



FY 2023-24 Tentative Budget Adoption

Town Council Meeting

May 3, 2023

Purpose of Presentation

1. Overview of Strategic Financial Planning and Budgeting
2. Review FY 23-24 Approved Policy Decisions
3. Identify FY 23-24 Remaining Policy Issues
4. Economic Overview and Population Projections
5. Key Financial Policies
6. Budget Overview
7. Operating Budget
8. Infrastructure Budgets
9. Debt Budgets
10. Other Major Budgets
11. Calendar
12. Discussion of FY 23-24 Remaining Policy Issues





1. Overview of Strategic Financial Planning and Budgeting

Public Finance



- **One Organization ... But Many Businesses**
 - Police, Fire, Water, Wastewater, Construction (Roads, Water, Wastewater, Parks), Library, Recreation Classes, Vehicle Maintenance, etc.
- **A Steward of the Public's Money**
 - Provide Services and Infrastructure for Taxes and Fees
- **Public Finance Differs From Personal Finance**
 - Match Revenues and Expenses (Intergenerational Equity)
- **How are Expenses Funded and Paid For?**

Roles and Responsibilities



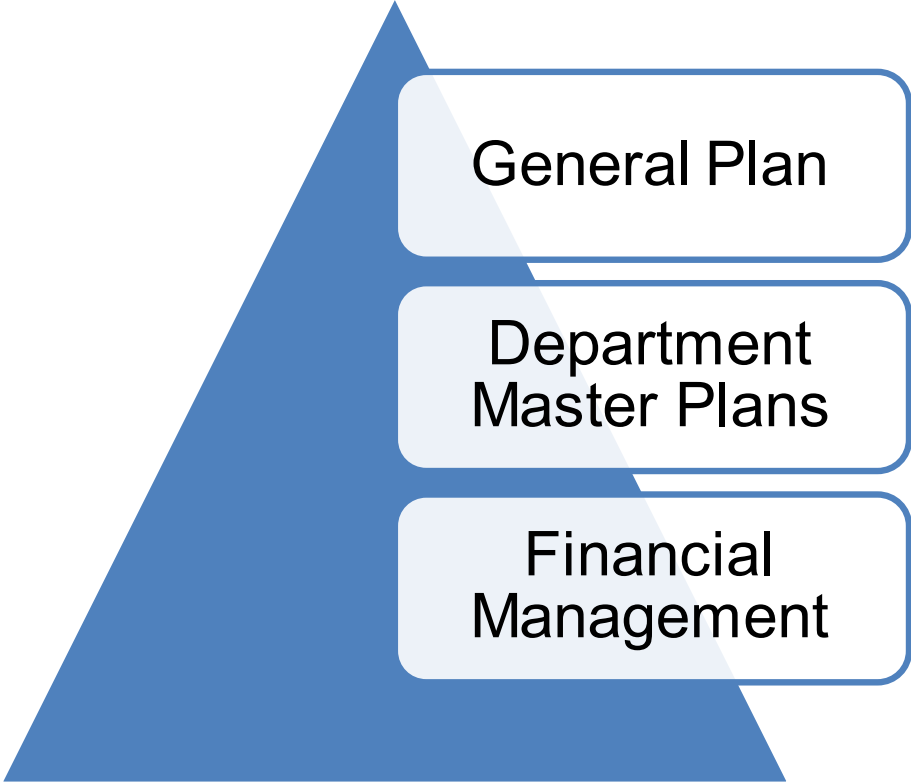
TOWN COUNCIL

Make Policy Decisions

TOWN STAFF

- Identify Policy Issues
- Develop Options
- Identify Expected Outcomes
- Make Recommendations

Strategic Financial Planning



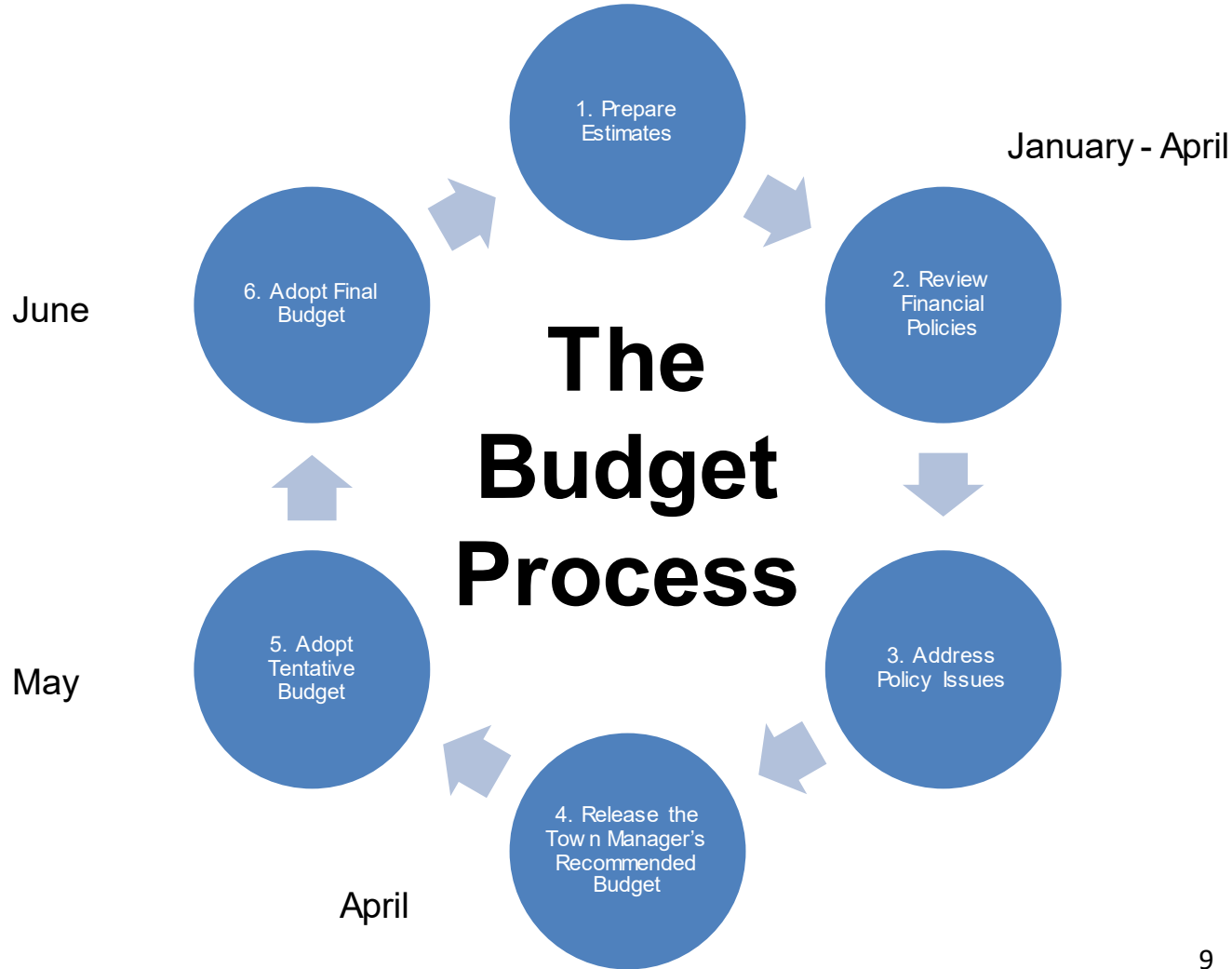
Financial Management



A Budget . . .

- Identifies Our Financial Goals
- Is A Spending Plan
- Is A Communication Tool
- Is A Policy Document







2. Review FY 23-24 Approved Policy Decisions

FY 23-24 Approved Policy Decisions

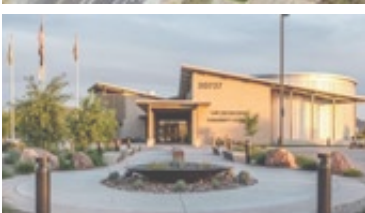
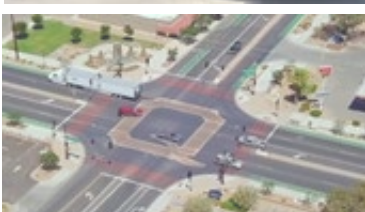


1. \$1.5M Property Tax and Groundwater Replenishment Fee Reductions
2. Shifted \$7M from Internal Police Pension Reserve to QC's PSPRS Police Pension Plan to Reduce Employee Contribution Amounts
 - 23 Employees Impacted
 - \$72K Annual Reduction for Employees in Year 1
 - ~\$3K Annual Reduction Per Employee
 - Reduction Grows Annually by Employee Salary Growth

\$1.5M Property Tax and Fee Reductions

Item	Number of Accounts	Annual Reduction
1. Water Replenishment Fee Reduction (CARGD)	~31K	\$0.6M
2. Eliminate Streetlight Improvement District Property Taxes (SLIDs)	~16K	\$0.2M
3. Freeze Primary Property Taxes	~30K	<u>\$0.7M</u>
TOTAL		\$1.5M

\$8M (62%) CUMULATIVE REDUCTION OF WATER REPLENISHMENT FEES TO 31K ACCOUNTS



	Annual Charges
Fees Without Town Council Actions	\$12.9M
Less Town Council Reductions	<u>-\$8.0M*</u>
Customer Fees in FY 23-24 (31K Accounts)	\$4.9M

*Includes \$0.6M Reduction Effective July 1, 2023

“FREEZE” PROPERTY TAXES FOR 5 YEARS

- FY 22-23 Property Tax Revenues: \$12.5M
- Number of Accounts: ~33K
- Effective Date: July 1, 2023
- Estimated Savings:
 - FY 23-24: \$0.7M
 - FY 27-28 (5th Year): ~\$4.7M
 - 5-Year Cumulative: ~\$12M





3. Identify Remaining FY 23-24 Policy Decisions

Remaining FY 23-24 Policy Decisions



1. Consider a New Policy for Sworn Police Personnel Salary Market Increases
2. Consider a New Approach for Budgeting for Construction Projects



4. Economic Overview and Population Projections

Beginning Thoughts

- Positive Financial Outlook Remains
- Population Growth Expected to Continue
- Budget Reflects Town Council's Priorities
 - Funds Police and Parks Master Plans
 - Increased Staffing in Police, Fire and Parks
- A Growing Population Means Additional Staff and New Infrastructure is Needed to Maintain Service Levels
- Work Continues on Outstanding Strategic Financial Issues and Infrastructure Funding Needs



Looming Questions



- Will There be a U.S. Recession?
- Will There be an Arizona Recession?
- What Happens to Inflation?
- What Happens to the Labor Market?
- What Happens to Unemployment?
- What Happens to Mortgage Rates?
- Will People Continue to Move to Arizona?
- Will There Be a Housing Market Correction?
- Will the State Legislature Enact Changes that Reduce QC's Revenues?

QC Strengths

- **QC Tends to Perform Better than U.S. and Arizona**
 - Strong Population Growth and Demographics
 - Median Household Income (~\$112K) and Low Unemployment
- **Strong Financial Policies**
 - 25% of Projected Annual Revenue Increase Goes to Reserves (“Off the Top” and Not Spent)
 - Highest Operating Budget Reserves in History (6/30/22: \$114.1M, 125% of Expenses)
- **Comprehensive Approach to Estimating and Monitoring Revenues**
 - Most Fiscal Year-to-Date Revenues Exceeding Projections
 - Operating Budget Actual Revenues Have Exceeded Budget the Last 11 Fiscal Years
- **Opportunities Exist Here – QC’s Underlying Economy Has Not Changed**



Why Growth Projections are Critical to QC?



