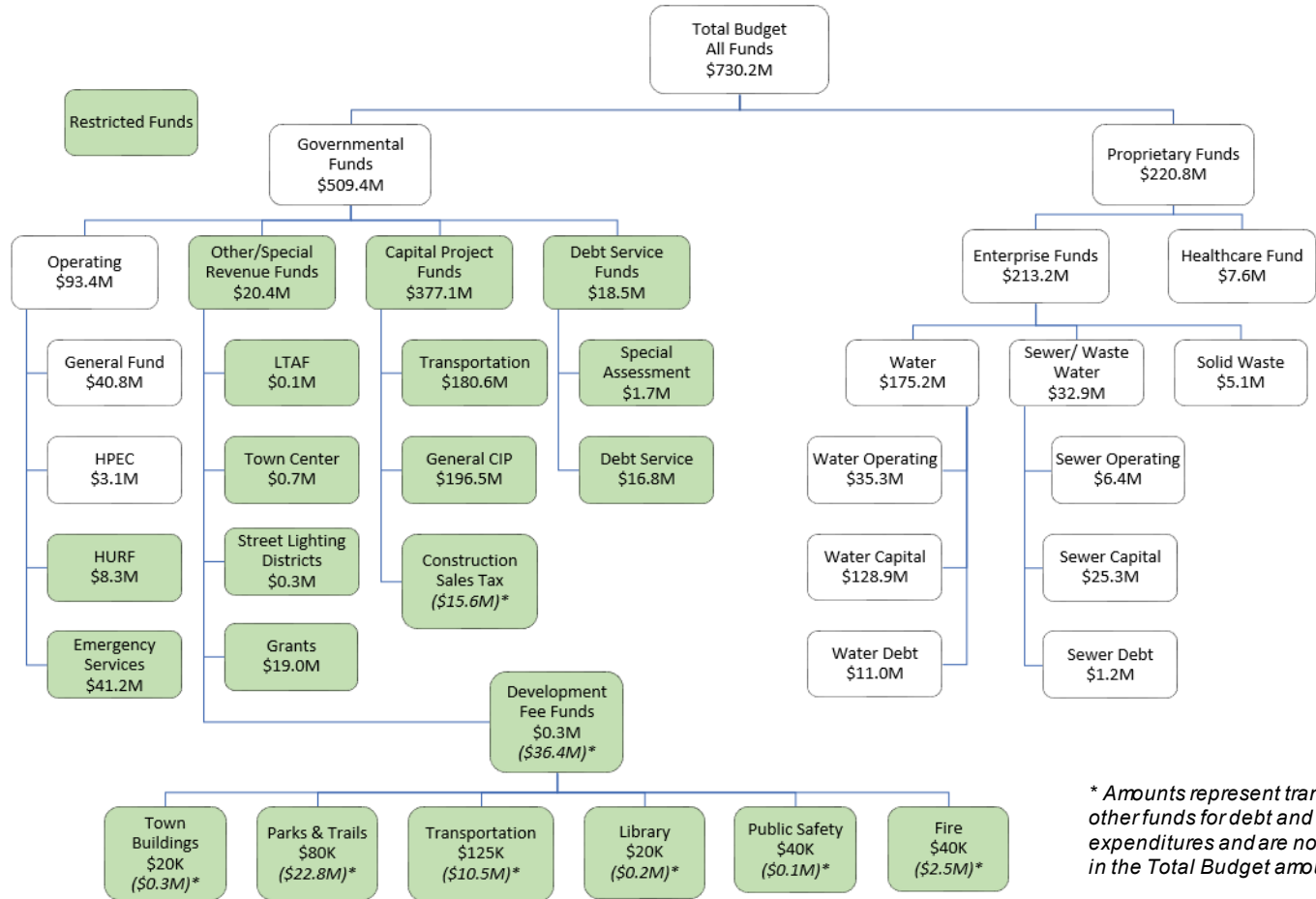
4. Summary Information

FY 22-23 TENTATIVE BUDGET: \$730.2M

(BY PURPOSE)



Tentative Budget: \$730.2M (By Fund)



** Amounts represent transfers to other funds for debt and capital expenditures and are not included in the Total Budget amount*



Tentative Budget Summary



	FY 21/22 Revised Budget	FY 22/23 Tentative Budget	\$ Change	% Change
Total Expenses	\$487.2M	\$730.2M	+\$243.0M	+50%

	FY 21/22 Revised Budget	FY 22/23 Tentative Budget	\$ Change	% Change
Revenues	\$300.4M	\$368.4M	+\$68.0M	+23%
Use of Fund Balances	<u>\$186.8M</u>	<u>\$361.8M</u>		
Total Sources	\$487.2M	\$730.2M		

Expense Summary and Prior Year Comparison

	FY 2021/22 Revised Budget	FY 2022/23 Tentative Budget	\$ Change from Revised
Operating Budget	\$84.6M	\$93.4M	\$8.8M
Enterprise/Utilities	<u>\$34.3M</u>	<u>\$46.8M</u>	<u>\$12.5M</u>
Subtotal Operating	\$118.9M	\$140.2M	\$21.3M
Transportation Infrastructure	\$135.9M	\$180.6M	\$44.7M
Parks & Trails Infrastructure	\$25.9M	\$172.1M	\$146.2M
Water Infrastructure	\$53.4M	\$68.9M	\$15.5M
Wastewater Infrastructure	\$31.2M	\$25.3M	(\$5.9M)
Water Rights	\$53.0M	\$60.0M	\$7.0M
All Other Infrastructure	<u>\$25.0M</u>	<u>\$24.4M</u>	<u>(\$0.6M)</u>
Subtotal - Infrastructure	\$324.4M	\$531.3M	\$206.9M
Debt	\$28.7M	\$30.6M	\$1.9M
All Other Funds	<u>\$15.2M</u>	<u>\$28.1M</u>	<u>\$12.9M</u>
Total Budget	\$487.2M	\$730.2M	\$243.0M

FY 22-23 New Positions: 64

Public Safety: 43 Positions

- Fire Department: 28
 - 26 Ambulance Transport
 - 2 Administration
- Police Department: 15
 - 10 Sworn PD
 - 5 Civilian PD

Other: 21 Positions

- Utilities: 5
- Info. Tech: 3
- Public Works: 3
- Dev. Services: 3
- CMR: 3
- Finance: 2
- HR: 1
- Econ. Dev: 1





5. Operating Budget

FY 22-23 Budget Parameters

- Maintain Existing Service Levels
 - Additional Positions Needed
- Increased Service Levels
 - Police
- New Services or Programs
 - Ambulance Transportation

