



TO: HONORABLE MAYOR AND TOWN COUNCIL

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

RE: Consideration and possible action on the Town's FY 2022-23 Tentative Budget of \$730.2M and Request to set the Public Hearing for May 18, 2022 for both the Final Budget and the Truth-In-Taxation per requirements under Arizona State Statutes

DATE: May 4, 2022

Council Budget Committee Recommendation:

On April 11, 2022 the Town Council Budget Committee considered the Town Manager's FY 2022-23 Recommended Budget, hearing from the Town Manager, Finance Director, and other Department Directors. The Budget Committee recommended approval of the Town Manager's Budget of \$730.2 million, which included an amendment of \$23 million to accommodate a potential land acquisition in summer 2022. The FY2022-23 Tentative Budget is now presented for full Council consideration.

Proposed Motion:

Motion to approve the Town's FY 2022-23 Tentative Budget of \$730.2 million and to set the public hearing for both the FY 2022-23 Final Budget and the Truth-in-Taxation hearing requirement for primary property taxes under Arizona State statutes. Such hearings will occur on May 18, 2022 at 6:30 p.m. in the Town Council Chambers.

Relevant Council Goals:



Effective Government



Superior Infrastructure - Capital Improvement Program



Safe Community – Public Safety

Discussion:

The budget is one of the most significant policy documents considered by the Town Council. The FY 2022-23 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 two years of unprecedented upheaval caused by the COVID-19 pandemic and its aftermath of growing inflation, tight labor markets, and supply-chain issues. 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 \$730.2 million. Consistent with the needs of our growing community and the Council's priorities, the budget includes full funding for the first phase of the Parks Master Plan. The budget also includes funding to continue building the new Queen Creek Police Department as well as resources to start an Emergency Transportation Service program should the Council determine to do so. Finally, the budget includes funding to continue our investments in new streets, water and wastewater infrastructure; continued funding for possible acquisition of water rights to meet our long-term water plans; and funding for construction of roads and utilities to accommodate potential development on the State Lands parcels.

The Capital Improvements (CIP) budget totals \$531.3 million and comprises 73% of the total budget. In addition to the Parks Master Plan, the CIP budget includes funding to continue our investments in new streets, public safety, water and wastewater infrastructure, and continued funding for possible acquisition of water rights to meet our long-term water plans.

Notably, Standard & Poor's (S&P) and Fitch both recently upgraded the Town's bond ratings one step, from "AA" to "AA+" with a stable outlook. This upgrade places the Town's bond rating just one notch below the highest rating possible of "AAA." Both rating agencies cited several positive factors in their reports, including the following:

- Stable and diverse revenue base
- Expected strong revenue growth and resiliency through economic cycles
- Strong Arizona economy and connectivity to Phoenix-Metro Area
- Elimination of unfunded pension liabilities and manageable pension costs
- Increasing reserves
- Very strong financial management policies and practices

This higher bond rating means lower interest rates on the Town's future debt issues, which will save the Town's taxpayers hundreds of thousands of dollars in interest costs over time. The Town will use the comments in the ratings reports as a roadmap to our ultimate goal of achieving a "AAA" rating.

GUIDING PRINCIPLES AND KEY ISSUES

The following guiding principles and key issues shaped the FY 2022-23 budget:

- Prioritization of Resources. The budget uses the Corporate Strategic Plan to prioritize its allocation of resources. Guidance to the organization is found within our strategic priorities adopted by the Town Council as follows:
 - Effective Government;
 - Safe Community;
 - Secure Future;
 - Superior Infrastructure; and
 - Quality Lifestyle.
- The Economy. The national and state economies are poised to expand, bringing higher consumer confidence and strong demand for goods and services. Growth expectations have recently been tempered by the geopolitical turmoil in Eastern Europe and persistent inflation pressures; however, economists are optimistic that the U.S. economy will continue to grow in the near term.
- 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 Infrastructure. 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 2022-23 Tentative Budget:

- Parks and Recreation. The budget includes \$136 million for completion of Mansel Carter Oasis Park, construction of a new 85-acre park in the northeast section of the Town, and the design and construction of a Recreation Center and Aquatic Center. The budget also includes \$23 million for potential land acquisition for future parks development.
- Police Services. The budget includes 15 new positions for the Queen Creek Police Department, as well as funding for the necessary software, hardware, and equipment for these new staff.
- Emergency Transportation Services (ETS). As directed by the Council at the Strategic Planning Session in February 2022, and again at the April 6th Town Council meeting, the budget includes funding for 26 new positions to begin an ambulance service program in the Fire and Medical Department. Staff will respond to additional questions from Town Council Members regarding the ETS program as the budget process moves forward. The budget also includes two additional staff to assist with administration of the Fire Department.

- 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. The budget includes \$60 million for the potential acquisition of additional water rights.
- Additional Staffing. In addition to the positions mentioned above, the budget includes funding for 21 other new positions:
 - Five Utilities and three Public Works staff to operate, maintain, and service the Town's facilities, streets, 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.
 - Three Development Services and one Economic Development staff to ensure the development community's needs are being met without delays or obstacles to their desired plans for new homes and businesses in Queen Creek.
 - Three staff in Community Services to assist with design and development of the new parks and recreation facilities, as well as to prepare the department for the new operational activities and structure that will come with the opening of those facilities.
 - Three Information Technology and one Human Resources staff to maintain critical technology infrastructure, deploy new hardware and software, and service the day-to-day needs of the Town's employees.
 - Two staff in Finance to support other departments' procurement and accounting activities.
- Employee Compensation. Resources have been allocated to fund recommendations of the Town's recent Compensation and Classification Study, including a 2.5% market increase for all staff and additional increases as identified in the Study.
- 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 2.2% 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 2022-23 Final Budget is scheduled for the Town Council meeting on May 18, 2022. 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 18, 2022 is predicated on the Town Council approving the Tentative Budget on May 4, 2022. The legal posting requirements to adopt the Final Budget on this timeline must begin by May 5th with submittal of the required newspaper budget advertisement.

PRIMARY PROPERTY TAXES (TRUTH IN TAXATION REQUIREMENTS)

For FY 2022-23, primary property taxes are estimated to be \$12.5 million. The primary property tax is dedicated to fund Public Safety, and funds about 27% of the Public Safety Budget of \$46.1M. The public safety budget includes the Fire and Medical Department and the Police Department.

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 18th Town Council meeting. Required notices are scheduled for publication to meet this deadline.

Fiscal Impact:

The Tentative Budget for FY 2022-23 totals \$730.2 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 18, which would delay adoption of the Final Budget until June 1, 2022 and move the Truth-in-Taxation hearing for property taxes to June 15, 2022. However, the Town Council is currently not scheduled to meet on June 15th. The Town would also be required to re-publish the Truth-in-Taxation notices in the newspaper.

Attachments:

1. FY 2022-23 Tentative Budget Adoption Presentation
2. Required State Budget Forms (Schedules A-G)
3. FY 2022-23 Budget Committee Follow-Up Memo

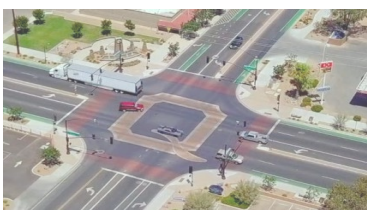


FY 2022-23 Tentative Budget Adoption

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

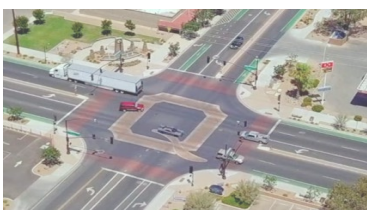
- Approved Unanimous Motion to Recommend Approval of the FY 22-23 \$730.2M Tentative Budget to the Town Council
 - This Represents an Increase of \$23M for Park Land Acquisition from the Town Manager's Recommended Budget