1. Indicates Quantity and Timing of Services

- Example: PD and Fire/EMS Calls

2. Identifies Size and Location of New Infrastructure

- Examples: Roads, Water and Wastewater Infrastructure, Parks

3. Identifies One-Time Revenues

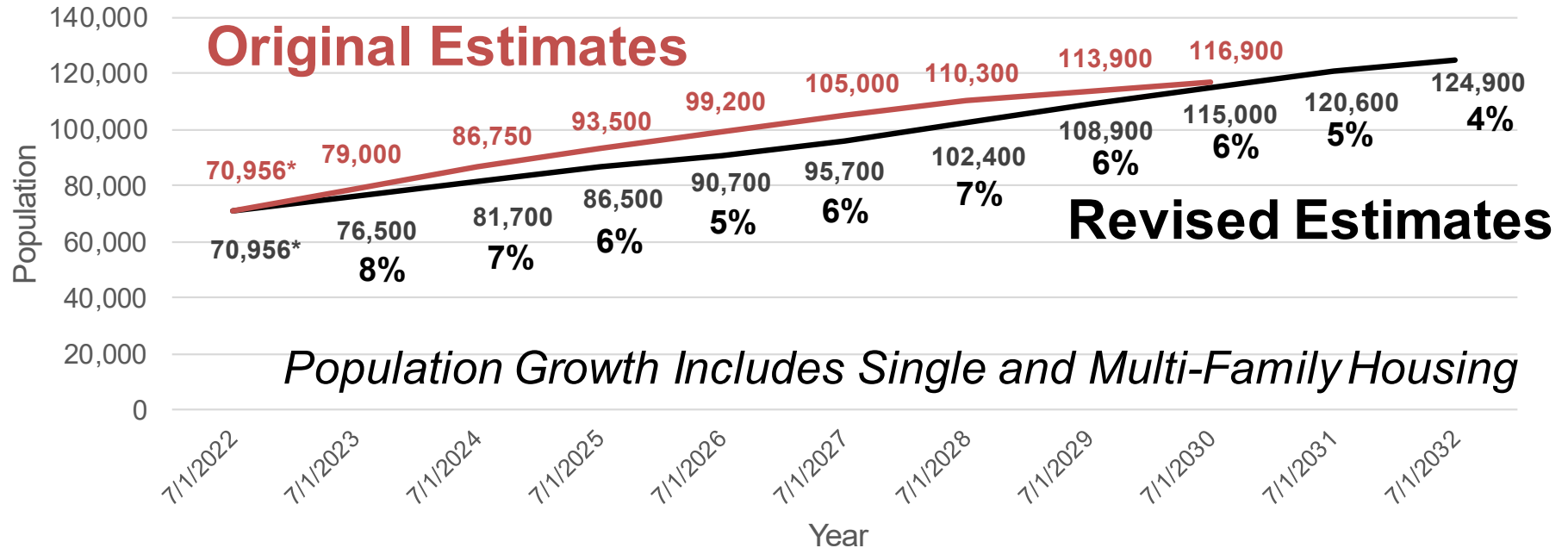
- Building Permit Revenues, Construction Sales Tax, Impact and Capacity Fees

4. Identifies Ongoing Revenues

- Sales Tax Revenues, State Shared Revenues

10-Year Population Projections

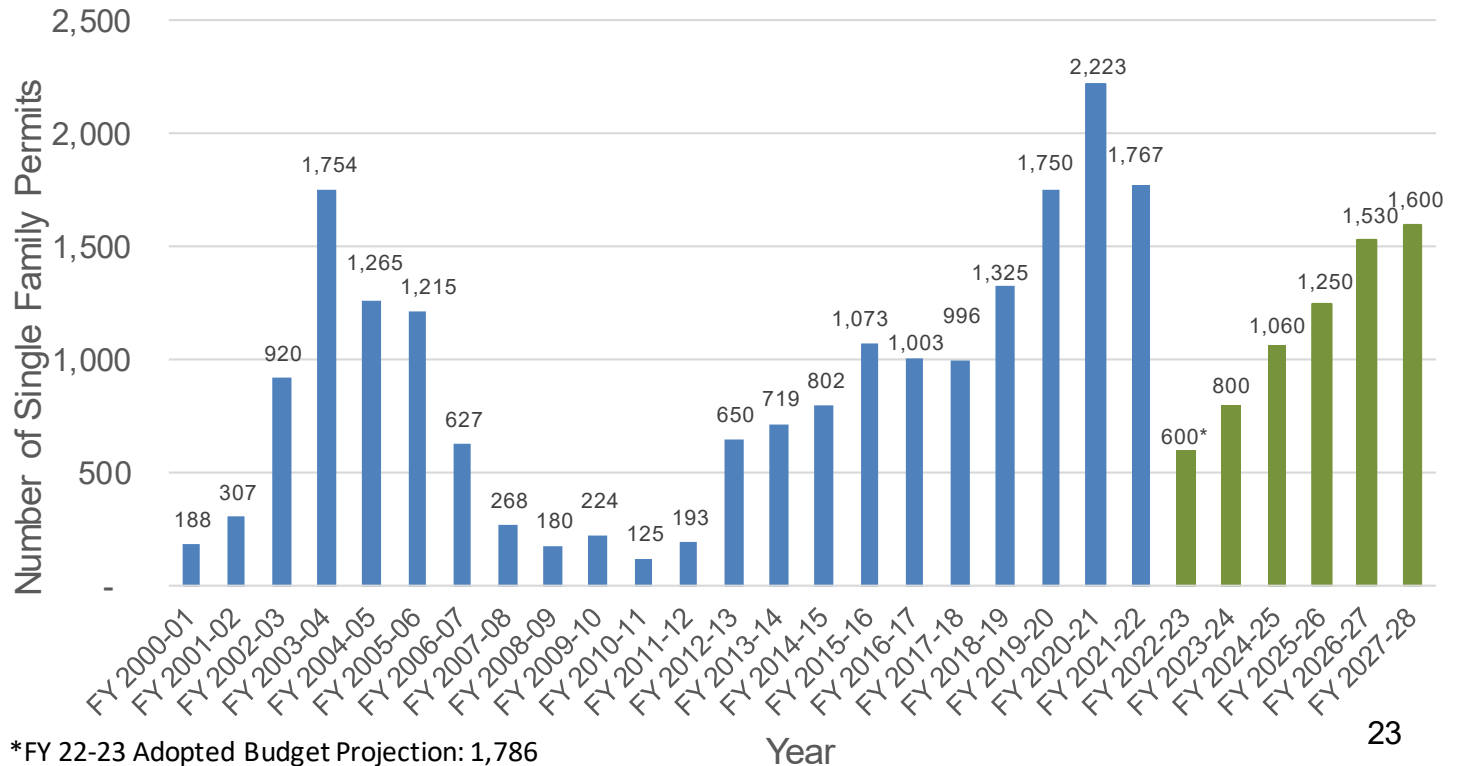
- 10-Year Population Increase: ~54K (76%)
- Population Projection by 2027 Has Been Decreased by ~9K (9%)
- By 2030, Population Projection Returns
- Buildout Population: ~150K (No Change)



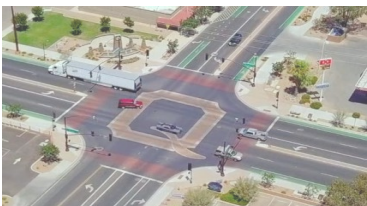
*7/1/2022 estimate from Arizona State Demographer, Office of Economic Opportunity

Single-Family Permit Projections

- 5-Year Projections (FY 22-23 to FY 26-27) Have Been Decreased by 40% From 8,730 to 5,240 (-3,490)



Multi-Family Projections



- Now a Significant Component of Our Projections Due to Increase Activity
- 5-Year Estimate: ~2,800 new units (per schedule below)
- Considerations Include:
 - Lag between permitting and certificate of occupancy impacts revenue timing
 - Vacancy level of new units vs. existing multi-family developments
 - Census Bureau and State demographer multi-family assumptions

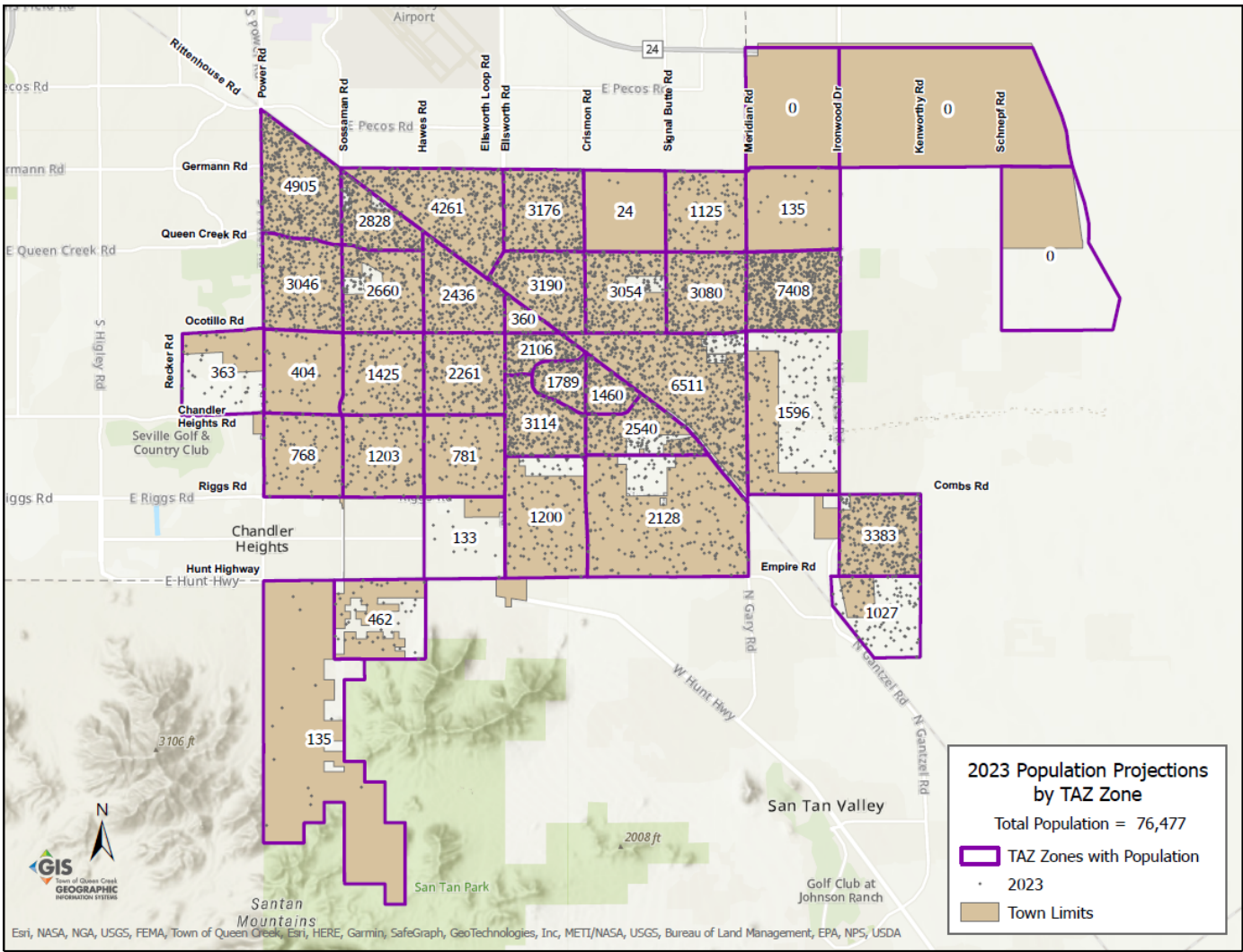
	FY22-23 Revised	FY23-24	FY24-25	FY25-26	FY26-27	Total
Multi-Family Units	1,074	686	240	253	536	2,789
Number of Projects	5	4	1	1	2	13