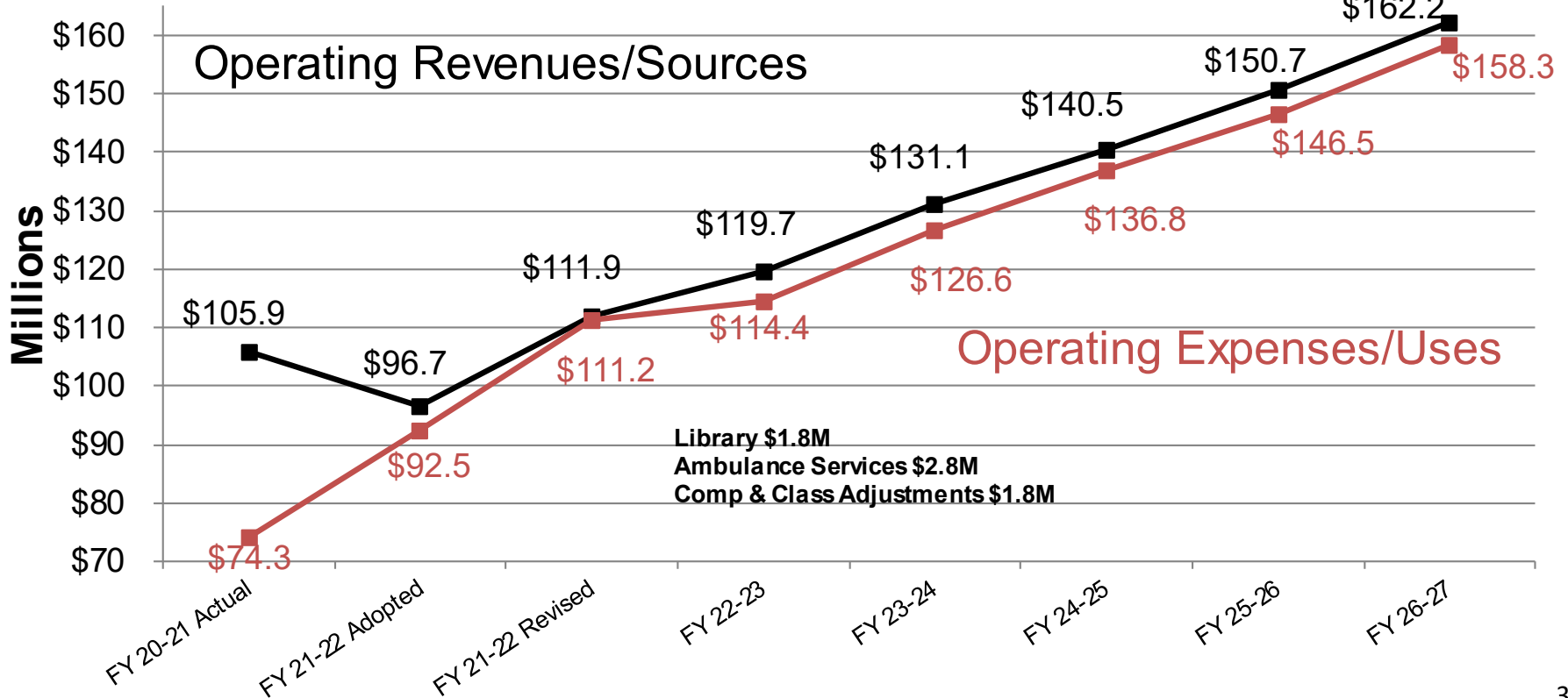


5-Year Planning Thoughts and Goals

1. Fully Operational PD
2. Initiate Ambulance Service Transport
3. Fund New Library Operating Costs
4. Fully Funded Compensation & Class Study
5. Fully Funded Phase 1 of Parks Master Plan
6. Continue Placeholders for New Staff, New Infrastructure, and Infrastructure Replacement
7. Maintain Fully Funded Pensions