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

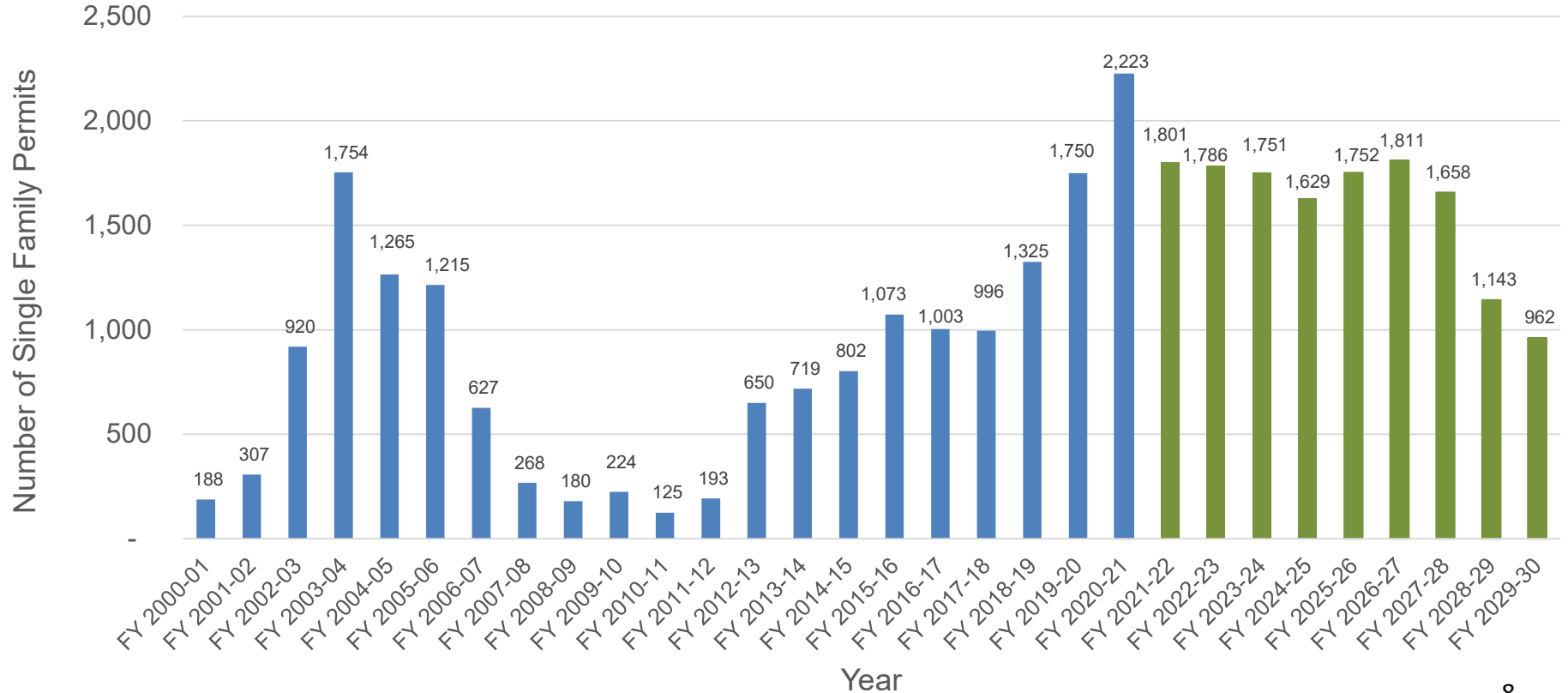
3. Identifies One-Time Revenues

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

4. Identifies Ongoing Revenues

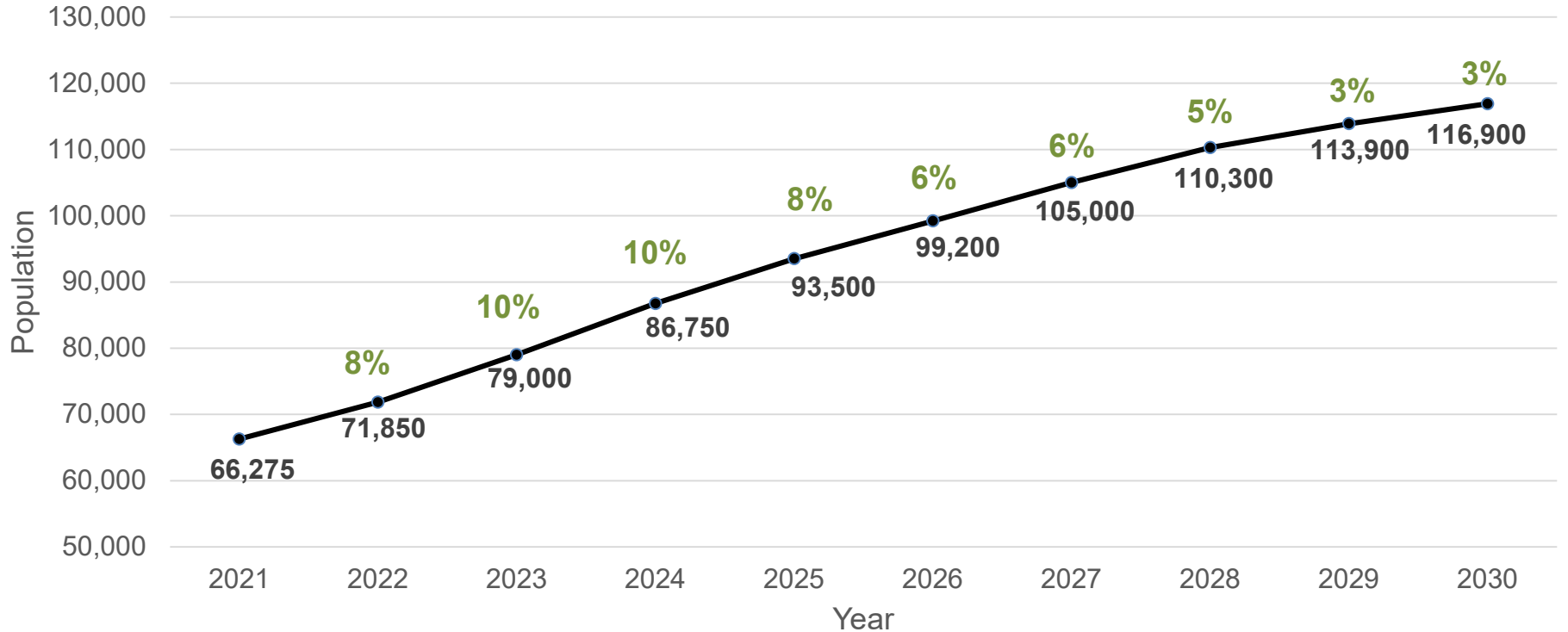
- Sales Tax Revenues, State Shared Revenues

Single-Family Permit Projections



10-Year Population Projections

Buildout Population: ~150K

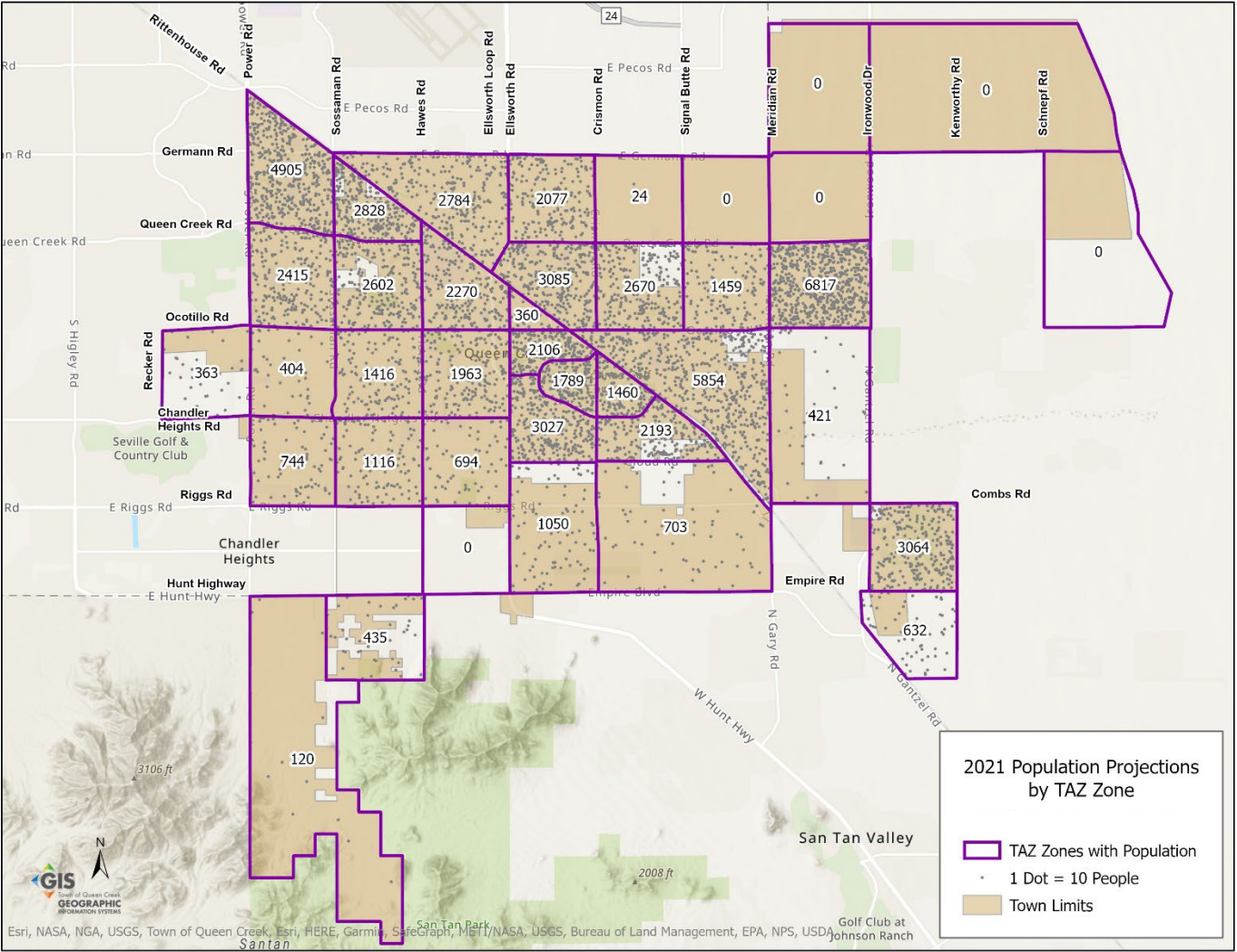




Population Projection Dot Maps (In Town)