Population Projection Dot Maps

2023

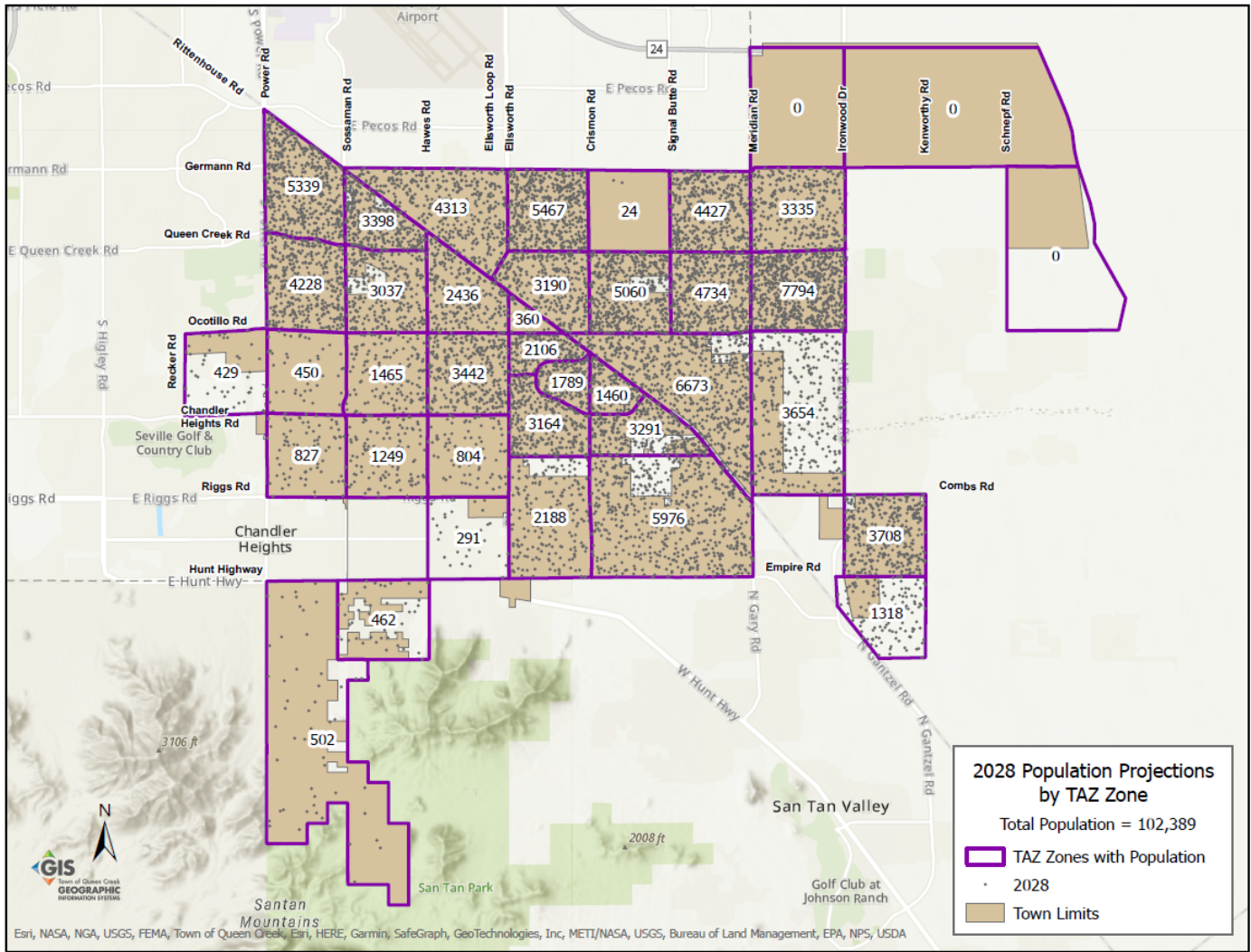
Population 76,500



Esri, NASA, NGA, USGS, FEMA, Town of Queen Creek, Esri, HERE, Garmin, SafeGraph, GeoTechnologies, Inc, METI/NASA, USGS, Bureau of Land Management, EPA, NPS, USDA