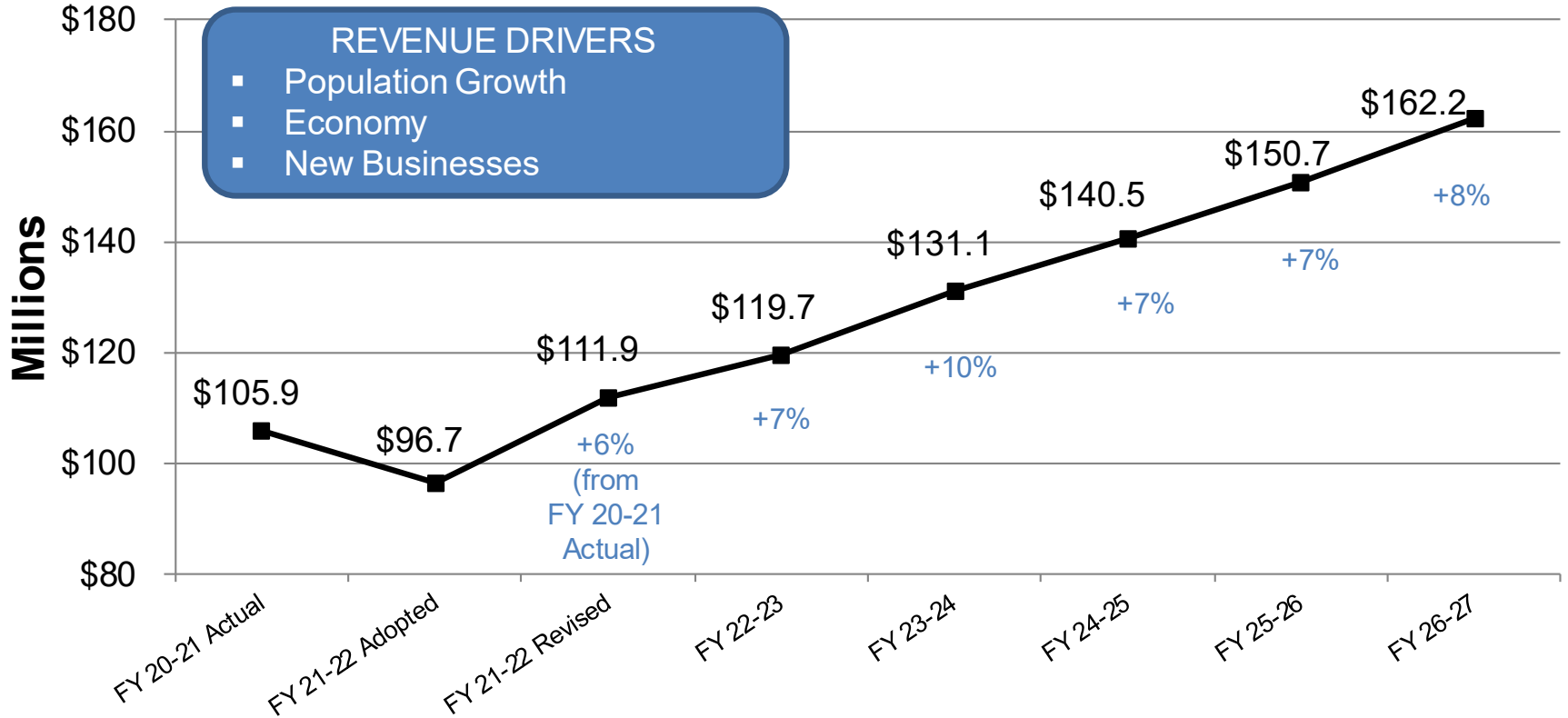
Operating Budget 5-Year Projection





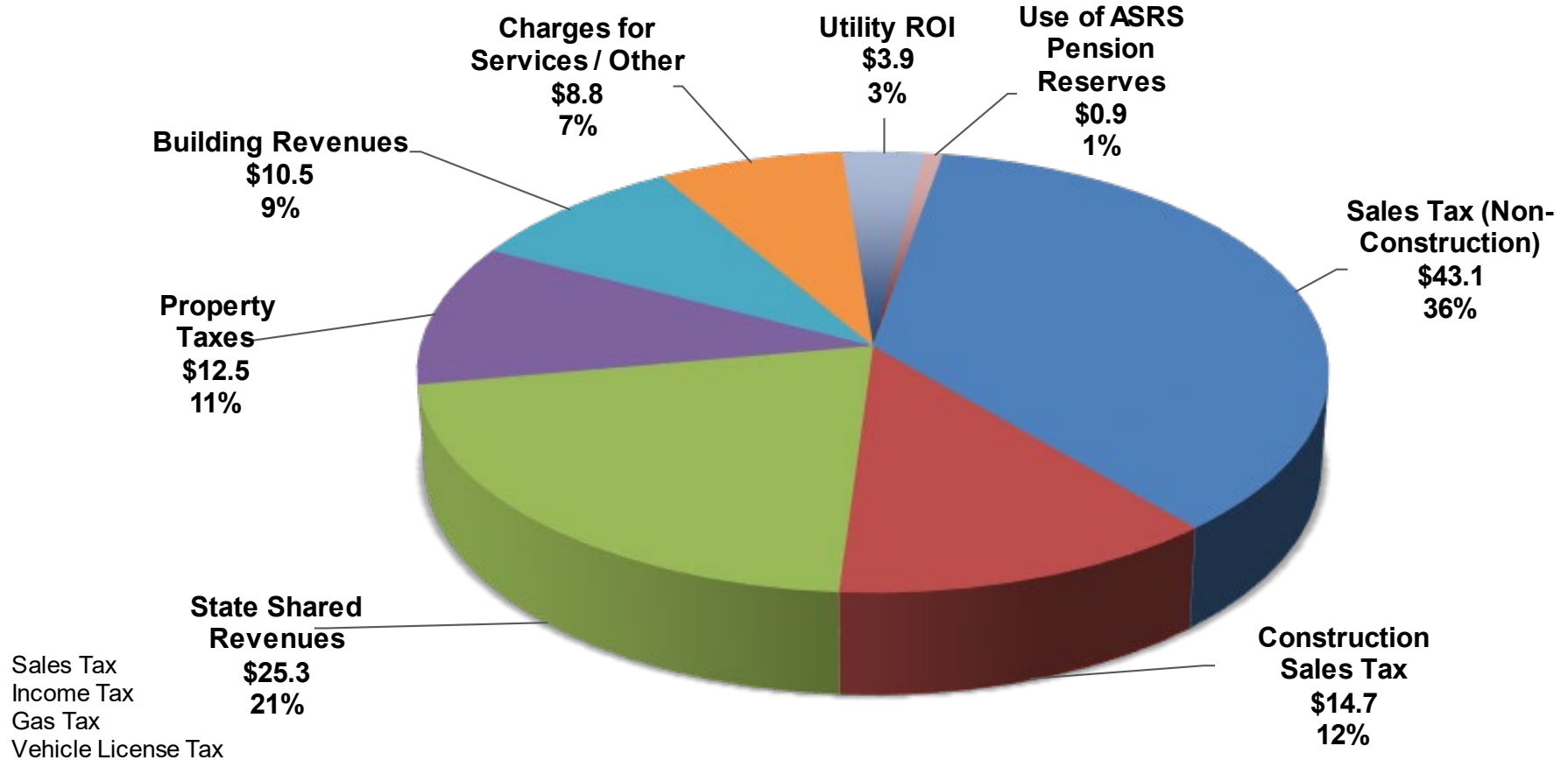
Operating Revenue Projections

Operating Budget Revenues/Sources



FY 22-23 OPERATING REVENUES / SOURCES

\$119.7M



OPERATING REVENUES/SOURCES

Category	FY 21-22 Revised Budget	FY 22-23 Tentative Budget	\$ Change	% Change
Sales Tax (Non-Construction)	\$36.2M	\$43.1M	\$6.9M	+19%
Construction Sales Tax	\$16.6M	\$14.7M	(\$1.9M)	(11%)
State Shared Revenues	\$21.8M	\$25.3M	\$3.5M	+16%
Property Taxes	\$11.0M	\$12.5M	\$1.5M	+13%
Building Revenues	\$10.4M	\$10.5M	\$0.1M	+1%
Charges for Services / Other	\$6.1M	\$8.8M	\$2.7M	+44%
Utility ROI for Public Safety	\$3.4M	\$3.9M	\$0.5M	+15%
Federal Grants	<u>\$4.8M</u>	<u>\$ -</u>	<u>(\$4.8M)</u>	<u>(100%)</u>
<i>Subtotal Revenues</i>	<i>\$110.3M</i>	<i>\$118.8M</i>	<i>\$8.5M</i>	<i>+8%</i>
Use of Pension Reserves - Police	\$0.8M	\$ -	(\$0.8M)	(100%)
Use of Pension Reserves – ASRS	<u>\$0.8M</u>	<u>\$0.9M</u>	<u>\$0.1M</u>	<u>13%</u>
<i>Subtotal Sources</i>	<i>\$1.6M</i>	<i>\$0.9M</i>	<i>(\$0.7M)</i>	<i>(44%)</i>
Total Revenues and Sources	\$111.9M	\$119.7M	\$7.8M	7%