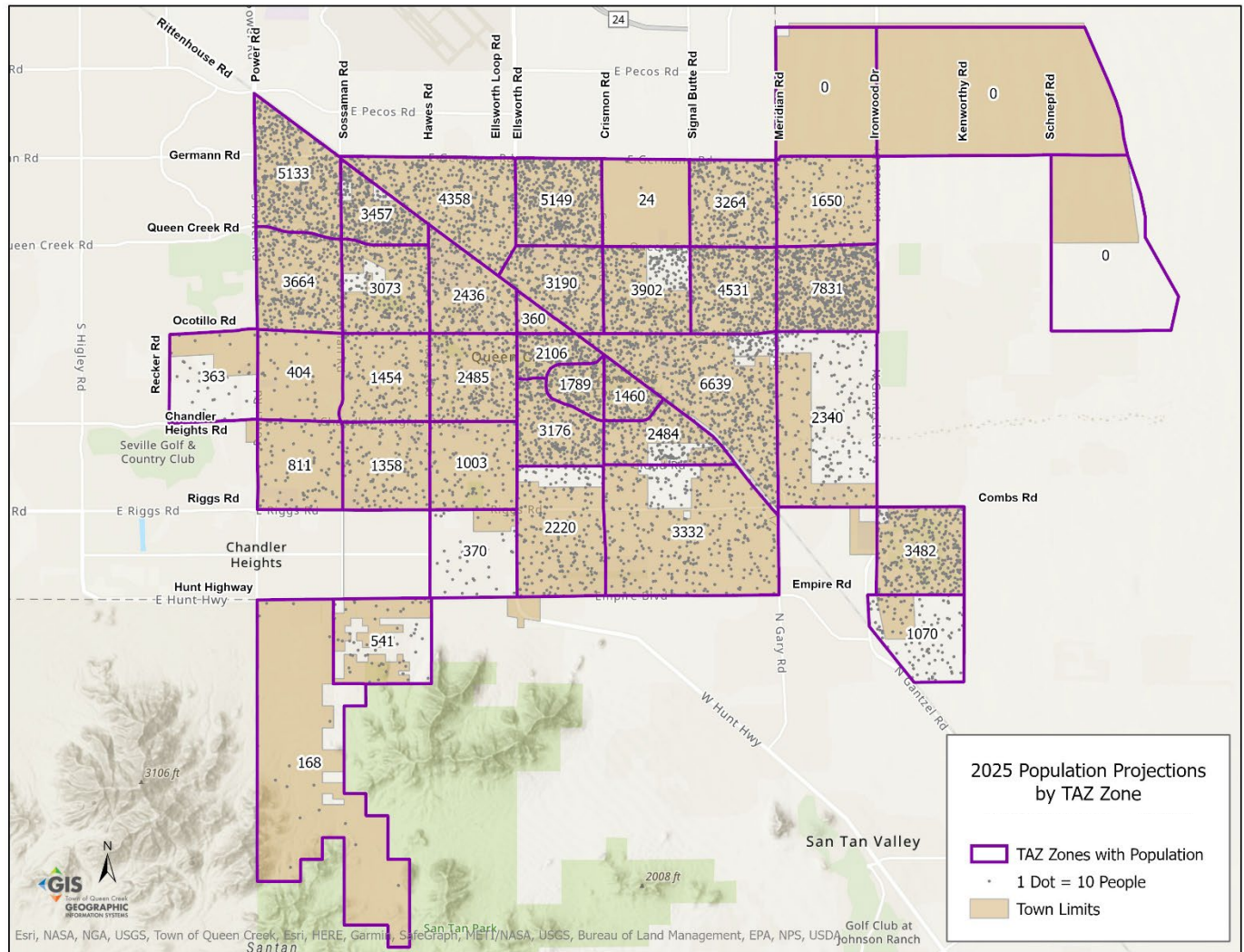
2021

Population 66,275



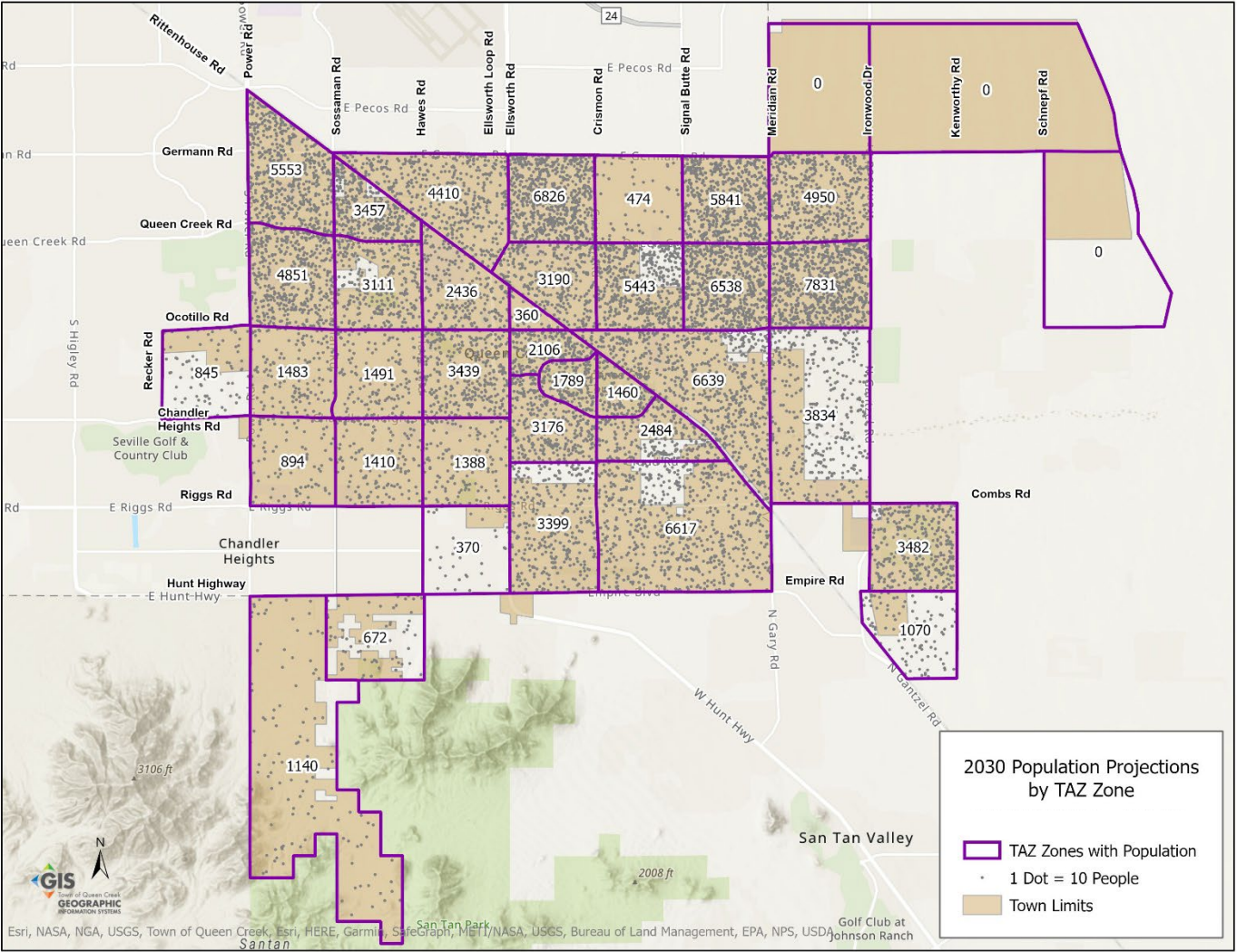
2025

Population 93,500



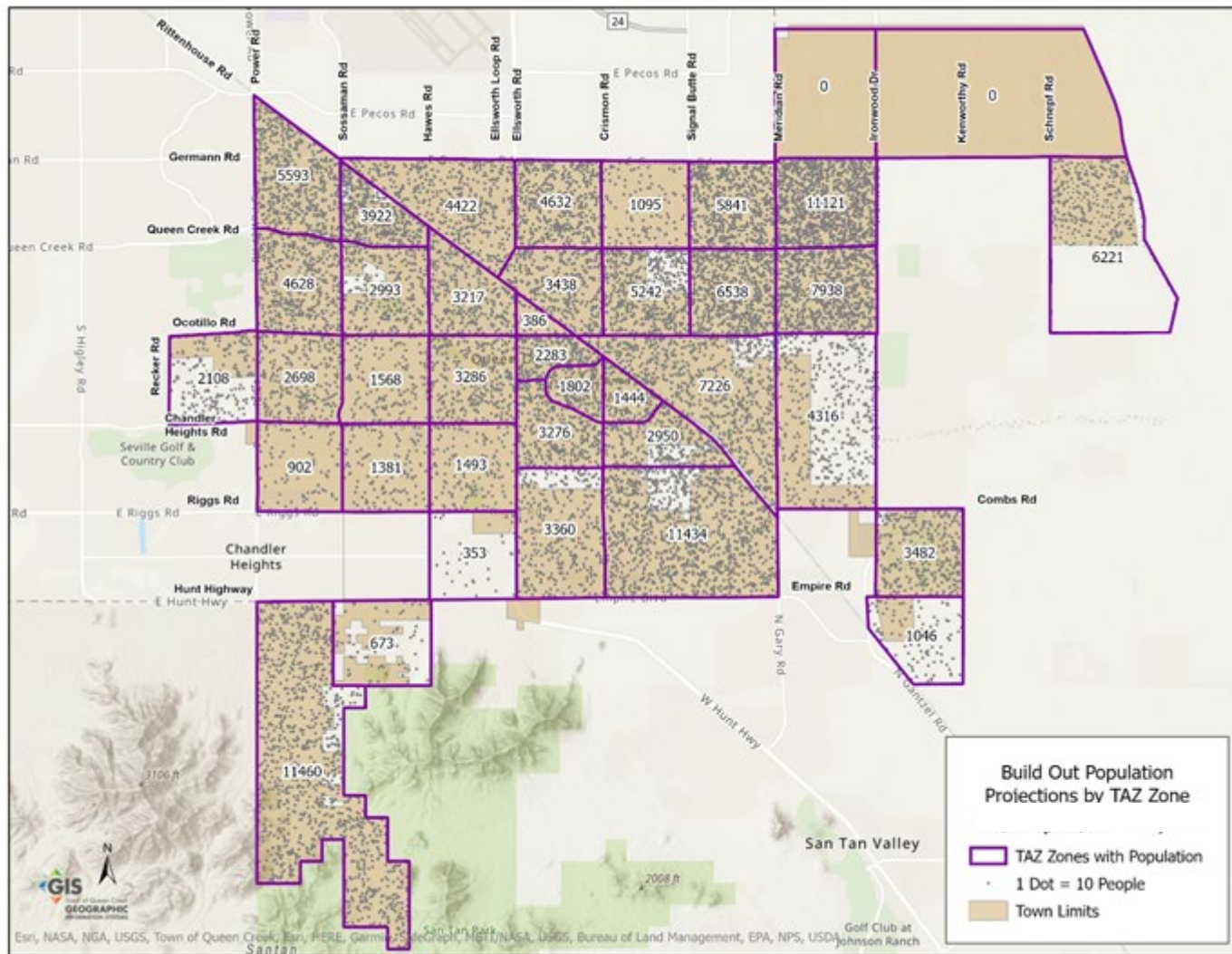
2030

Population 116,900

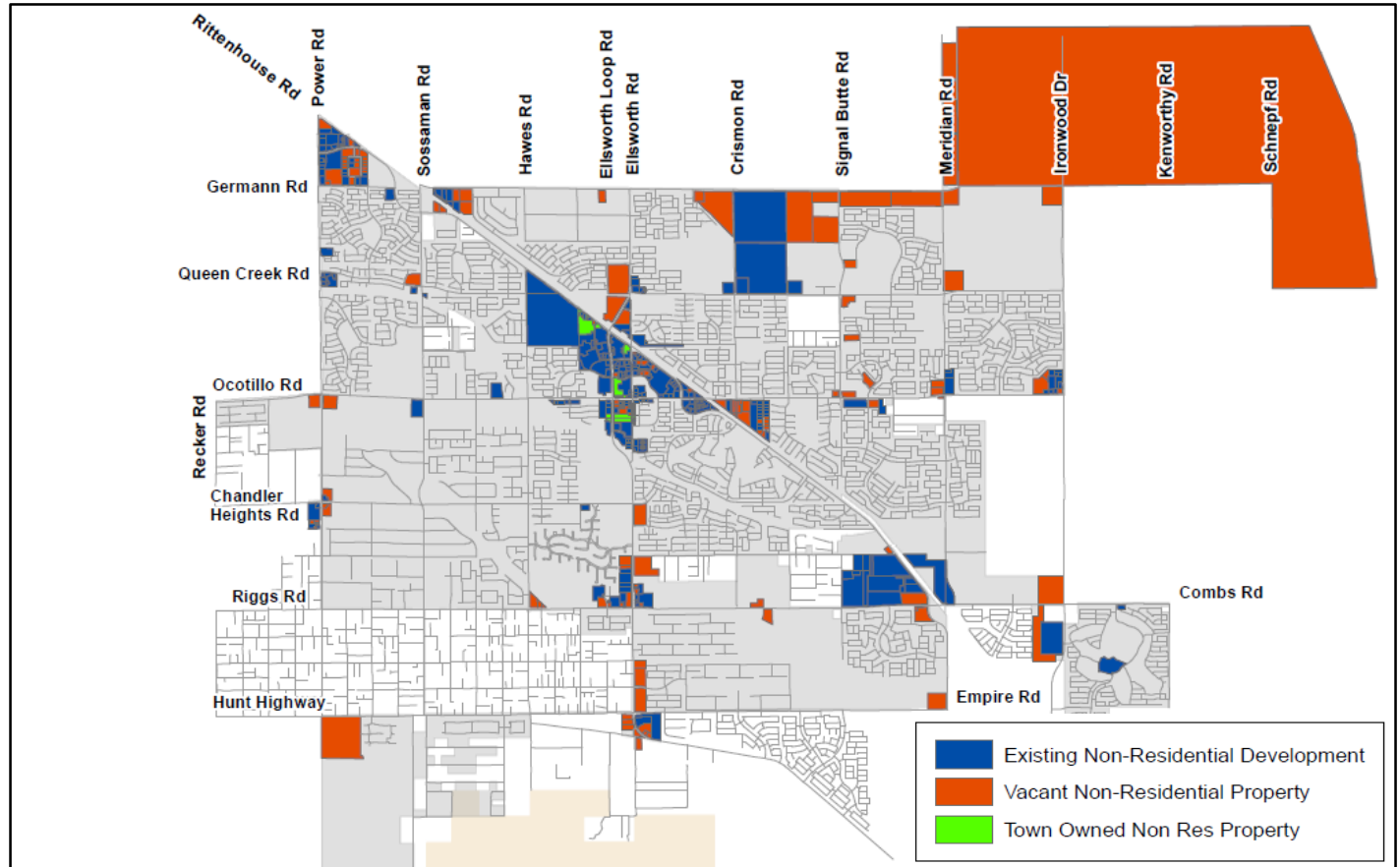


Buildout

Population
~150K



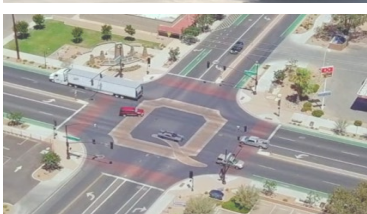
Non-Residential Development