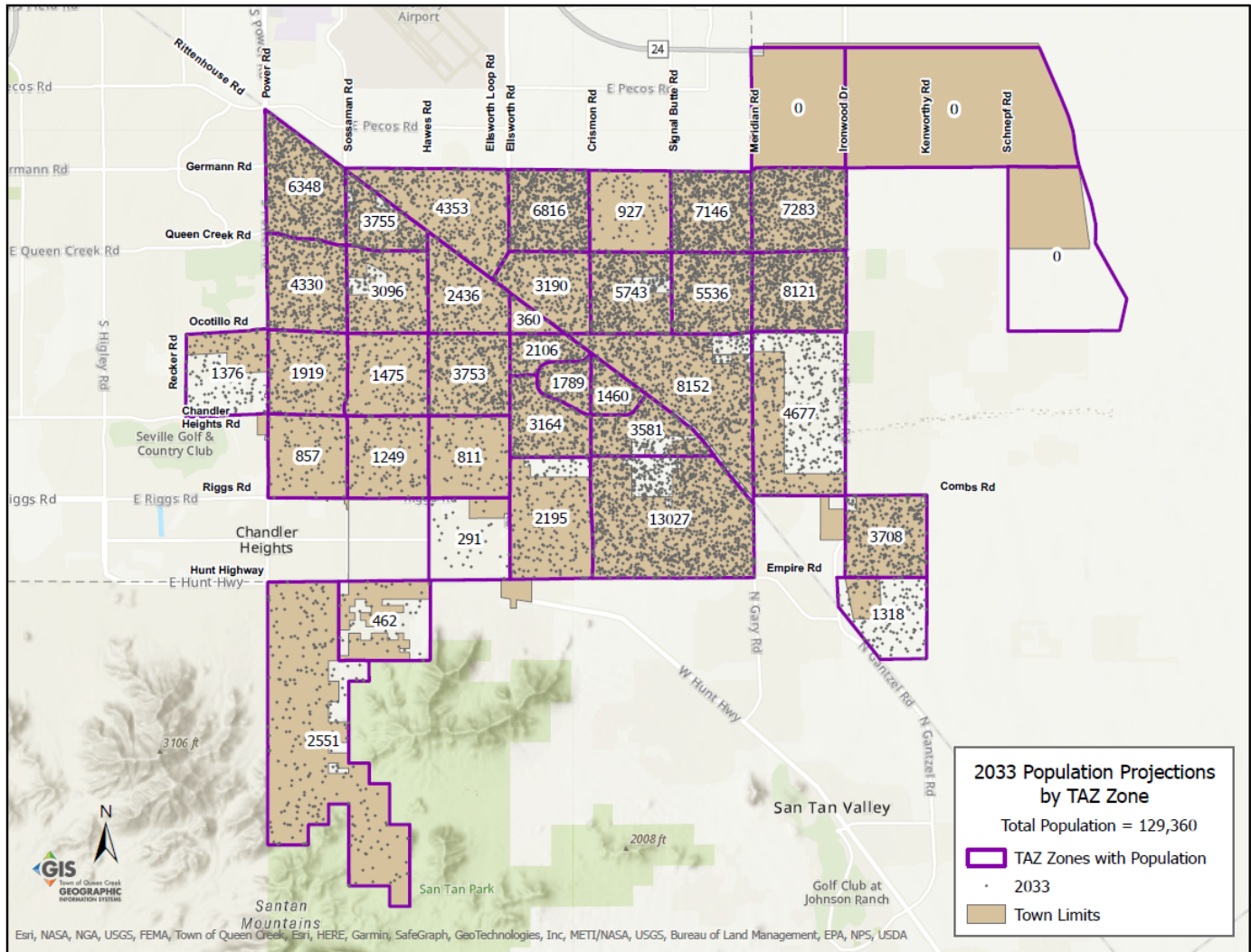
2028

Population 102,400



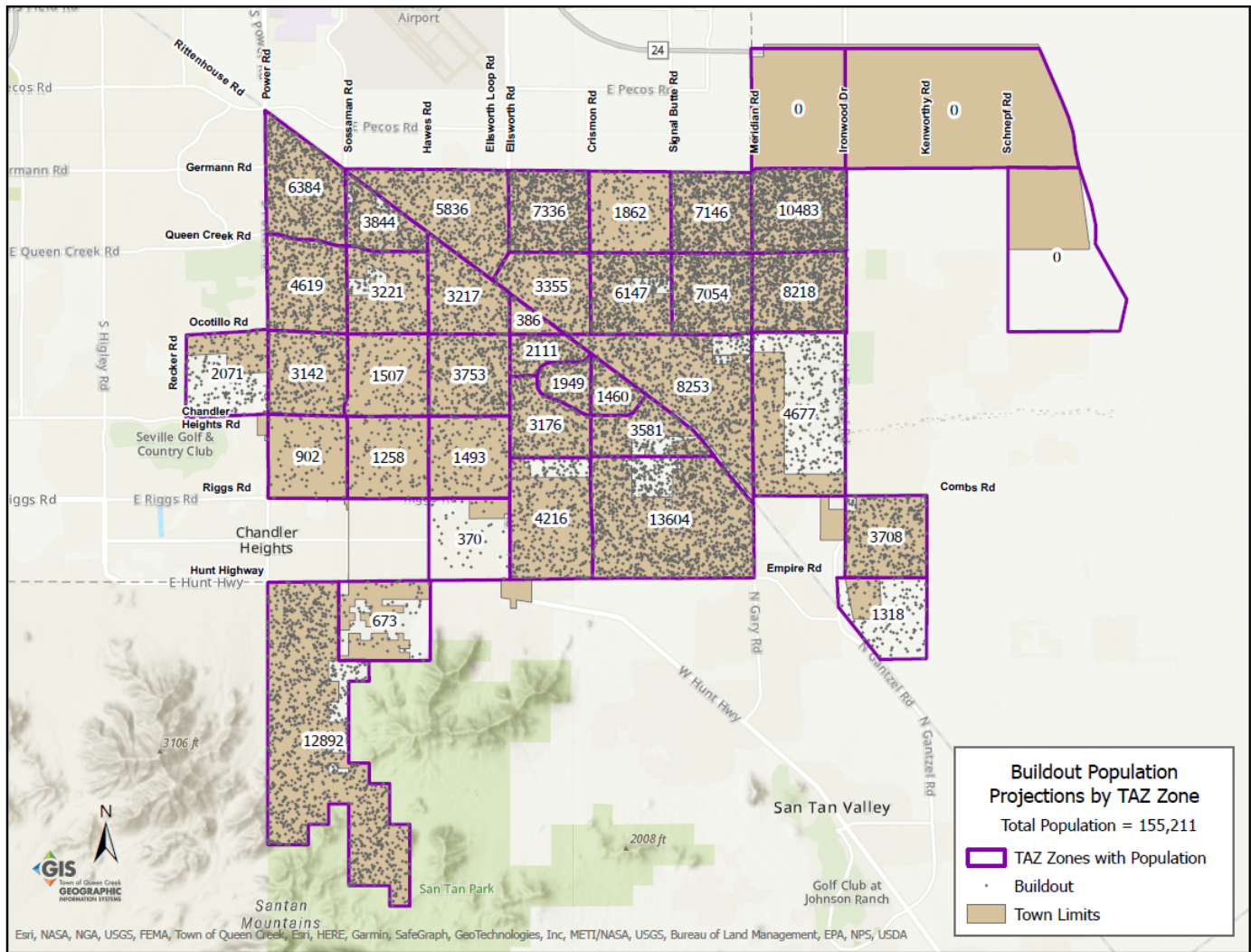
2033

Population 129,400



Buildout

Population
~155K



Non-Residential Construction Continues



- FY 21-22 Activity: 400K Square Feet (+9% from Existing 4.6M Square Feet)
- Estimates (per schedule below):
 - FY 22-23: 1.4M Square Feet (28% Increase)
 - FY 23-24: 1.1M Square Feet (17% Increase)
- Large focus on industrial corridor in the northern part of QC (Meridian Rd.)
- **Proposed developments in State Lands are not included in these projections**

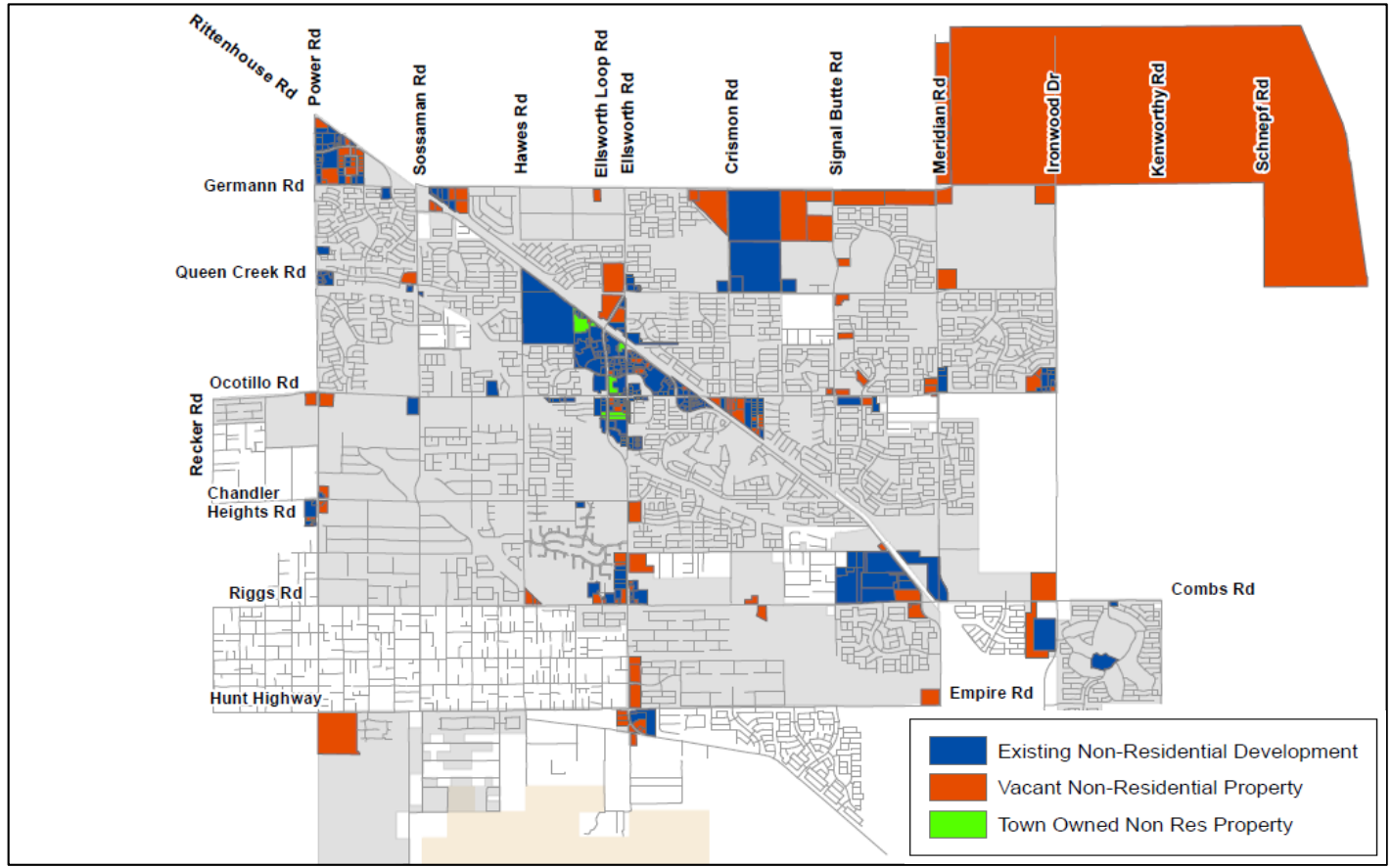
Development Type	FY 22-23 SF	FY 23-24 SF
Commercial	778K	122K
Industrial	533K	910K
Office	49K	-
Churches, Educational, Other	33K	75K
TOTAL	1.4M	1.1M

Remaining Non-Residential Development



Development Type	Acres to Buildout	Total Buildout Square Footage
Mixed Use	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

Non-Residential Development





5. Key Financial Policies

Key Financial Policies

1. Pension Funding

- All Plans Fully Funded
 1. Fire
 2. Police: \$19.3M Internal Reserve
 3. All Other Employees: \$22.2M Internal Reserve
 - Operating Budget: \$15.9M
 - Utility Funds: \$6.3M
- Costs Associated With Unfunded Liabilities Do Not Exist and Do Not Require Use of Current Year Revenues





Key Financial Policies (continued)

2. 25% Revenue Reserve Policy

- 25% of Annual Revenue Increase Not Used to Pay for Operating Expenses (“Taken Off the Top”)
- June 30, 2022 Balance: \$29.6M (Record High)
- June 20, 2024 Estimated Ending Balance: \$38.9M

3. New Position Placeholder

- 25 New Positions Annually to Maintain Existing Service Levels and PD Growth



Key Financial Policies (continued)



4. Employee Compensation (2 Components)



1. 5% Market Increase: \$2.3M

- Based on 2022 Indices
 - Consumer Price Index (CPI-Western Region): 6.2%
 - Employment Cost Index (ECI) for State & Local Workers: 4.8%



2. 3% Merit Increase: \$0.8M

- Up to 3% Based on Annual Employee Performance Evaluation
- 

Key Financial Policies (continued)

5. Infrastructure Placeholders: \$3.5M Annually

Infrastructure	Purpose	FY 23-24 Amount	Balance at 6/30/24
Roads	Replacement	\$1.5M (+\$0.5M Annually)	\$3M
Parks	Fund Phase 2 of Master Plan	\$1.5M (+\$1M Annually)	NA
Police	Fund Phase 2 of Master Plan	\$0.5M (+\$0.5M Annually)	NA



Key Financial Policies (continued)



6. Parks Master Plan Funding

- Phase 1
 - FY 23-24 Expense: \$12.6M
 - \$7.2M Debt Service for 4 New Facilities
 - \$2.1M Operating Expenses for 2 New Parks
 - \$3.3M Capital Expenses for Equipment and Vehicles
 - FY 24-25 Increase: \$10.5M for Rec and Aquatic Center Expenses (Direct and Indirect Expenses)
- Phase 2
 - FY 23-24 Future Debt Placeholder: \$1.5M (Increasing \$1M Annually)

Key Financial Policies (concluded)

7. Police Master Plan Funding

- Phase 1
 - \$130M Total Cost
 - PD Direct Portion: \$108M
 - Estimated Funding: 50% from the Operating Budget and 50% from Impact Fees
 - Non-PD Costs: \$12M (Vehicle Repair Shop and Parking Garage)
- Phase 2
 - Cost: \$81M
 - Debt Service Placeholder will Create Capacity for Future Debt Issue
 - FY 23 -24 Placeholder: \$0.5M (Increasing by \$0.5M Annually)





6. Budget Overview

Budget Planning Goals

1. Address Today's Needs and Future Needs (i.e. new water supply, new roads, etc.)
2. Maintain / Increase Existing Service Levels
 - Adding 61.25 FTEs
3. Fund Police Department Growth
 - Staffing Increases Continue (+21 Direct, +4 Indirect FTEs)
 - Fund Master Plan
4. Fund Parks and Recreation Department Growth
 - Staffing Increases for New Facilities and Services
 - Fund Master Plan
5. Continue Infrastructure Funding
 - Continue Aggressive New Construction
 - Increase Infrastructure Replacement Funding