FY 22-23 Assessed Value Increase

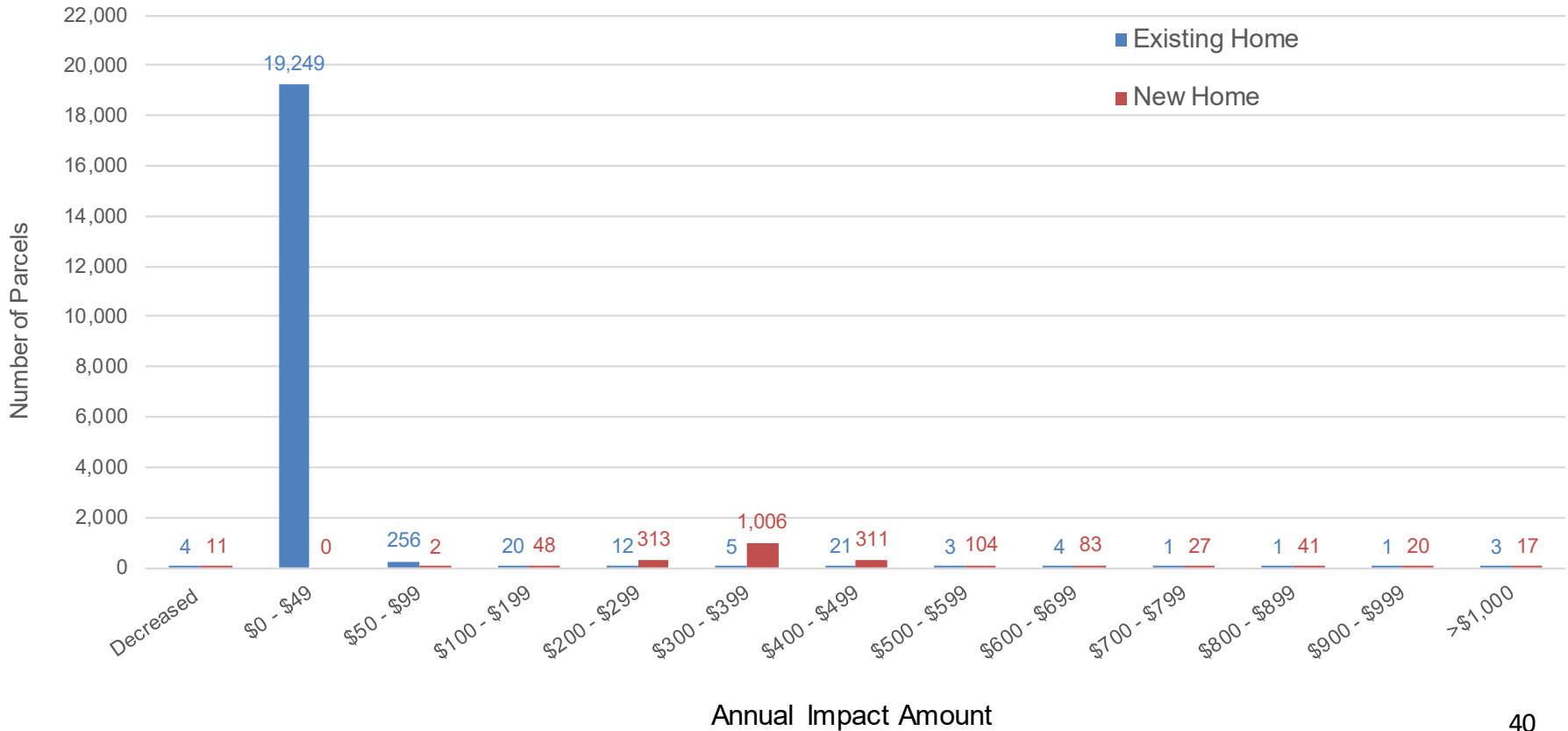


	Assessed Value	% Change
FY 21-22 Total	\$605.0M	
FY 22-23 Increase:		
Existing Property	\$33.1M	+5%
New Construction	<u>\$45.0M</u>	+8%
FY 22-23 Increase	\$78.1M	
FY 22-23 Total	\$683.1M	+13%

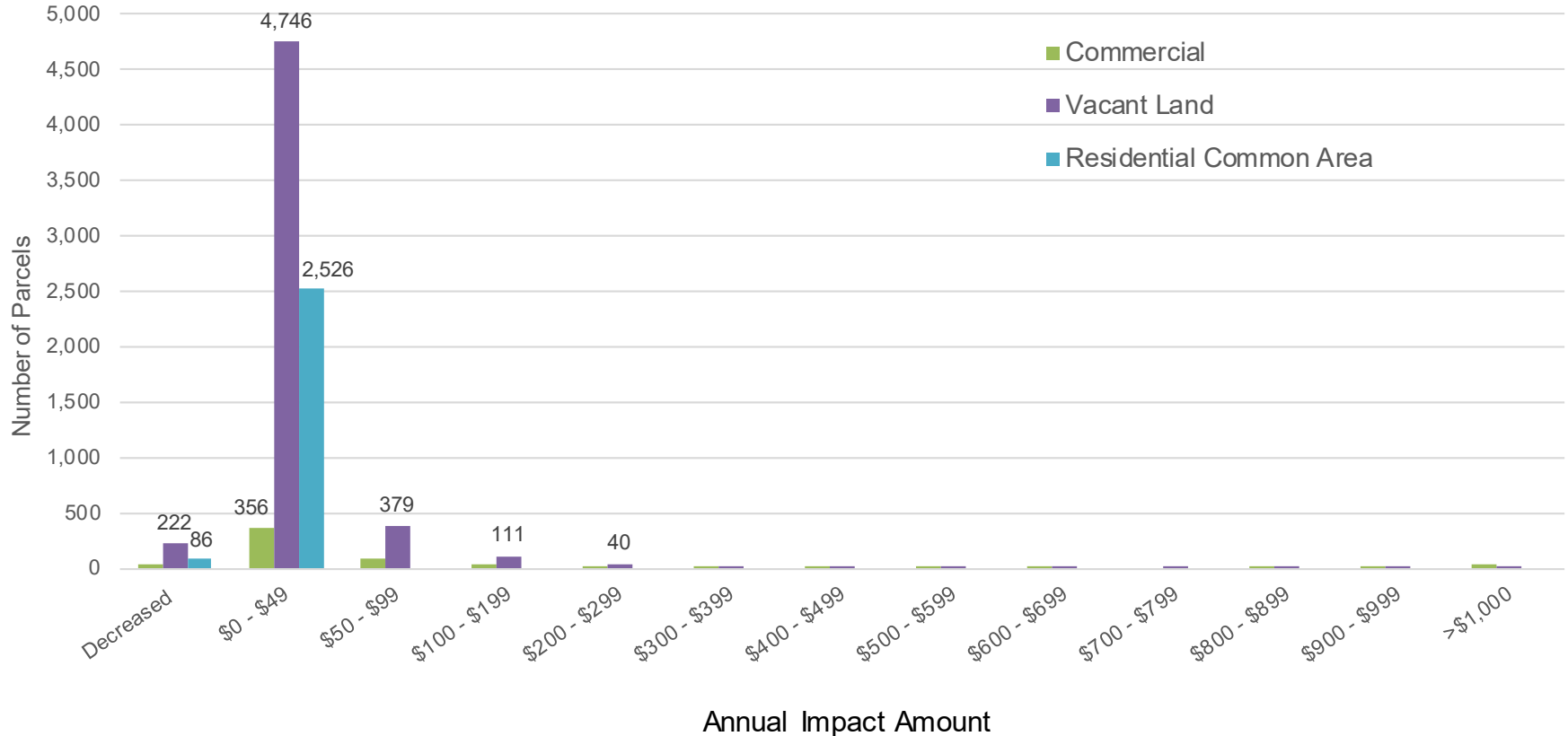
Property Taxes: All Property Types (~30K Parcels)