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



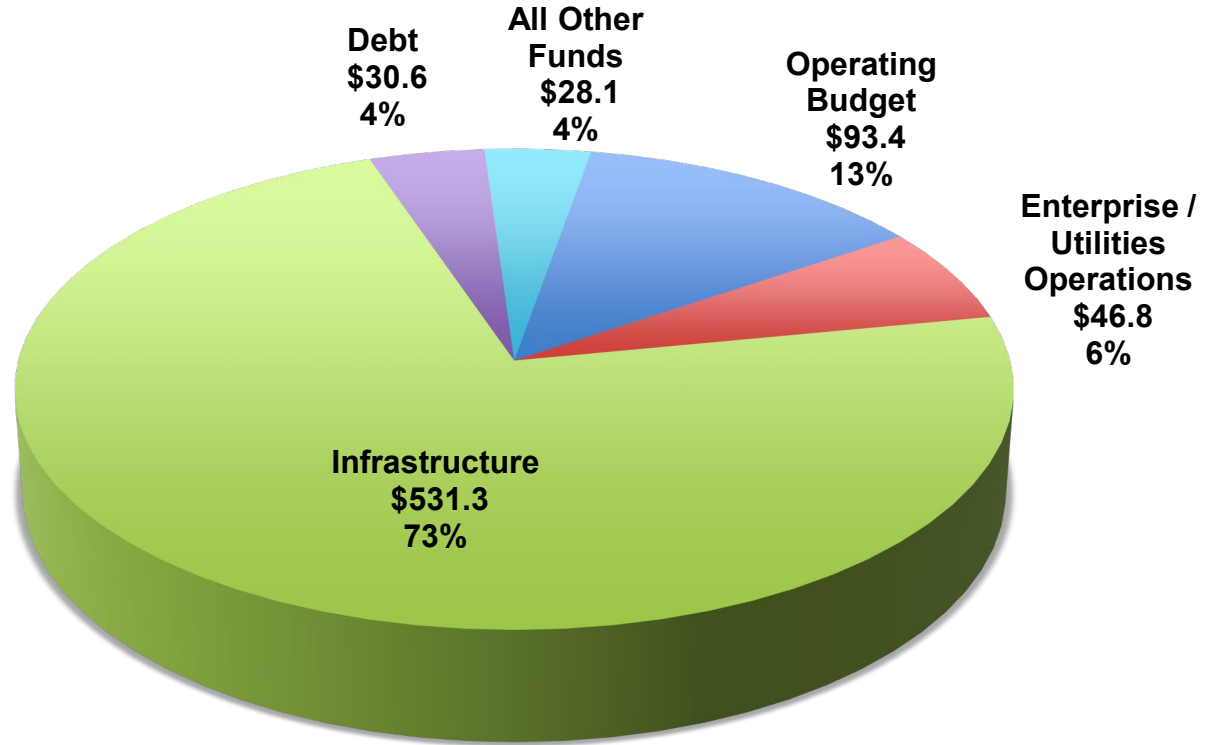
1. Create an Ambulance Transportation Service
 - Annual Revenues (once fully operational): \$2.2M
 - Annual Expenses (once fully operational): \$2.9M
2. Amount to be Received from Primary Property Taxes
 - \$12.5M Annual Revenues by Maintaining the Current \$1.83 Levy Rate