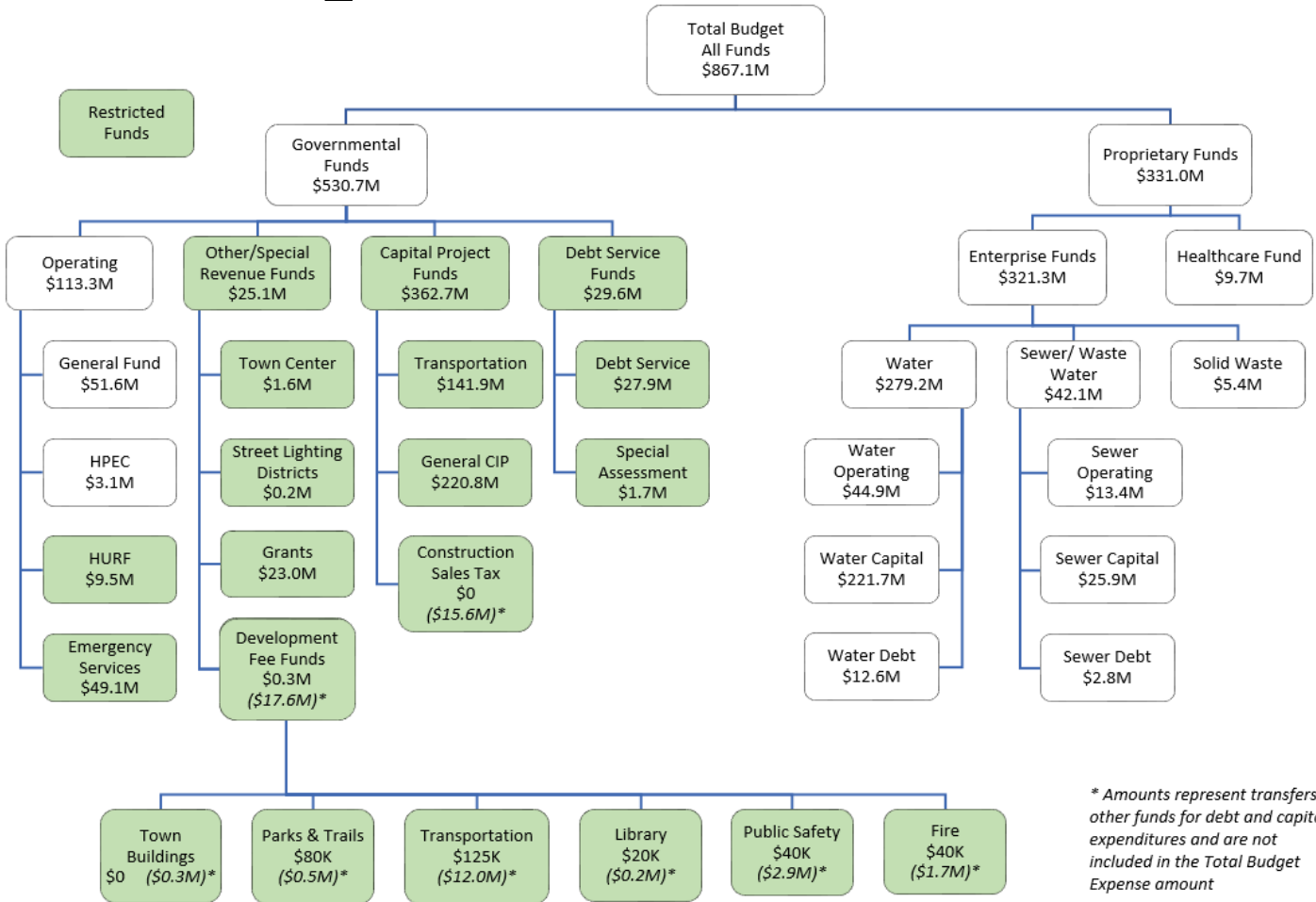
Tentative Budget

	FY 22/23 Budget	FY 23-24 Tentative Budget	\$ Change	% Change
Total Expenses	\$730.1M	\$867.1M	+\$137.0M	+19%

	FY 21/22 Budget	FY 23-24 Tentative Budget	\$ Change	% Change
Revenues	\$376.8M	\$646.7M*	+\$213.3M	+57%
Use of Fund Balances	<u>\$353.3M</u>	<u>\$220.4M</u>		
Total Sources	\$730.1M	\$867.1M		

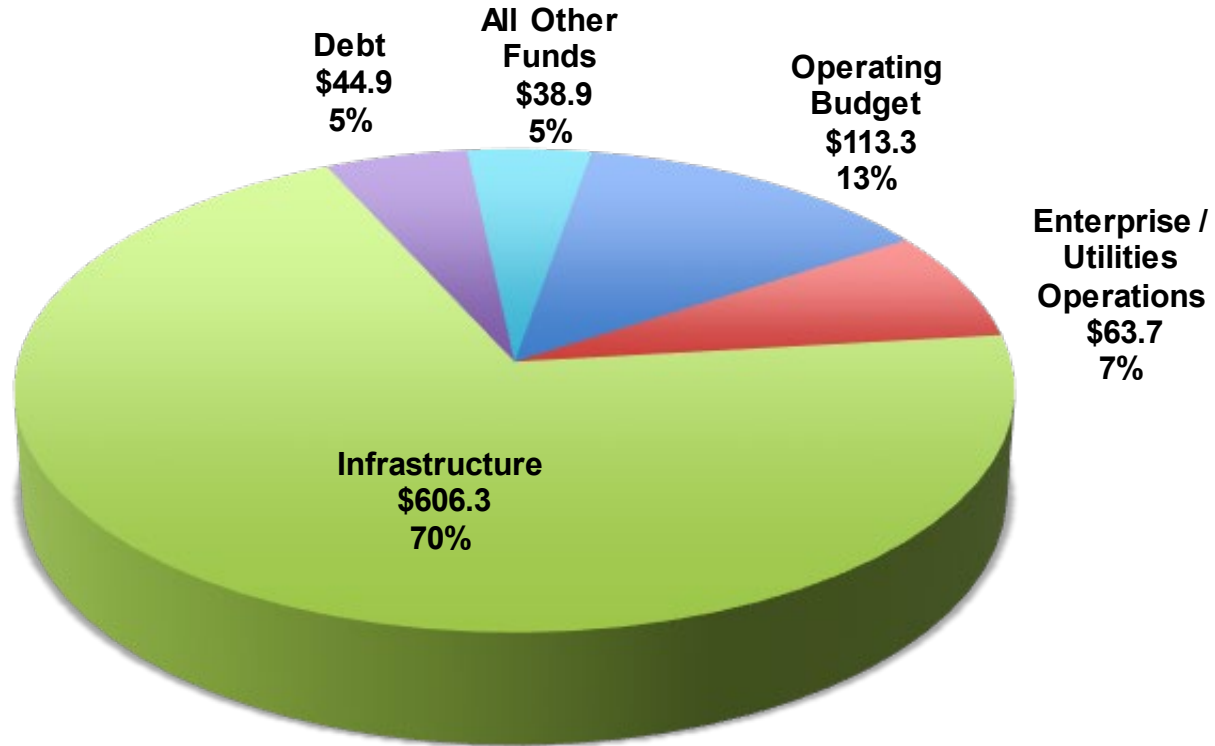
*Includes Loan Proceeds of \$168.1M for new water rights and \$130M for new PD Master Plan/Fire facilities.

Budget/Fund Structure : \$867.1M



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

FY 23-24 TENTATIVE BUDGET: \$867.1M



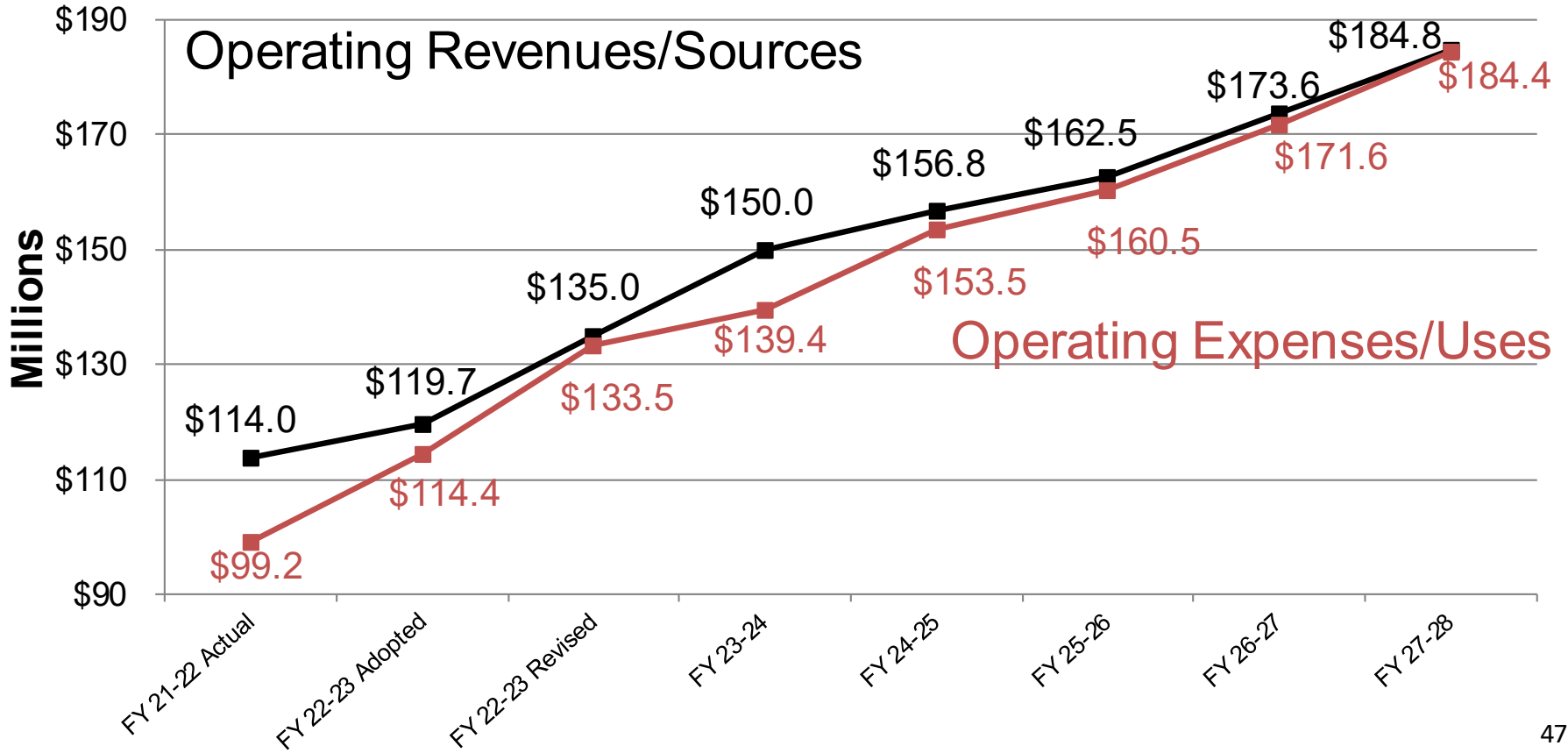
Budget Summary and Comparison

	FY 2022-23 Revised	FY 2023-24 Tentative Budget	\$ Change
Operating Budget	\$99.2M	\$113.3M	\$14.1M
Enterprise/Utilities	<u>\$46.9M</u>	<u>\$63.7M</u>	<u>\$16.8M</u>
Subtotal Operating Budgets	\$146.1M	\$177.0M	\$30.9M
Transportation Infrastructure	\$172.1M	\$87.8M	(\$84.3M)
Parks & Trails Infrastructure	\$175.3M	\$170.9M	(\$4.4M)
Public Safety Infrastructure	\$13.8M	\$53.0M	\$39.2M
Water Infrastructure	\$70.5M	\$49.1M	(\$21.4M)
Wastewater Infrastructure	\$24.7M	\$25.4M	\$0.7M
Water Resources	\$60.0M	\$168.1M	\$108.1M
All Other Infrastructure	<u>\$14.7M</u>	<u>\$52.0M</u>	<u>\$37.3M</u>
Subtotal - Infrastructure	\$531.1M	\$606.3M	\$75.2M
Debt	\$30.6M	\$44.9M	\$14.3M
All Other Funds	<u>\$22.3M</u>	<u>\$38.9M</u>	<u>\$16.6M</u>
Total Budget	\$730.1M	\$867.1M	\$137.0M