Residential Property Impact @ \$1.83 Levy Rate



Non-Residential Property Impact @ \$1.83 Levy Rate

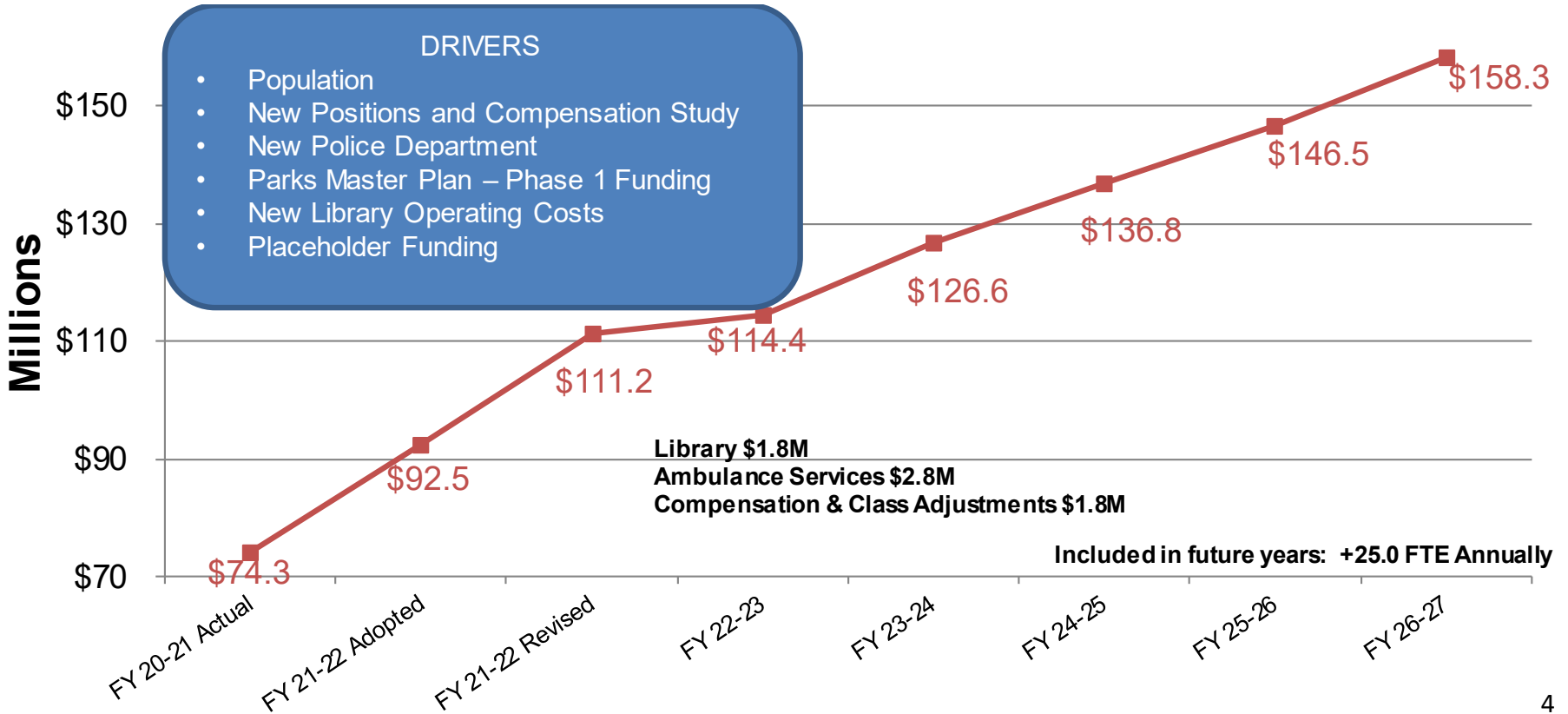




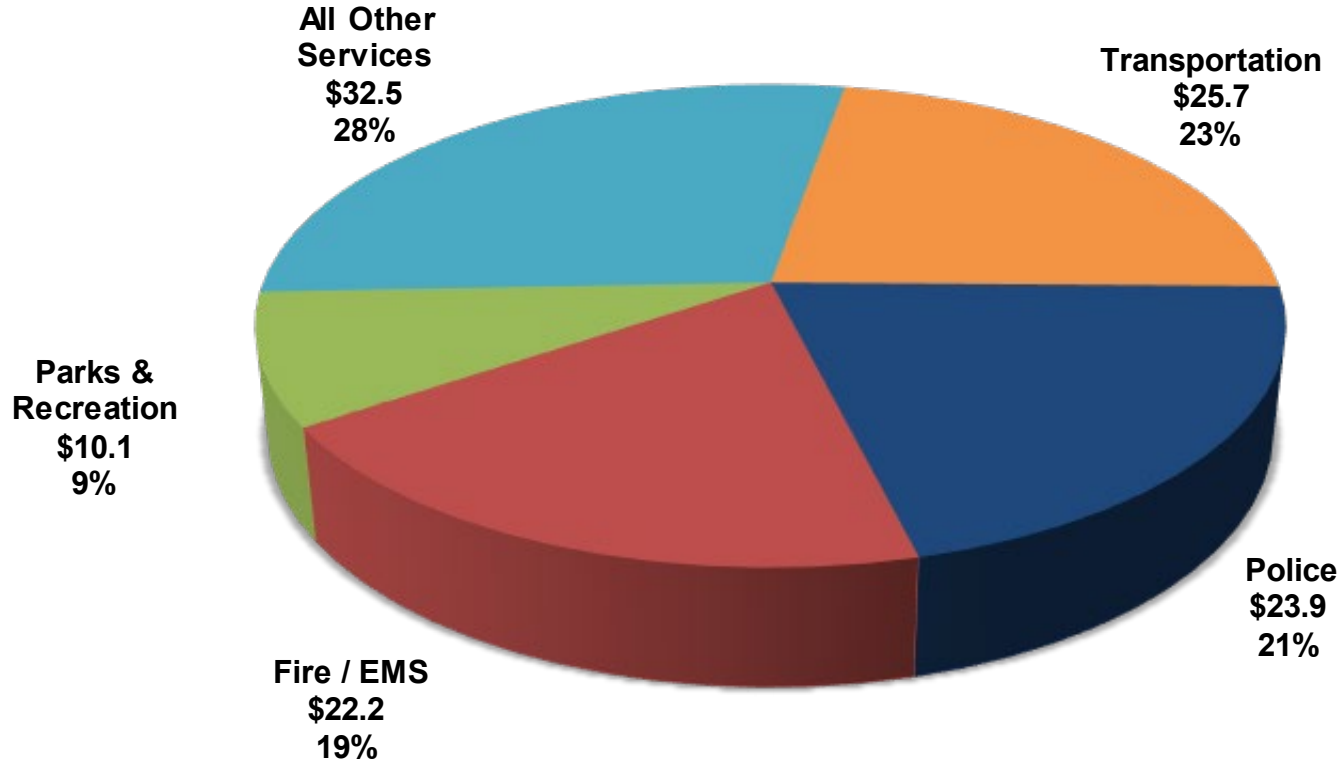
Operating Expense Projections

5-Year Operating Budget Expenses/Uses

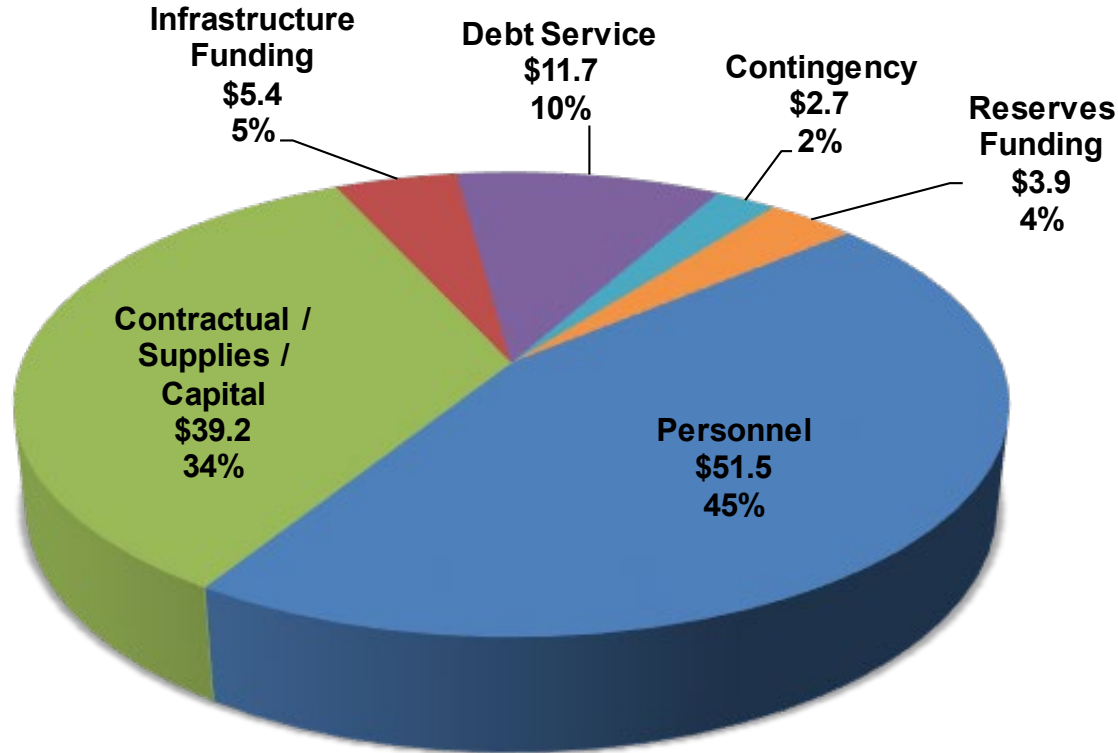
- DRIVERS**
- Population
 - New Positions and Compensation Study
 - New Police Department
 - Parks Master Plan – Phase 1 Funding
 - New Library Operating Costs
 - Placeholder Funding