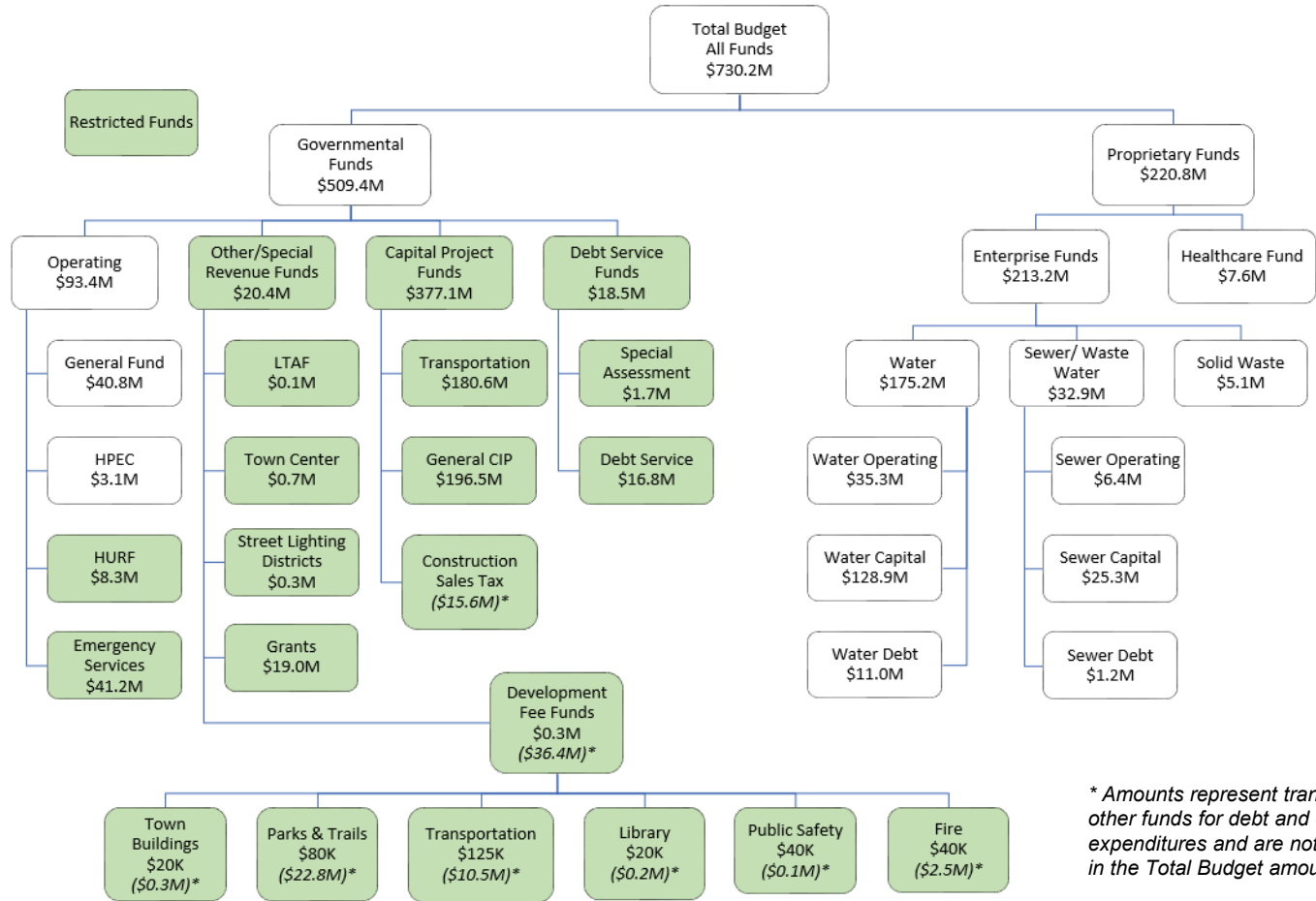
4. Summary Information

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

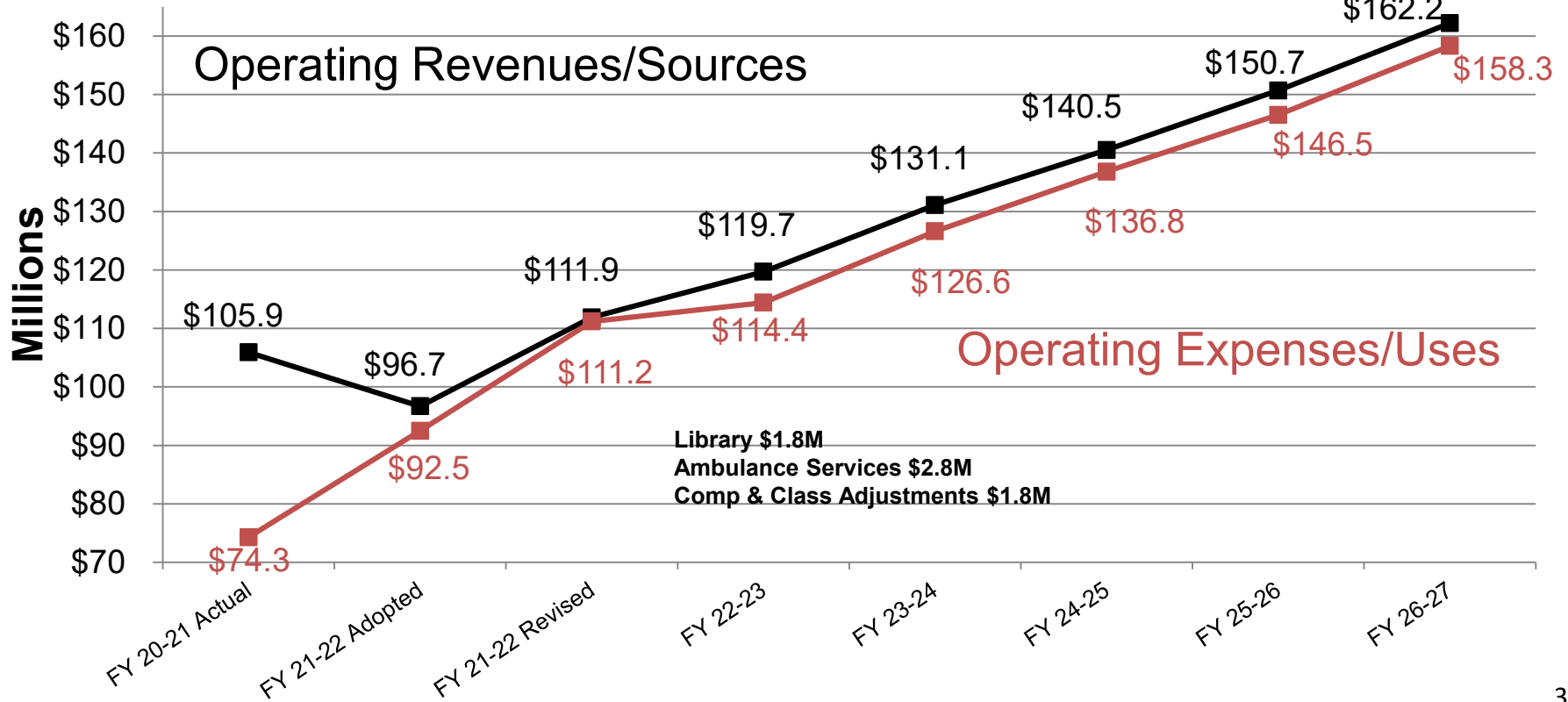


5-Year Planning Thoughts and Goals



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

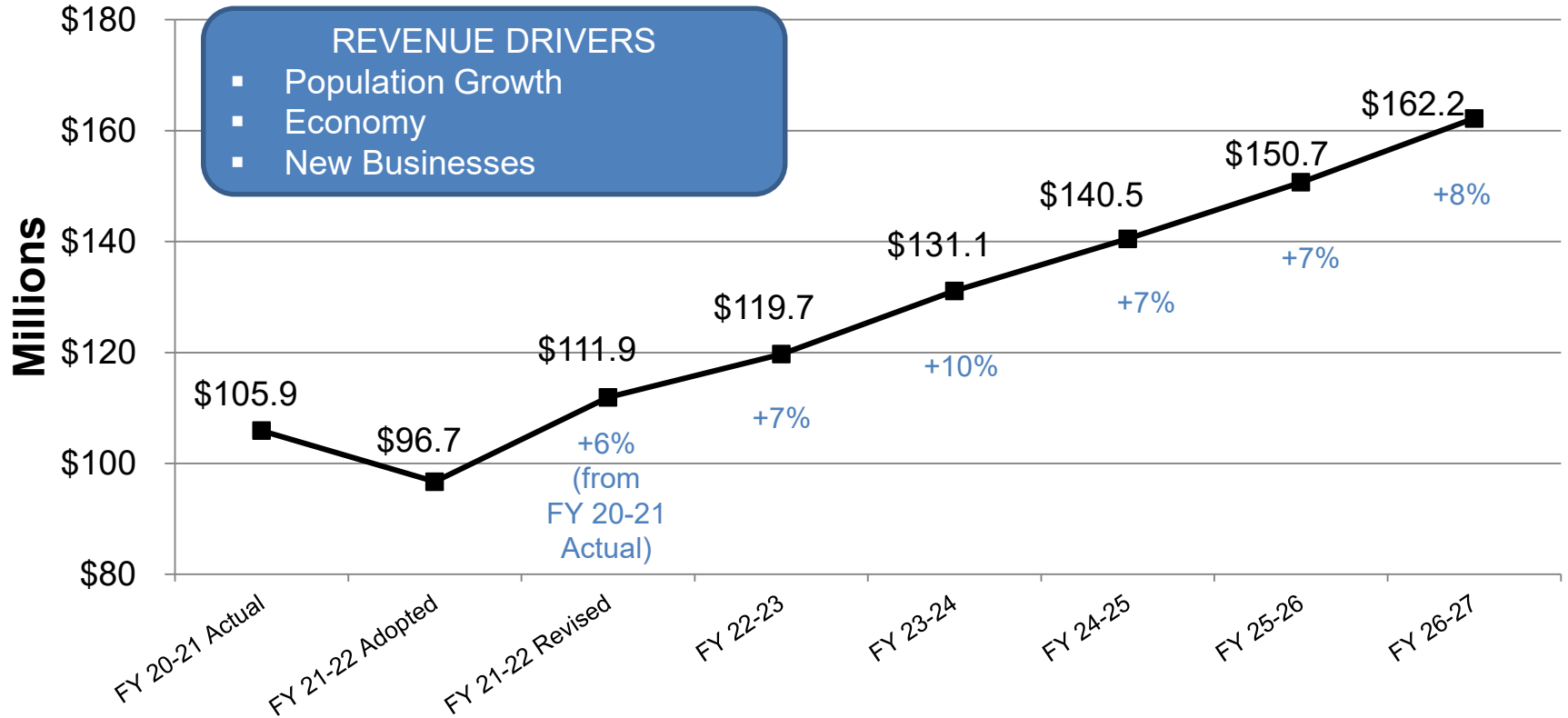
Operating Budget 5-Year Projection





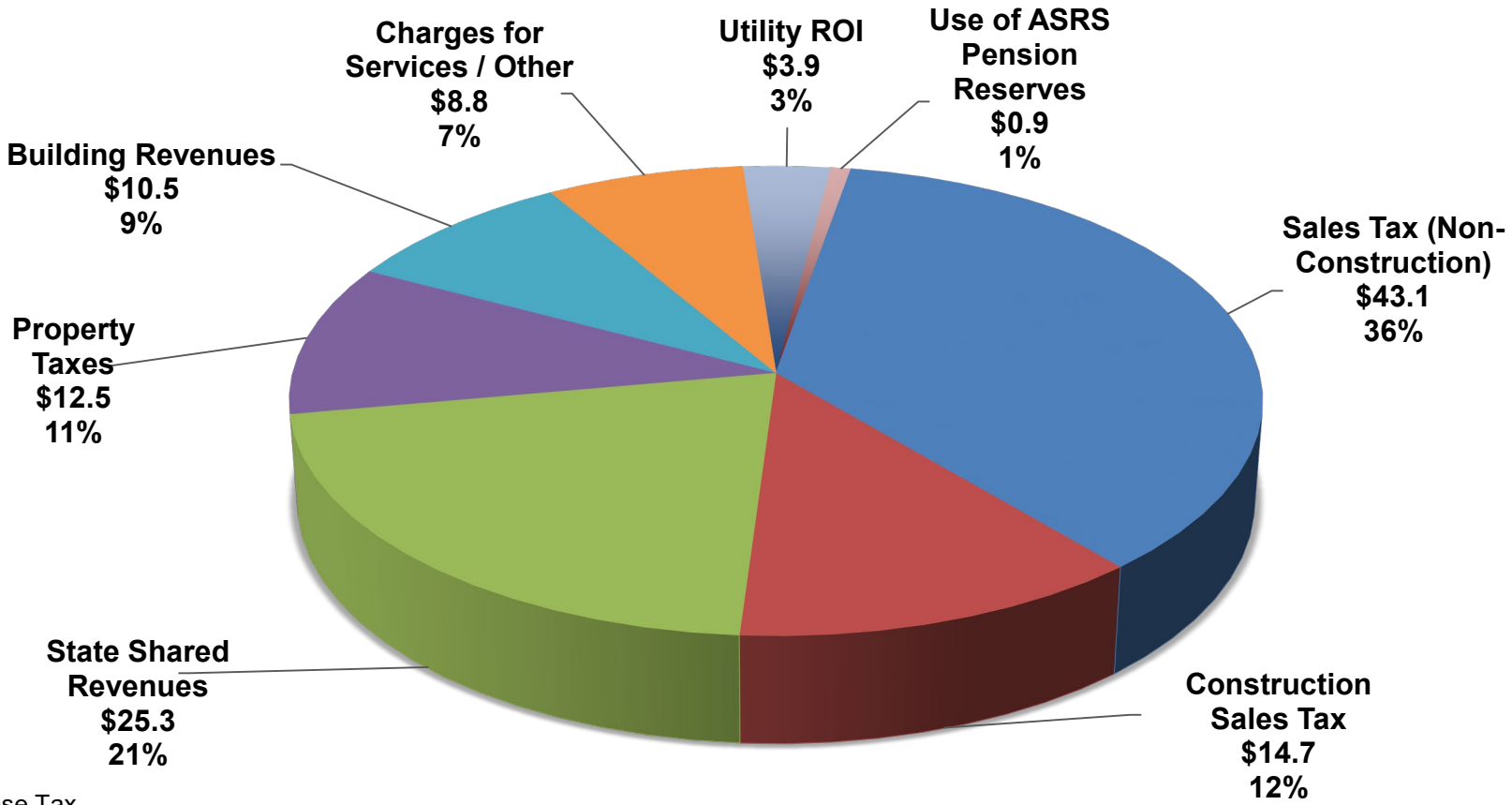
Operating Revenue Projections

Operating Budget Revenues/Sources



FY 22-23 OPERATING REVENUES / SOURCES

\$119.7M



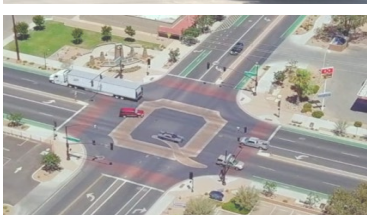
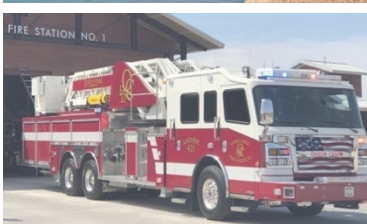
Sales Tax
Income Tax
Gas Tax
Vehicle License Tax