7. Operating Budget

Operating Budget 5-Year Projection





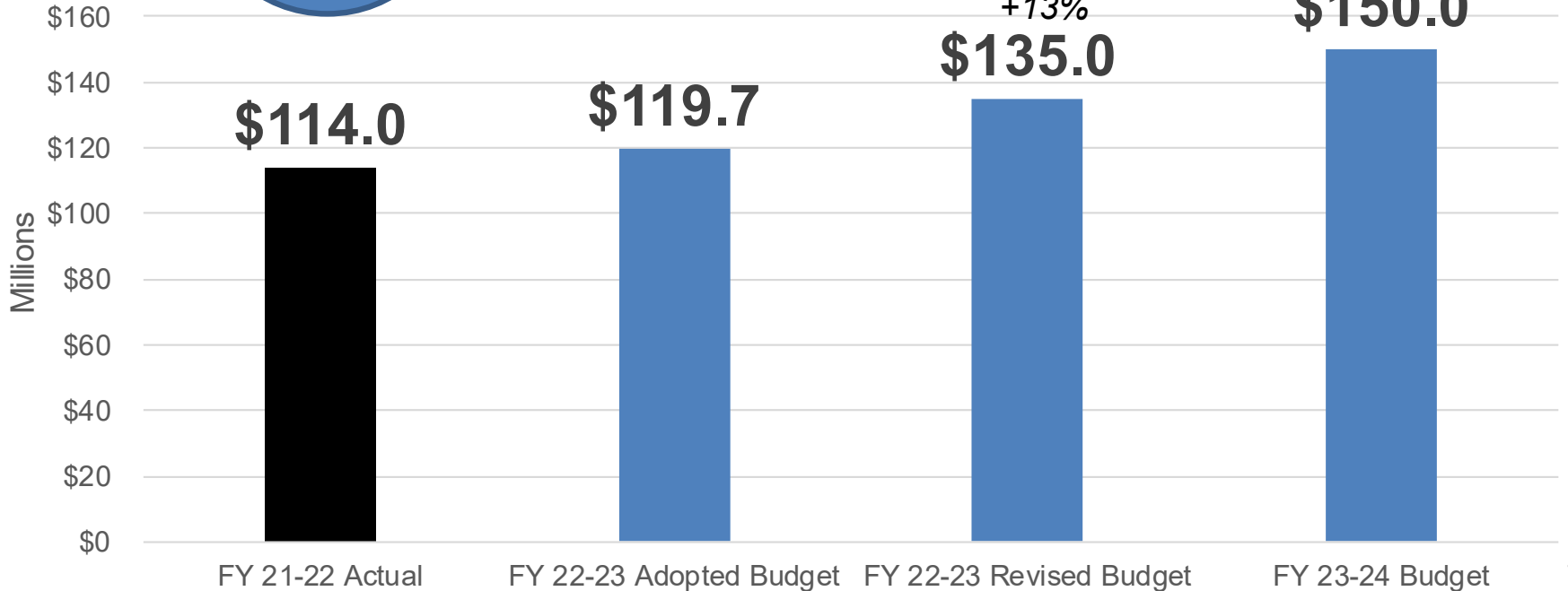
Operating Revenue Projections

3-STEP PROCESS

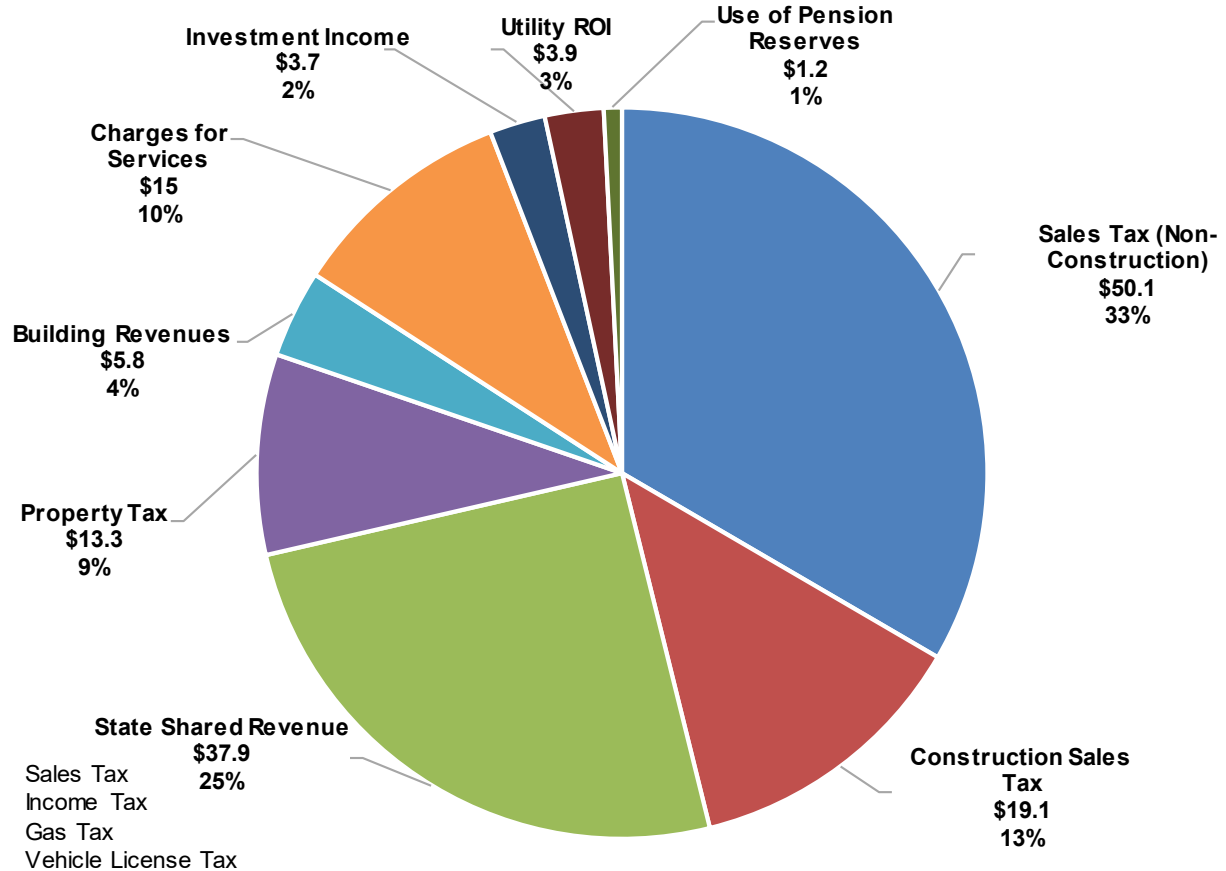
1.
Close
Out FY
21-22

2.
Revise
FY 22-23

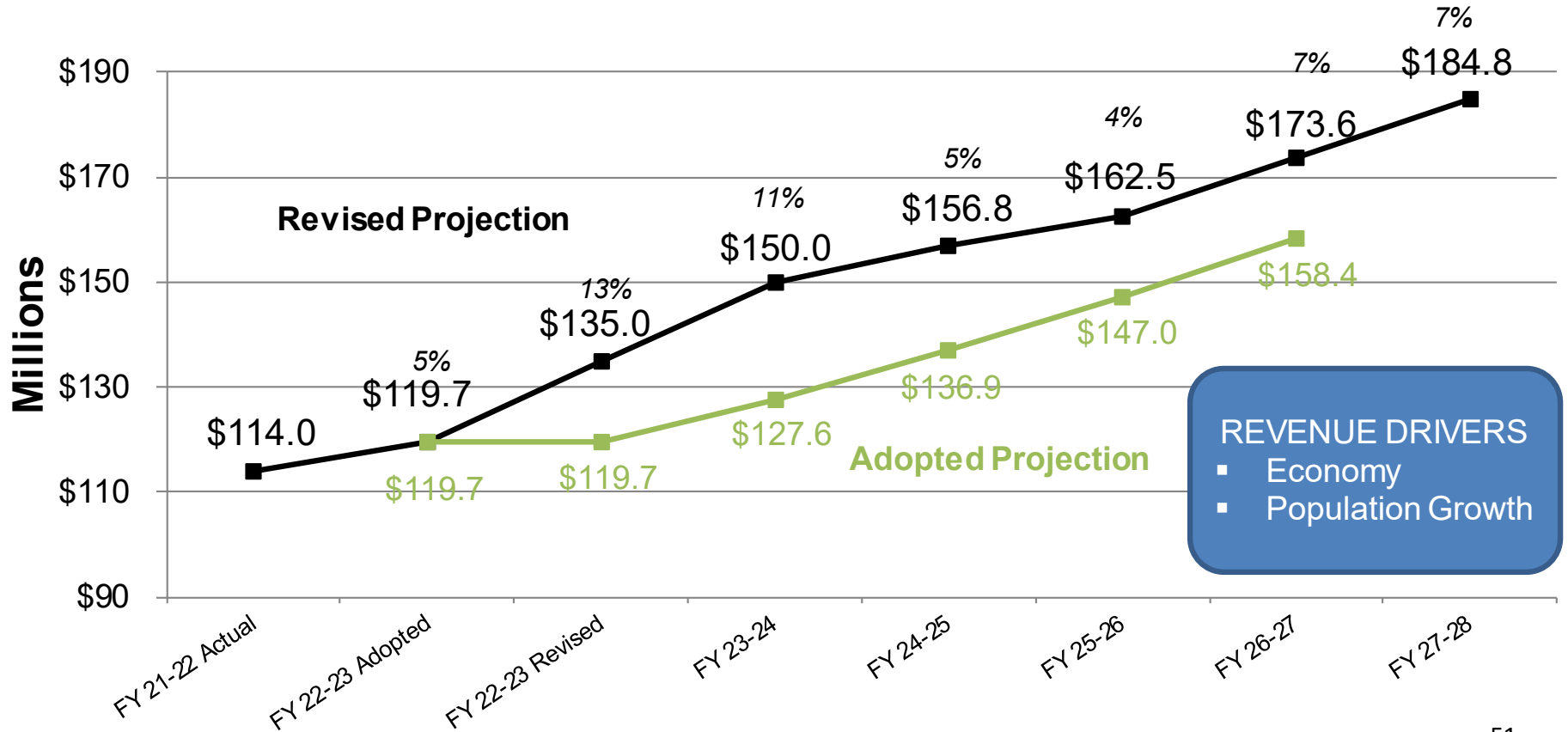
3.
Estimate
FY 23-24



FY 23-24 Operating Revenues/Sources: \$150M (9 Major Revenues)