FY 22-23 OPERATING EXPENSES / USES: \$114.4M (BY PROGRAM)



FY 22-23 OPERATING EXPENSES / USES: \$114.4M (BY CATEGORY)



OPERATING EXPENSES/USES

Category	FY 21-22 Revised Budget	FY 22-23 Tentative Budget	\$ Change	% Change
Personnel	\$40.1M	\$51.5M	\$11.4M	28%
Sheriff Contract	\$3.9M	\$ -	(\$3.9M)	(100%)
Contractual/Supplies/Capital	\$39.8M	\$39.2M	(\$0.6M)	(2%)
Contingency (3% of Operating Expenses)	<u>\$0.8M</u>	<u>\$2.7M</u>	<u>\$1.9M</u>	<u>238%</u>
<i>Subtotal Expenses</i>	\$84.6M	\$93.4M	\$8.8M	10%
Transfers Out:				
Infrastructure Funding	\$10.9M	\$5.4M	(\$5.5M)	(50%)
Debt Service	<u>\$8.0M</u>	<u>\$11.7M</u>	<u>\$3.7M</u>	<u>46%</u>
<i>Subtotal Transfers Out</i>	\$18.9M	\$17.1M	(\$1.8M)	(10%)
Total Uses (Expenses & Transfers Out)	\$103.5M	\$110.5M	\$7.0M	7%
25% Operating Reserve Funding	\$7.2M	\$2.9M	(\$4.3M)	(60%)
Road Replacement Reserve Funding	<u>\$0.5M</u>	<u>\$1.0M</u>	<u>\$0.5M</u>	<u>100%</u>
Total Uses w/ Reserves Funding	<u>\$111.2M</u>	<u>\$114.4M</u>	<u>\$3.2M</u>	<u>3%</u>

Important Expense Changes: \$3.2M



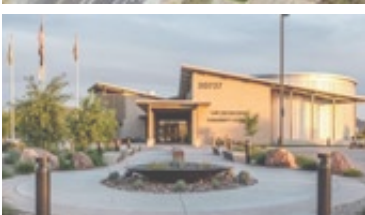
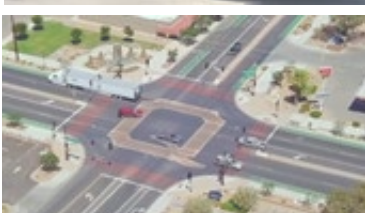
Item	Amount
Personnel Costs: 31 new FTEs (15 PD, 16 Non-PD), HSA Funding, Overtime Increases, and Benefit Changes	\$7.2M
New Debt Service – Parks Master Plan (1 st year interest only)	\$3.7M
Ambulance Services – First Year Operating Costs (includes 26 FTEs)	\$2.8M
Department Support Costs – Updated Allocation for PD, Fire, and Streets	\$2.3M
Compensation and Classification Study	\$1.8M
Library Services Contract Increase	\$1.8M
Fund Contingency	\$1.9M
Contract and Operating Increases, net of base budget adjustments	\$0.9M
Increase to Road Replacement Reserve Funding	<u>\$0.5M</u>
Subtotal	\$22.9M
Lower Capital Equipment Requests (long-lead items ordered in FY22)	(\$6.0M)
Lower CIP PAYGO (Public Works Facilities funded in FY22)	(\$5.5M)
Amount added to 25% Reserve is less than prior year	(\$4.3M)
MCSO Contract Elimination	(\$3.9M)
Total	\$3.2M



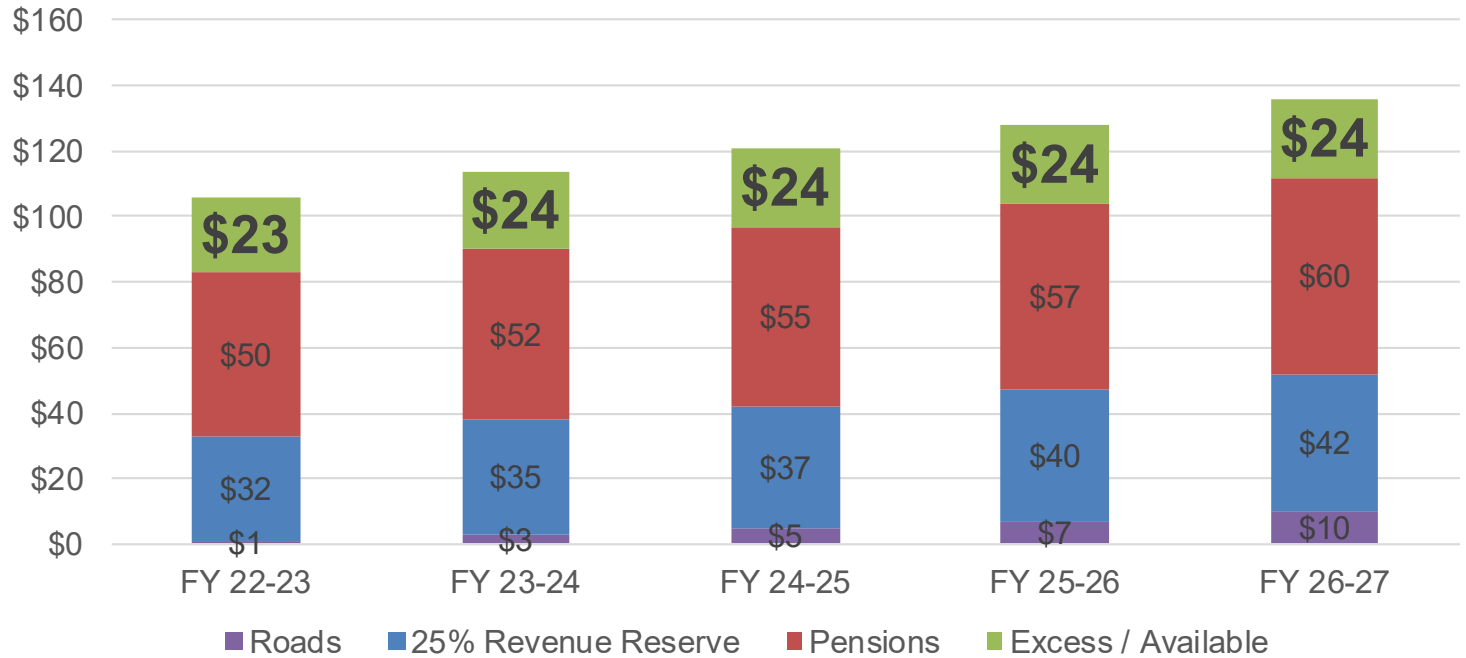
Operating Budget Reserves

Ending Reserves at June 30, 2023

	FY 2022-23	
Revenues / Sources	\$119.7M	
Expenses / Uses	<u>(\$114.4M)</u>	
Net FY 22-23	<u>\$5.3M</u>	
Ending Fund Balance		\$106.7M
Restrictions:		
25% Revenue Reserve Requirement	\$32.5M	
Road Replacement Reserve	\$1.5M	
PD Pension Reserve (Fully Funded)	\$26.3M	
ASRS Pension Reserve (Fully Funded)	<u>\$23.6M</u>	
Total Restrictions		\$83.9M
Available		\$22.8M