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

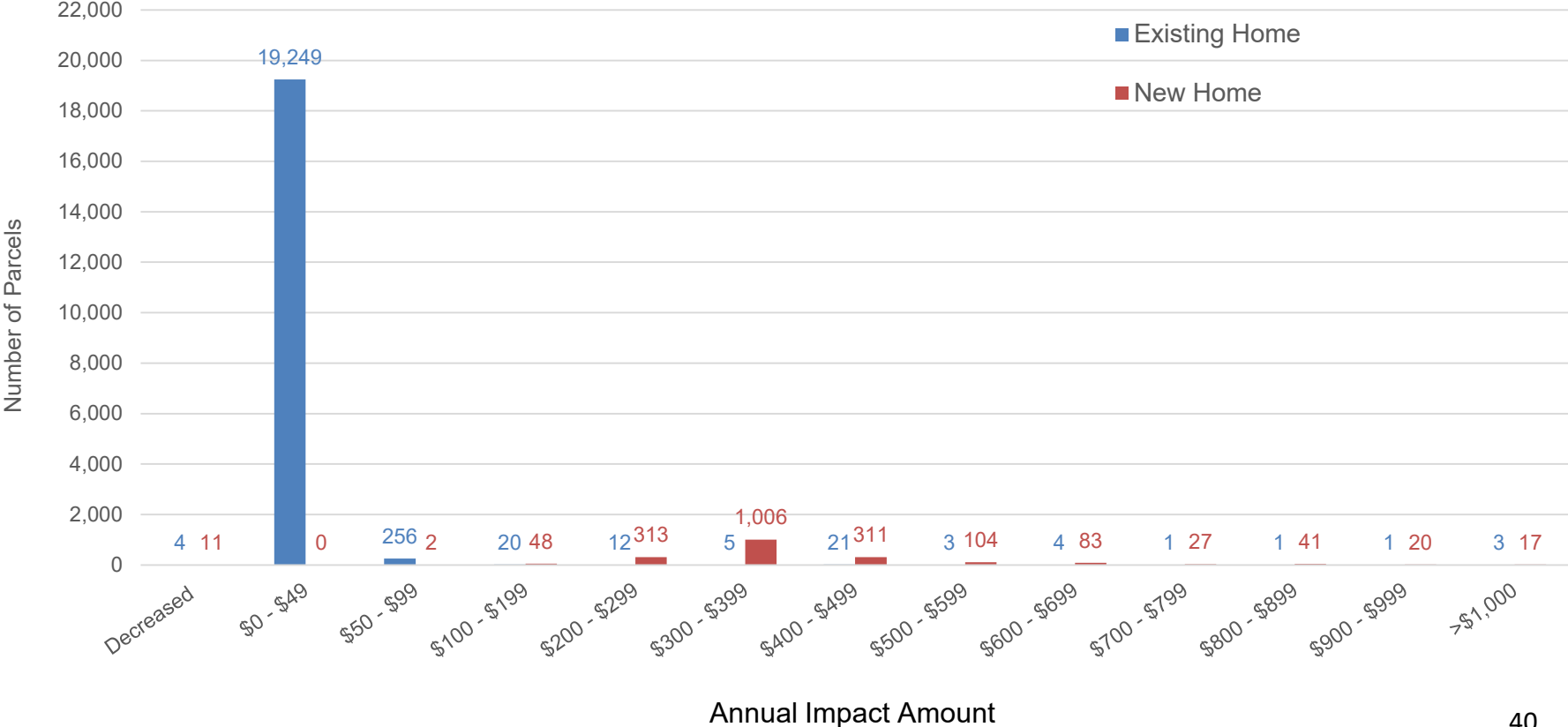


	Assessed Value	% Change
FY 21-22 Total	\$605.0M	
FY 22-23 Increase:		
Existing Property	\$33.1M	+5%
New Construction	<u>\$45.0M</u>	+8%
FY 22-23 Increase	\$78.1M	
FY 22-23 Total	\$683.1M	+13%

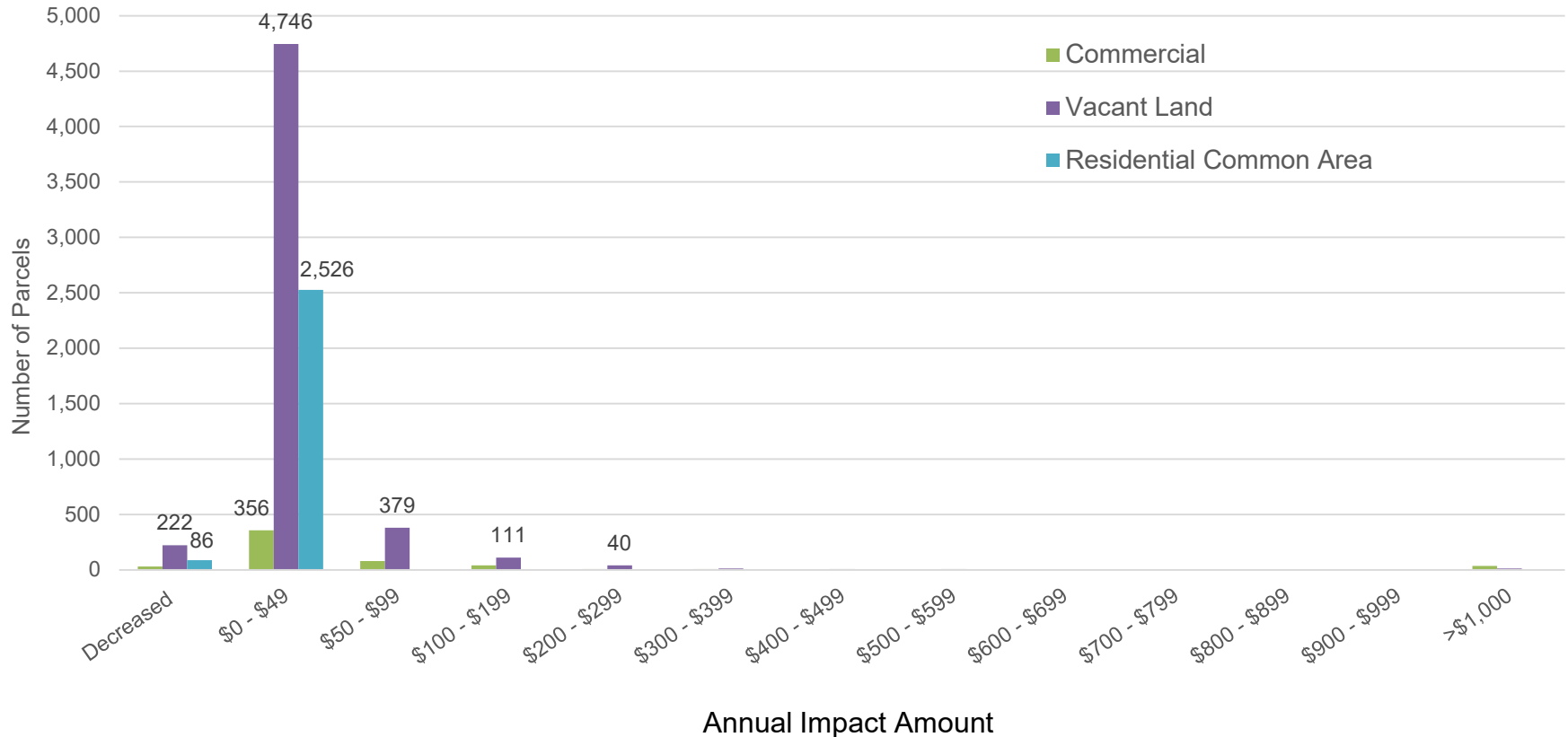
Property Taxes: All Property Types (~30K Parcels)