Operating Budget Revenue Forecast

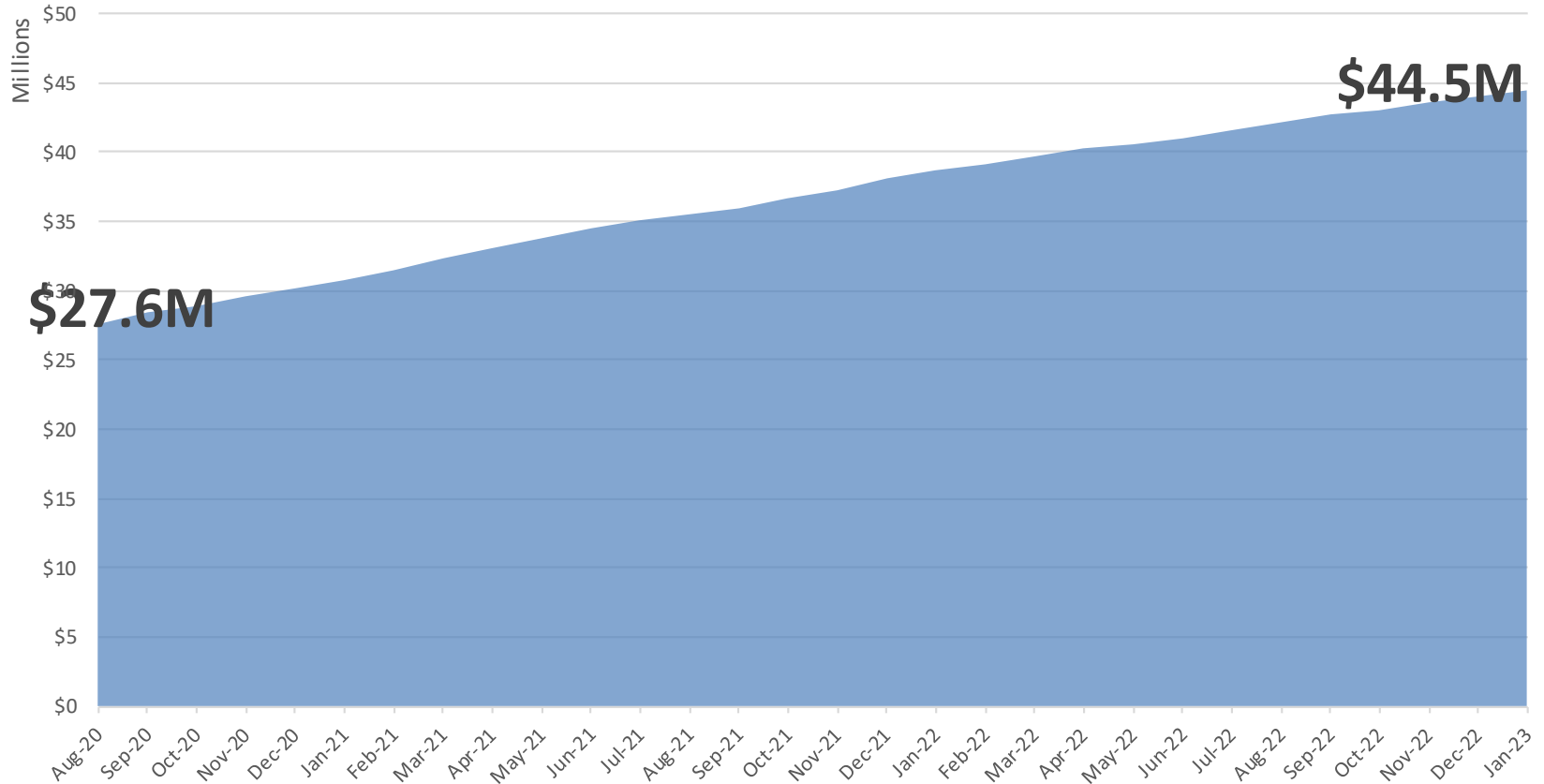


FY 23-24 Operating Budget Revenue

	FY 21-22 Actual	FY 22-23 Revised Budget	FY 23-24 Tentative Budget	\$ Change	% Change
Sales Tax	\$39.5M	\$45.1M	\$50.1M	\$5.0M	+11%
Construction Sales Tax	\$17.6M	\$16.9M	\$19.1M	\$2.2M	+13%
State Shared Revenue	\$22.5M	\$30.5M	\$37.9M	\$7.4M	+24%
Property Tax*	\$11.1M	\$12.5M	\$13.3M	\$0.8M	+6%
Building Revenues	\$11.3M	\$6.6M	\$5.8M	(\$0.8M)	(12%)
Charges for Services	\$7.3M	\$9.4M	\$15.0M	\$5.6M	+60%
Investment Income	\$0.4M	\$2.3M	\$3.7M	\$1.4M	+61%
Utility ROI for Public Safety	<u>\$3.5M</u>	<u>\$3.7M</u>	<u>\$3.9M</u>	<u>\$0.2M</u>	<u>+5%</u>
Subtotal	\$113.2M	\$127.0M	\$148.8M	\$21.8M	+16%
Use of Pension Reserves (Police)	\$0.8M	\$7.0M	-	(\$7.0M)	(100%)
Use of Pension Reserves (ASRS)	=	<u>\$1.0M</u>	<u>\$1.2M</u>	<u>\$0.2M</u>	<u>+17%</u>
Total Revenue	\$114.0M	\$135.0M	\$150.0M	\$15.0M	+11%
Change from FY 21-22 Actual		\$21.0M	\$36.0M		

*Property Tax “Frozen” for 5 Years beginning FY 23-24. Revenue increase represents new construction only.

12-Month Rolling Actual Sales Tax (Excludes Construction Sales Tax)





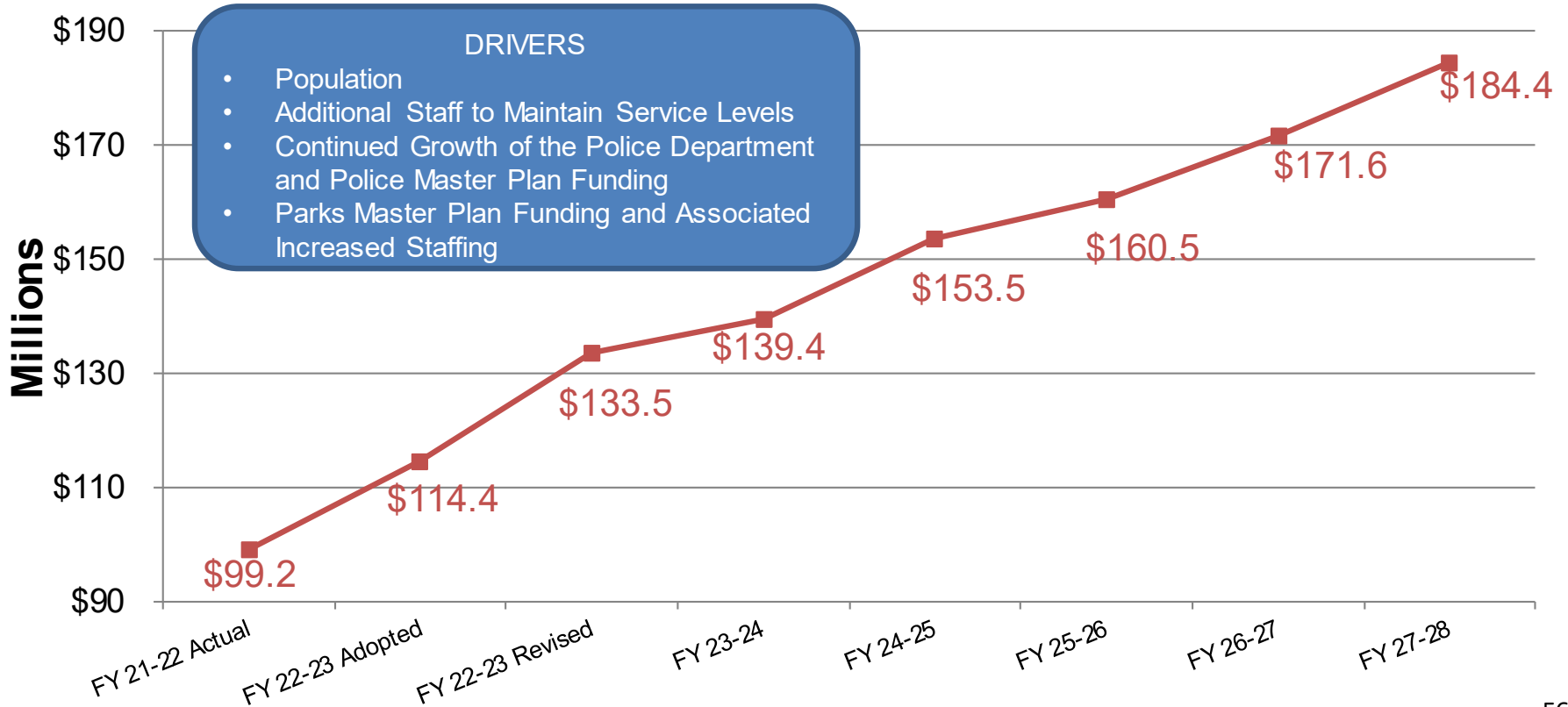
Operating Expense Projections

FY 23-24 Highlights



1. Funds 25% Reserve Increase
2. Maintains Existing Service Levels
3. Funds New Services
 - Police, Fire and Parks
4. Creates Capacity for Recreation and Aquatic Centers New Expenses in FY 24-25
5. Continues Infrastructure Funding
 - Funds Added for Police Master Plan (Phase 1)
 - Funds Phase 1 of the Parks Master Plan
6. Continues Road Replacement Funding

5-Year Operating Budget Expenses/Uses



FY 23-24 Operating Expenses

Category	FY 22-23 Revised Budget	FY 23-24 Tentative Budget	\$ Change	% Change
Personnel	\$51.9M	\$60.4M	\$8.5M	16%
Contractual and Supplies	\$47.7M	\$49.7M	\$2.0M	4%
Contingency (3% of Operating Expenses)	<u>\$0.2M</u>	<u>\$3.2M</u>	<u>\$3.0M</u>	<u>1500%</u>
<i>Subtotal Expenses</i>	<i>\$99.8M</i>	<i>\$113.3M</i>	<i>\$13.5M</i>	<i>14%</i>
Transfers Out:				
Infrastructure Funding	\$6.4M	\$3.5M	(\$2.9M)	(45%)
Debt Service	<u>\$11.7M</u>	<u>\$19.4M</u>	<u>\$7.7M</u>	<u>66%</u>
<i>Subtotal Transfers Out</i>	<i>\$18.1M</i>	<i>\$22.9M</i>	<i>\$4.8M</i>	<i>27%</i>
Total Uses (Expenses & Transfers Out)	\$117.9M	\$136.2M	\$18.3M	16%
25% Operating Reserve Funding	\$7.6M	\$1.7M	(\$5.9M)	(78%)
Road Replacement Reserve Funding	\$1.0M	\$1.5M	\$0.5M	50%
Police Pension Payment	<u>\$7.0M</u>	\$ -	(\$7.0M)	(100%)
Total Uses with Reserves Funding	<u>\$133.5M</u>	<u>\$139.4M</u>	<u>\$5.9M</u>	<u>4%</u>