Projected Operating Budget Reserves





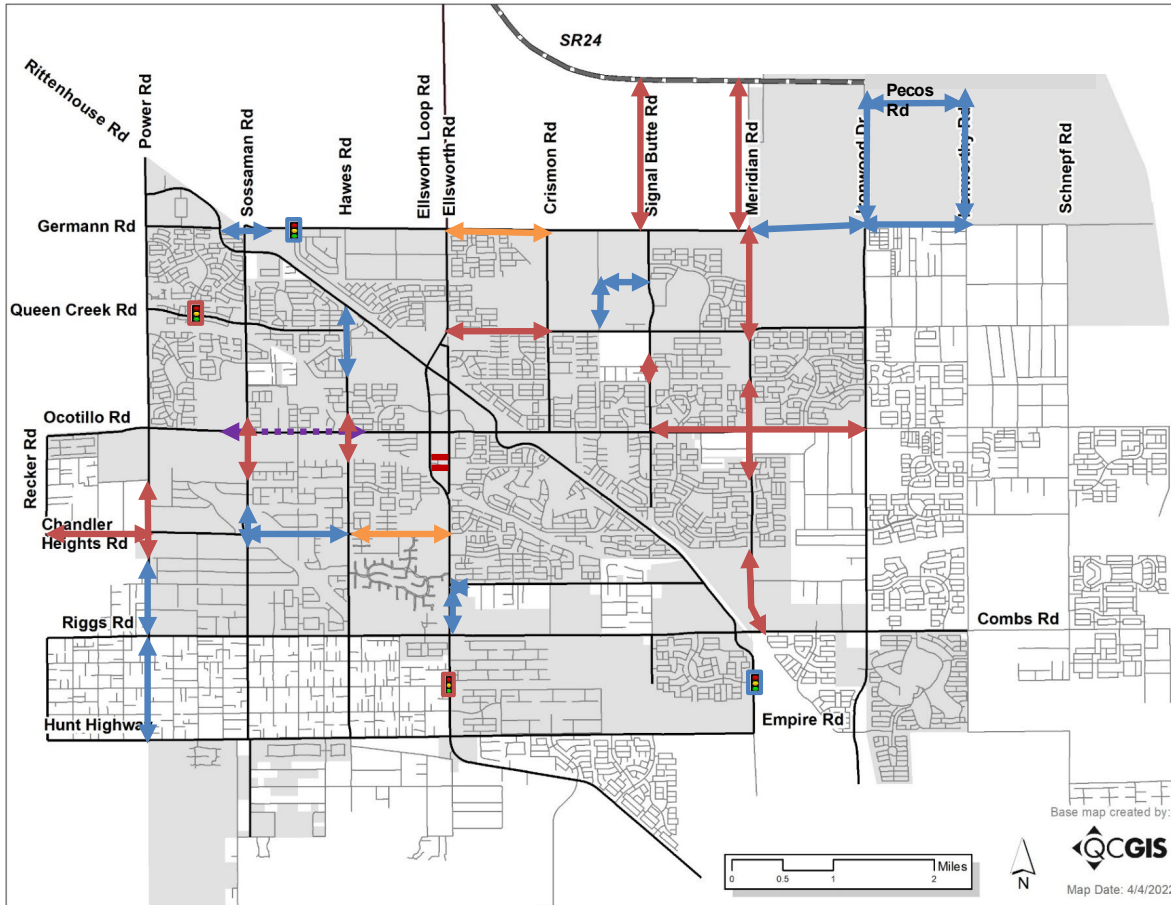
6. Other Major Budgets

Infrastructure Budget Summary



	Projects Under Contract	Previously Approved Projects	New Projects	FY 22-23 Tentative Budget
Transportation	\$46.2M	\$48.8M	\$65.6M	\$160.6M
Parks and Trails	3.7M	11.3M	157.1M	172.1M
Water	11.0M	18.5M	39.4M	68.9M
Wastewater	2.3M	6.7M	16.3M	25.3M
Water Rights	-	-	60.0M	60.0M
Fire	4.7M	5.8M	3.0M	13.5M
Police	-	-	3.5M	3.5M
Municipal Facilities	-	7.4M	-	7.4M
Contingencies	<u>-</u>	<u>-</u>	<u>20.0M</u>	<u>20.0M</u>
Total Infrastructure	\$67.9M	\$98.5M	\$364.9M	\$531.3M

CIP Projects – Transportation



Key

In Design



Bidding Soon



Under Construction



Future



Traffic Signal
in Design



Traffic Signal
Under
Construction

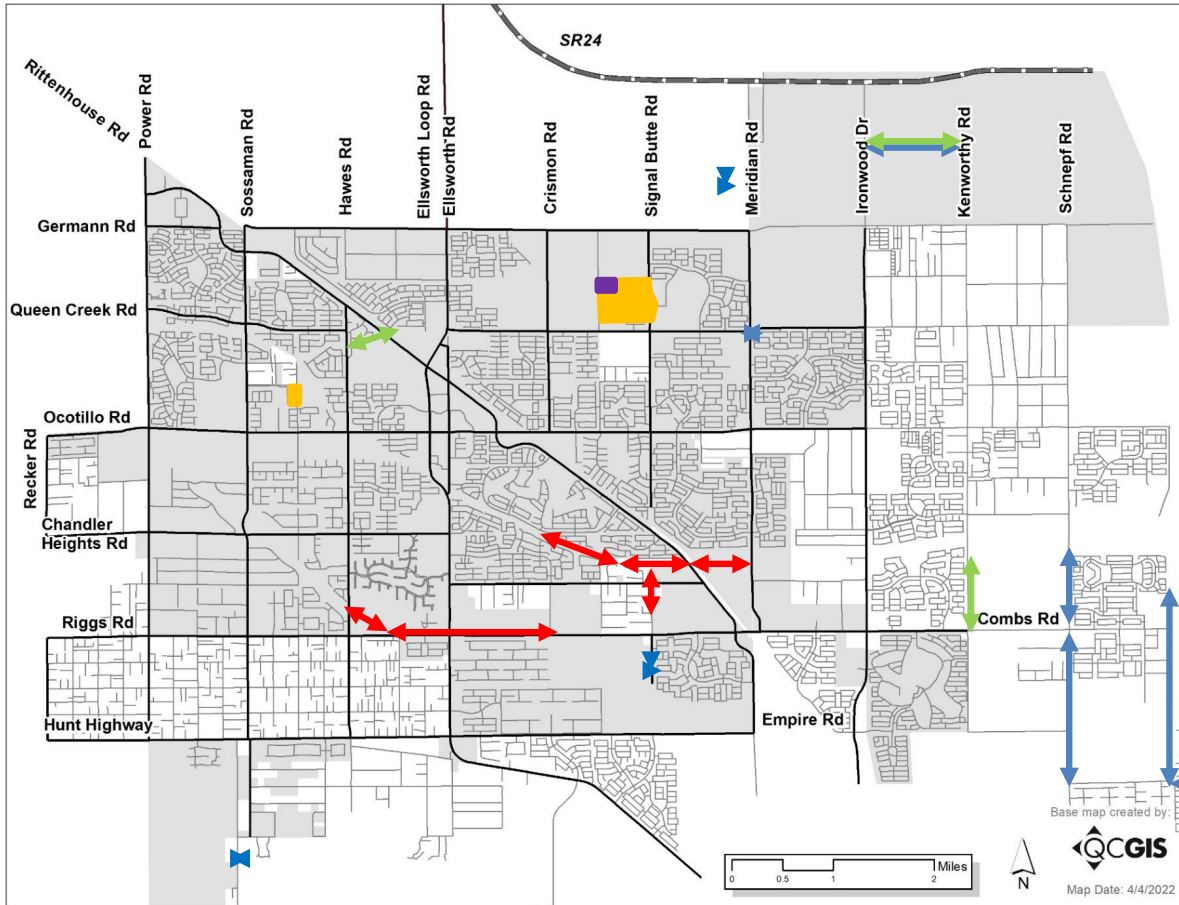
Note: Roadway projects include all utilities within the same footprint.