Residential Property Impact @ \$1.83 Levy Rate



Non-Residential Property Impact @ \$1.83 Levy Rate



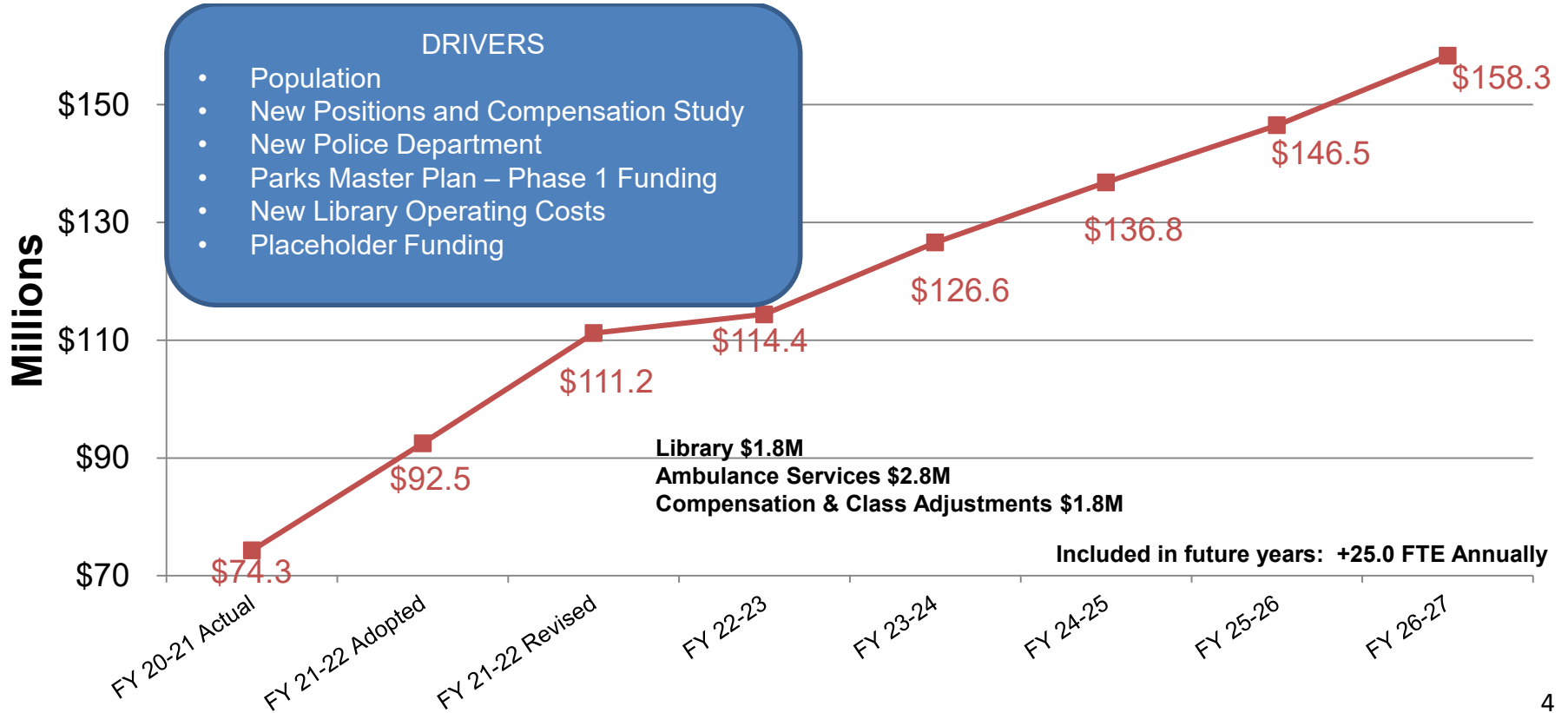


Operating Expense Projections

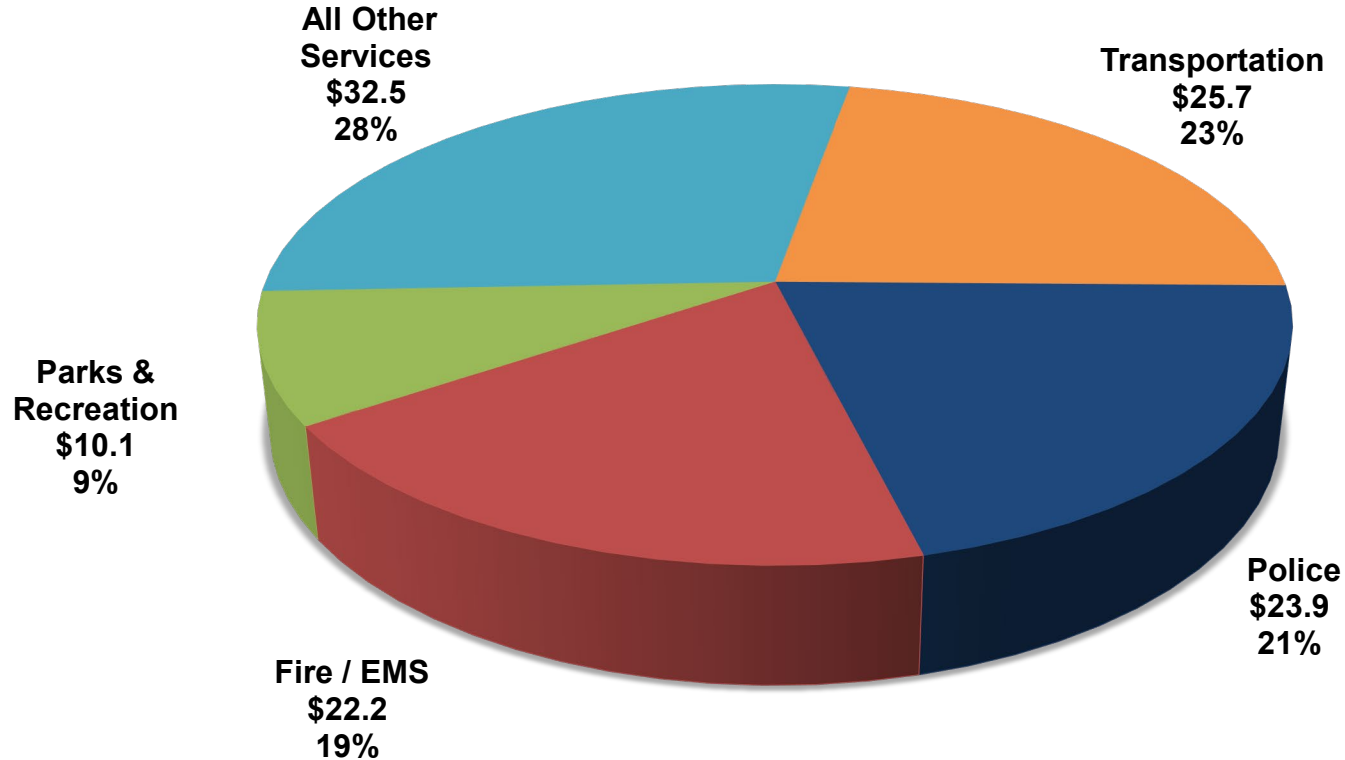
5-Year Operating Budget Expenses/Uses

DRIVERS

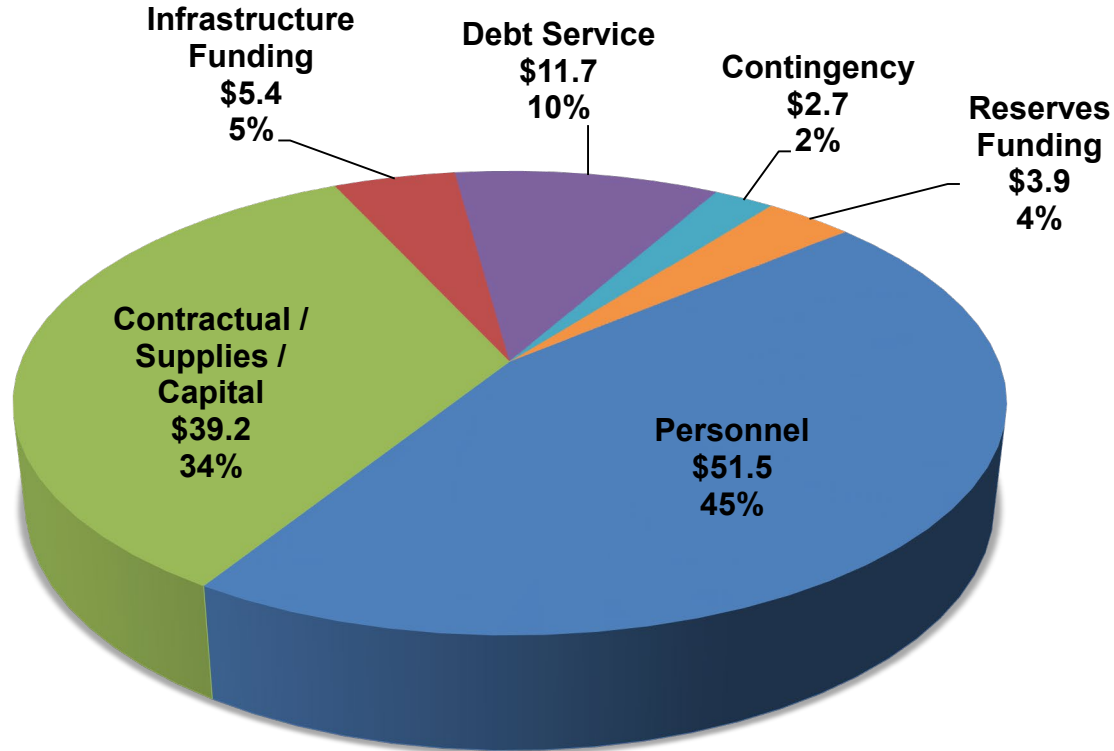
- Population
- New Positions and Compensation Study
- New Police Department
- Parks Master Plan – Phase 1 Funding
- New Library Operating Costs
- Placeholder Funding



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>	<i>\$84.6M</i>	<i>\$93.4M</i>	<i>\$8.8M</i>	<i>10%</i>
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>	<i>\$18.9M</i>	<i>\$17.1M</i>	<i>(\$1.8M)</i>	<i>(10%)</i>
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



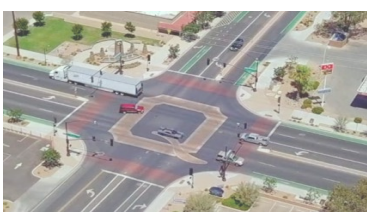
Item	Amount
Personnel Costs: 31 new FTEs (15 PD, 16 Non-PD), HSA Funding, Overtime Increases, and Benefit Changes	\$7.2M
New Debt Service – Parks Master Plan (1 st year interest only)	\$3.7M
Ambulance Services – First Year Operating Costs (includes 26 FTEs)	\$2.8M
Department Support Costs – Updated Allocation 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	<u>(\$3.9M)</u>
Total	\$3.2M



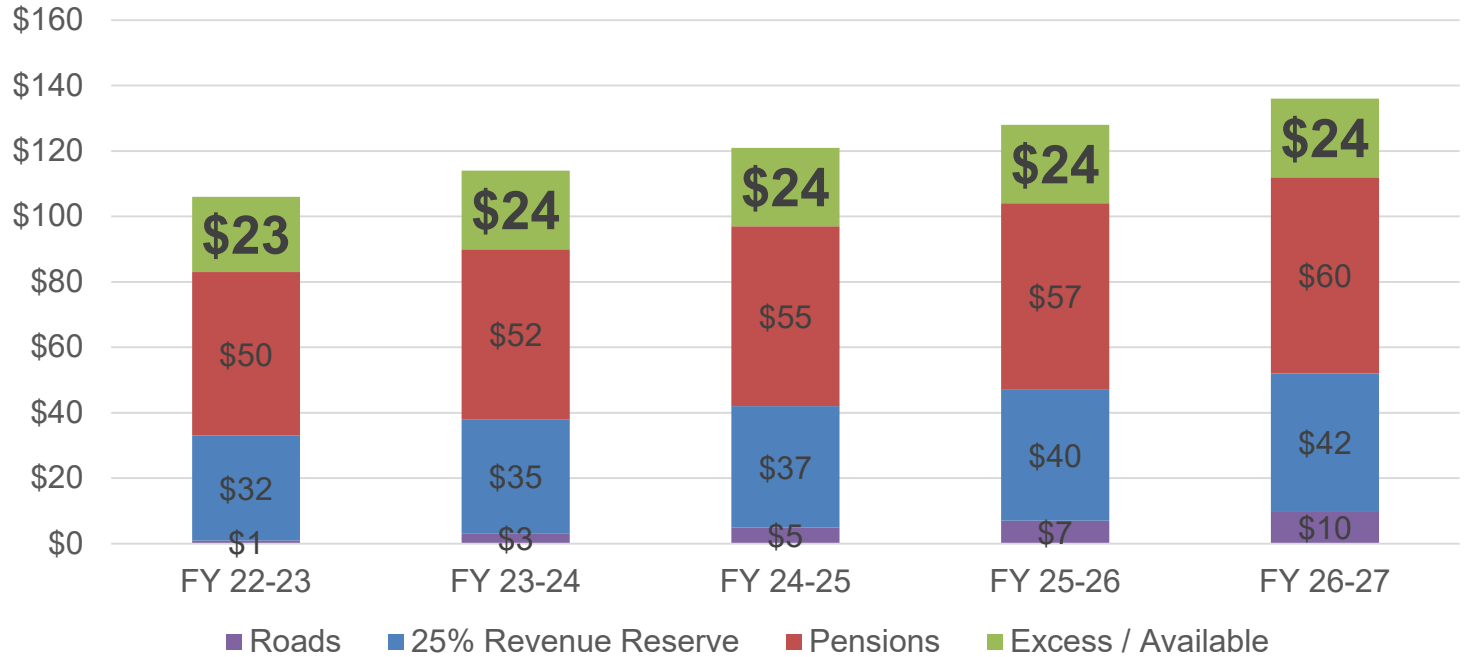
Operating Budget Reserves

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



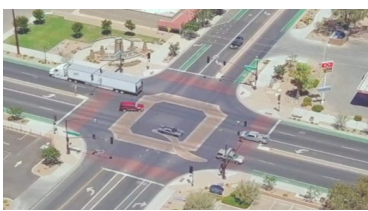
Projected Operating Budget Reserves





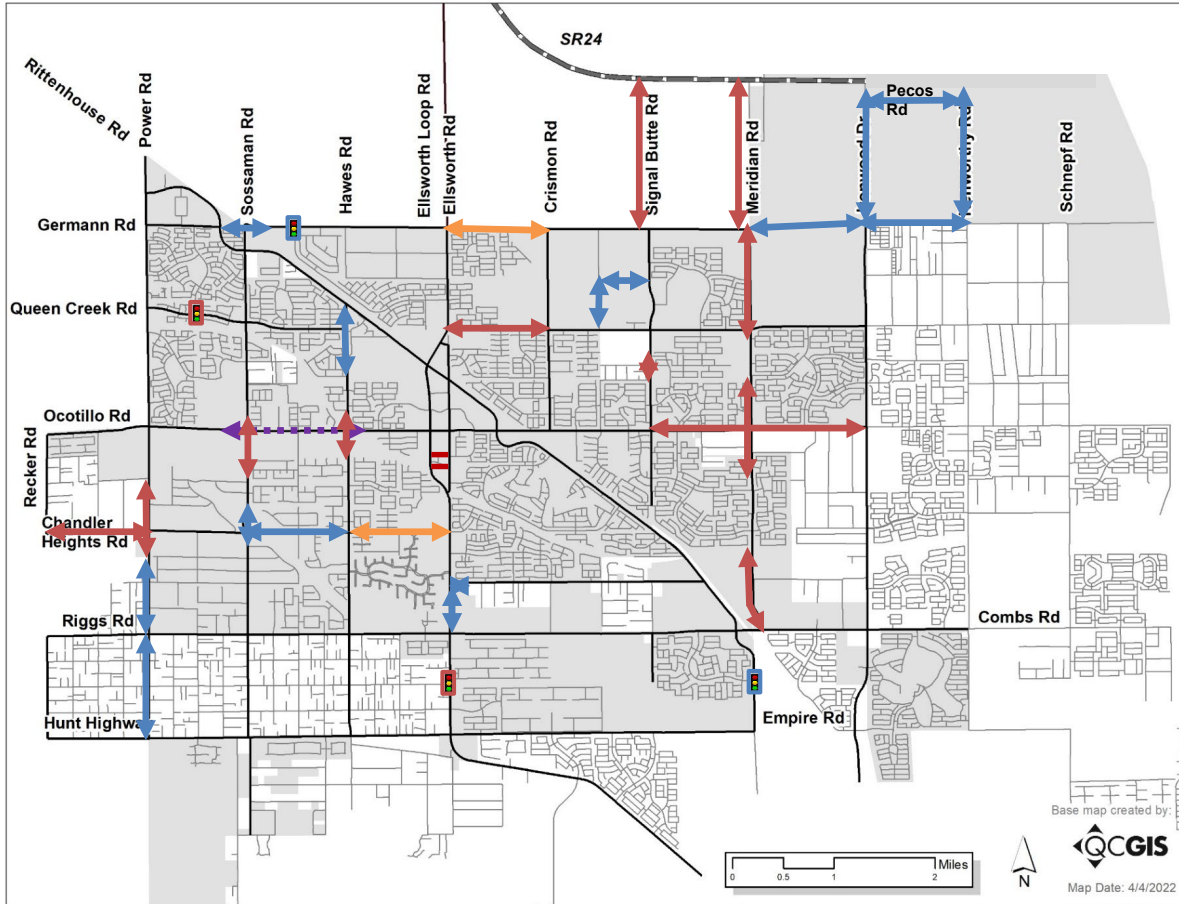
6. Other Major Budgets

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



Traffic Signal
in Design

Traffic Signal
Under
Construction

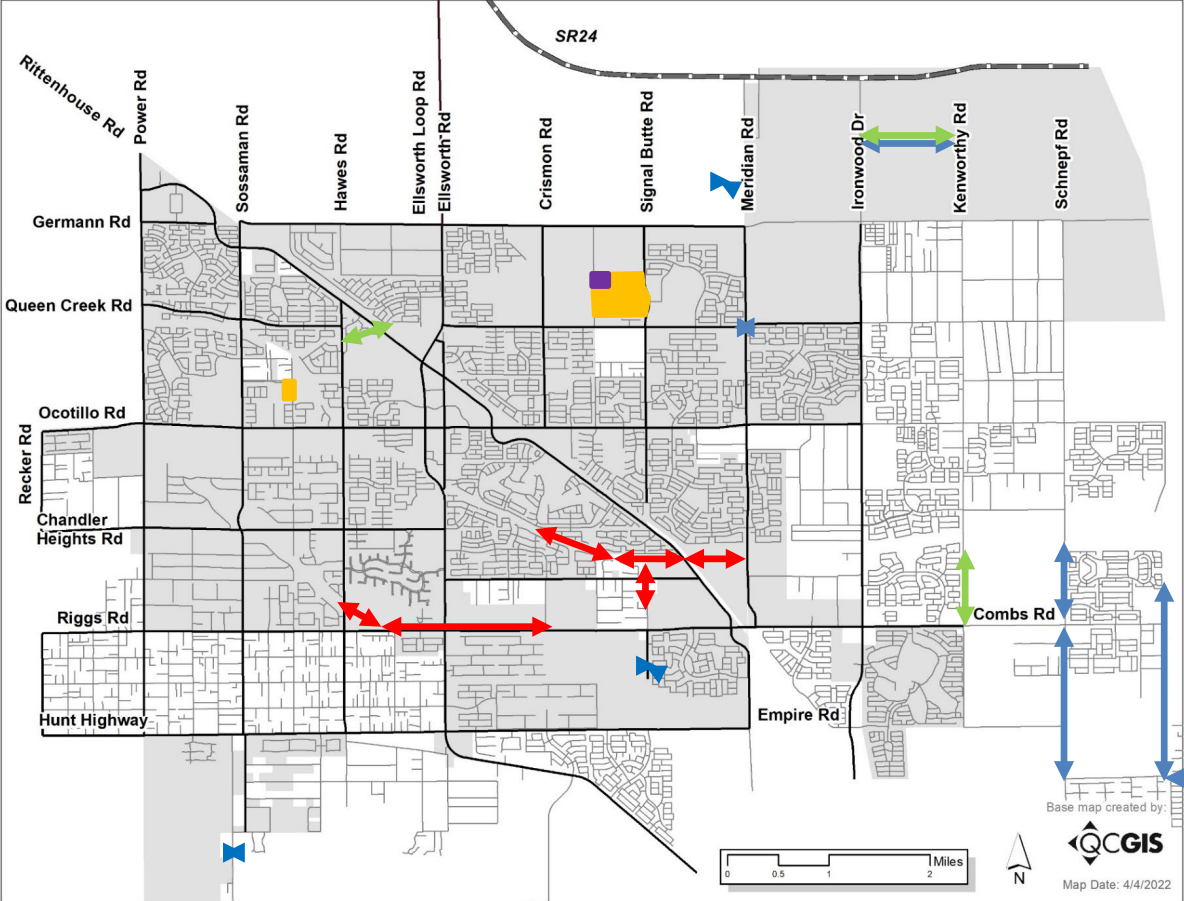
Note: Roadway projects include all utilities within the same footprint.

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.

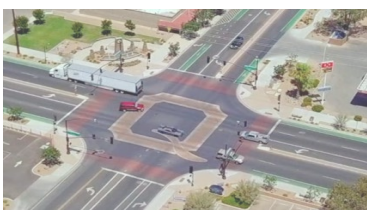
Street Infrastructure

- 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



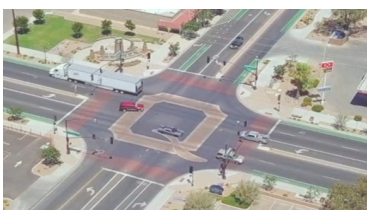
Date	Item
May 4	Tentative Budget Approval
May 18	Final Budget Adoption
June 1	Property Tax Levy Adoption

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