Base map created by:



Map Date: 4/4/2022

CIP Projects – Other Projects



Note: The utility projects shown are stand alone projects and are not associated with roadway improvements.

Street Infrastructure

- 10-Year Capital Plan: \$430M
- FY 22-23 CIP Budget: \$161M
 - Carry-Forward Projects: \$95M
 - New Projects: \$66M



Parks and Trails Infrastructure: \$172.1M

- Parks: \$167.3M
- Major Projects
 1. Frontier Family Park Design/Development: \$62M
 2. Recreation Center Design/Development: \$40M
 3. Aquatic Center Design/Development: \$25M
 4. Mansel Carter Park Phase 2: \$9M
 5. Land Acquisition: \$23M
- Trails: \$4.8M
 - Sonoqui Wash design and construction: \$2.4M
 - QC Wash design and construction: \$2.4M



Water Operating Fund (Self-Funded)

- \$60M Placeholder for Water Rights Purchases
- \$1.0M for 5 new FTEs plus Compensation & Classification Study
- Operational Increases Due to System Growth
- No Rate Increase but Rate Study Underway



Wastewater Operating Fund (Self-Funded)

- Operational Increases Offset by Reduction in Equipment Funding
- No Rate Increase but Study Underway



Solid Waste/Recycling Fund (Self-Funded)

- Service Provider Costs increasing 23% due to Account Growth (\$710K)
 - Revenue from New Accounts Will Cover Increased Costs
- No Rate Increase but Study Underway



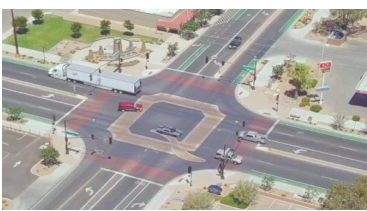
Town Center Fund

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



Streetlight Improvement Districts

- Property Tax Assessments: \$93K
 - FY 21-22 Assessment = \$18K (\$75K increase)
- Number of SLIDs: 131 (76 with a Levy)
- Number of Parcels: 18,223 (11,614 with a Levy)



Healthcare Fund

- The Town is Self-Funded for Healthcare Costs
- Revenues: \$7.6M
 - 2.2% Increase to Employer Premiums
 - No Change to Employee Premiums
- Claims/Costs: \$7.6M
- Future Policy Objective: Establish a Formal Reserve Policy



Contingency Budgets

Purpose	Description	Amount
1. Projects Under Contract	Carryforward of approved contracts into FY 22-23	\$67.9M
2. Remaining Uncommitted Project Budgets	Expenditure authority for projects previously approved but not yet under contract	\$98.5M
3. Unanticipated CIP Expenses	Expenditure authority for new CIP projects or unanticipated CIP costs	<u>\$20.0M</u>
	Total CIP Contingency	\$186.4
4. Grants Contingency	Expenditure authority for potential receipt of grants for PD, Fire, Traffic, Streets, and Trails	\$10.0M
5. Carry-Forward for Long-Lead Capital Items	Expenditure authority for vehicles and equipment ordered in FY 21-22 but will not be received until FY 22-23	\$7.0M
6. Operating Contingencies	Expenditure authority for unanticipated operating costs in the Operating Budget and Utility Funds (set at 3% of budgeted expenses)	\$3.7M
7. Development Agreements	Expenditure authority for commitments under existing development agreements	<u>\$2.0M</u>
	Total FY 22-23 Contingencies	<u>\$209.1M</u>





Debt Budgets

Annual Bond Debt Payment (1)

Funding Source	FY 22-23 Payment	% of Total Payment
Operating Budget	\$11.7M	70%
Dedicated Transportation Sales Tax	\$1.5M	9%
Fire Impact Fees	\$1.1M	7%
Transportation Impact Fees	\$0.9M	5%
Parks Impact Fees	\$0.5M	3%
Town Center Sales Tax	\$0.3M	2%
Town Building Impact Fees	\$0.3M	2%
Law Enforcement Impact Fees	\$0.2M	1%
Library Impact Fees	<u>\$0.2M</u>	<u>1%</u>
TOTAL	\$16.7M	100%

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

Outstanding Bonded Debt (1)

Purpose	Outstanding Amount 6/30/22	% of Total (3)
Parks (2)	\$141.4M	45%
Transportation	\$124.2M	40%
Fire	\$29.0M	9%
Library	\$4.5M	2%
Town Buildings	\$4.0M	1%
HPEC	\$4.0M	1%
Recreation Annex	\$3.9M	1%
Law Enforcement	<u>\$1.7M</u>	<u>1%</u>
TOTAL	\$312.7M	100%

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

(2) Includes \$138M new debt expected to be issued in May 2022.

(3) 50% of outstanding debt is for Transportation, Fire, and Law Enforcement.

Annual Debt Service - Utilities

Purpose	Operating Revenues / Rates	Capacity Fees	Total FY 22-23 Payment
Water – Company Acquisitions	\$4.4M	\$ -	\$4.4M
Water – Infrastructure	\$1.5M	\$2.0M	\$3.5M
Water – Water Resources	\$3.1M	\$ -	\$3.1M
Wastewater – Infrastructure	\$0.3M	\$0.5M	\$0.8M
Wastewater – Treatment Plant	<u>\$0.4M</u>	<u>\$ -</u>	<u>\$0.4M</u>
TOTAL	\$9.7M	\$2.5M	\$12.2M
% of Total	80%	20%	

Outstanding Bonded Debt - Utilities

Purpose	Total Outstanding Amount 6/30/22	% of Total
Water – Infrastructure	\$106.0M	38%
Water – Water Resources	\$73.2M	26%
Water – Company Acquisitions	\$64.0M	23%
Wastewater – Infrastructure	\$35.0M	12%
Wastewater – Treatment Plant	<u>\$2.3M</u>	<u>1%</u>
TOTAL	\$280.5M	100%



7. Calendar

Remaining Budget Dates



Date	Item
May 4	Tentative Budget Approval
May 18	Final Budget Adoption
June 1	Property Tax Levy Adoption

RECOMMENDED MOTION

Move to Approve the FY 2022-23 Tentative Budget of \$730.2M and Set May 18, 2022 as the date of the Public Hearing for the FY 2022-23 Final Budget and the Truth-in-Taxation Hearing as required under Arizona Revised Statutes

- Sets the Maximum Budget for FY 22-23





Discussion and Questions