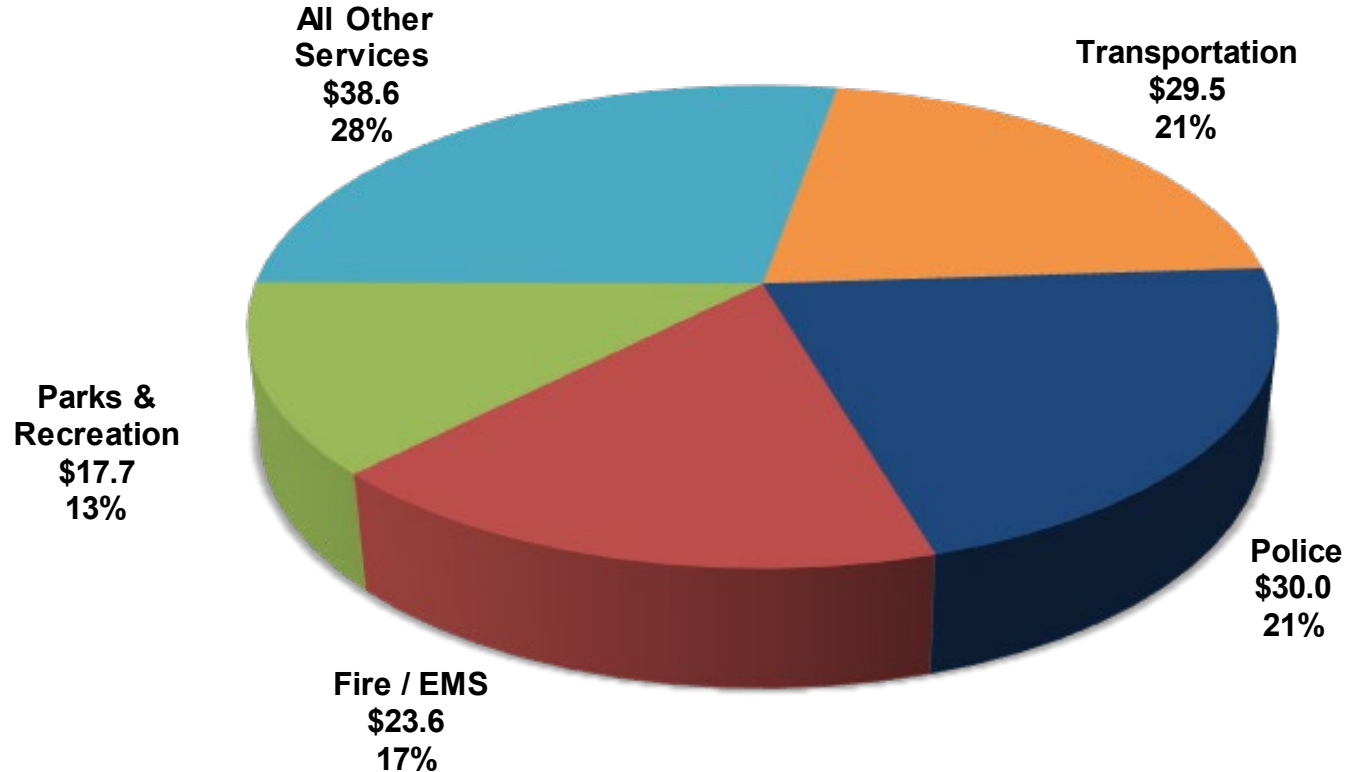
Important Expense Changes FY23-24: +\$13.5M



Item	Amount
Personnel Changes - 41 new FTE (21 for PD, 20 Non-PD / Non-Parks)	\$4.5M
New Parks – 15 new FTE plus Operations & Capital Costs	\$3.3M
Reset Contingency	\$3.0M
Employee Compensation (5% Market + Merit Increases + Benefits)	\$2.4M
Contract and Operating Increases (net)	\$1.7M
Software, Supplies and Equipment for new FTEs	\$1.6M
New Software & Maintenance Projects, Supplies & Equipment Upgrades	\$1.3M
Lower Capital Equipment Requests (long-lead items funded in FY 22-23)	(\$4.3M)
Total Expense Increases	\$13.5M

FY 23-24 OPERATING EXPENSES / USES: \$139.4M

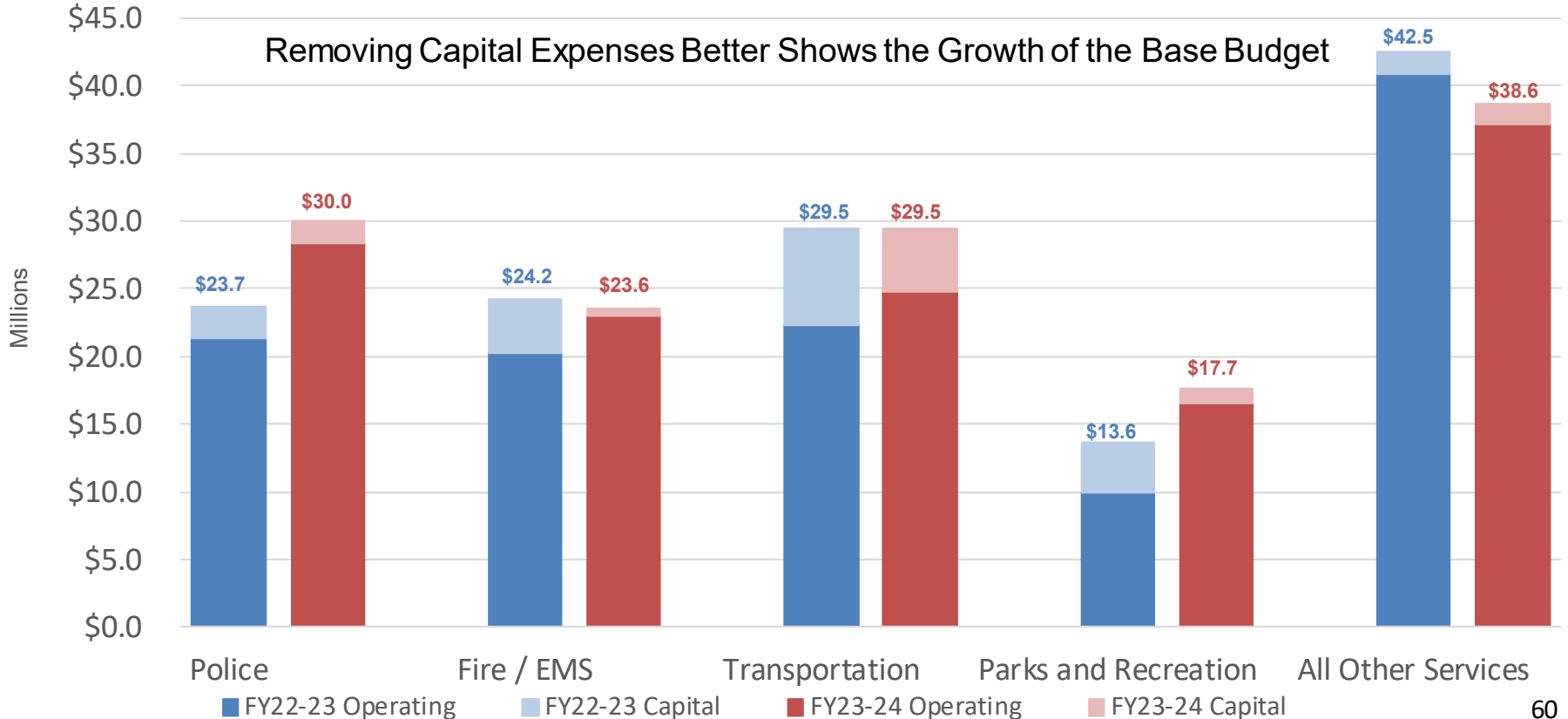
(BY PROGRAM)



PROGRAM EXPENSE COMPARISON

FY 22-23 vs. FY 23-24

Removing Capital Expenses Better Shows the Growth of the Base Budget



Increased Expenses for PD

(+\$6.3M Direct, +\$6.8M Total)

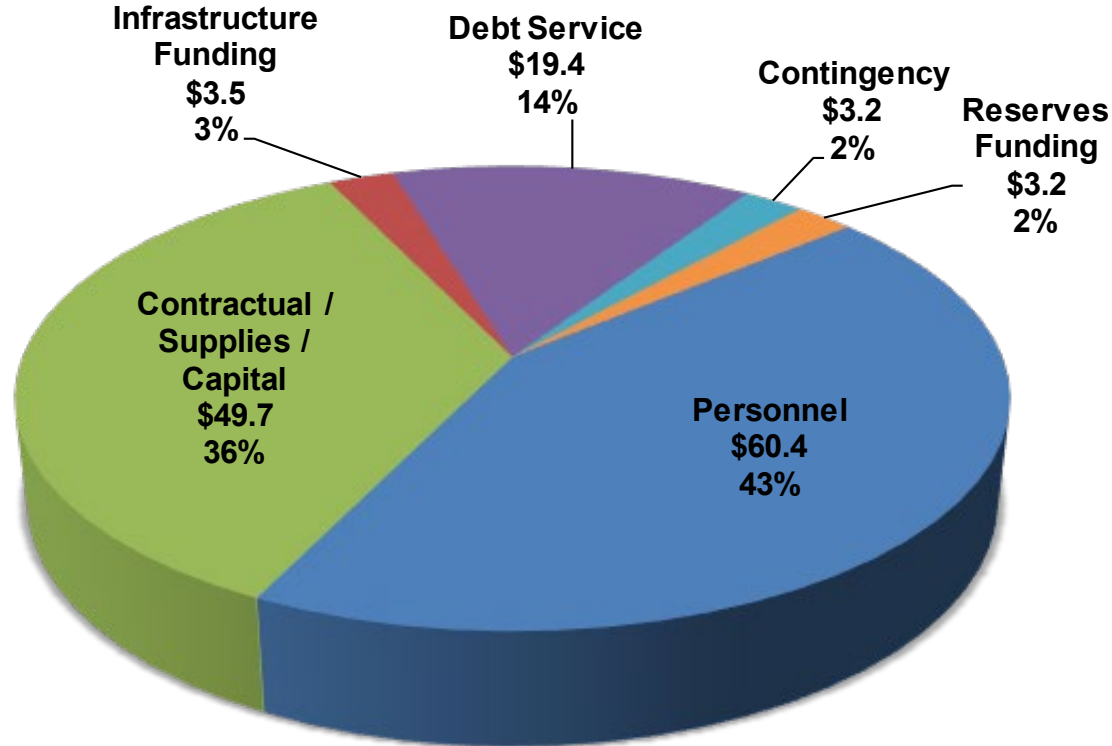
	FY 22-23 Budget	FY 23-24 Increases	FY 23-24 Total
Personnel – 110 FTEs (90 Sworn, 20 Civilian)	\$13.1M	\$3.0M	\$16.1M
Operations (Dispatch & Evidence Services, Uniforms, Guns/Ammo, Fuel & Vehicle Maintenance, Software, Training)	\$8.2M	\$1.3M	\$9.5M
Capital & Equipment	\$2.4M	(\$0.8M)	\$1.6M
Debt Service for PD Master Plan (50% of \$108M Bond Issue)	\$ -	\$2.8M	\$2.8M
Total – Direct PD	\$23.7M	\$6.3M	\$30.0M
Indirect Expenses (Fleet Staffing and Equipment)		\$0.5M	
Total FY 23-24 Increase		\$6.8M	

Increased Expenses for Parks & Recreation

(+\$4.1M)

	FY 22-23 Budget	FY 23-24 Increases	FY 23-24 Total
Personnel – 59.43 FTEs (15 new FTE for FY 23-24)	\$4.3M	\$1.6M	\$5.9M
Operations (Maintenance Parts & Supplies, Chemicals, Uniforms, Small Tools, Fuel & Vehicle Maintenance, Training)	\$1.5M	\$0.5M	\$2.0M
Capital & Equipment	\$3.5M	(\$2.3M)	\$1.2M
Debt Service	<u>\$4.3M</u>	<u>\$4.3M</u>	<u>\$8.6M</u>
Total	\$13.6M	\$4.1M	\$17.7M

FY 23-24 OPERATING EXPENSES / USES: \$139.4M (BY CATEGORY)





Operating Budget Reserves

June 30, 2024 Ending Reserve Projection



	FY 2023-24	
Revenues / Sources	\$150.0M	
Expenses / Uses	<u>(\$139.4M)</u>	
Net FY 23-24	<u>\$10.6M</u>	
Ending Fund Balance		\$129.6M
Restrictions:		
25% Revenue Reserve Requirement	\$38.9M	
ASRS Pension Reserve (Fully Funded)	\$24.6M	
Police Pension Reserve (Fully Funded)	\$19.3M	
Road Replacement Reserve	\$3.0M	
HURF Fund (Road Maintenance) Reserve	<u>\$0.3M</u>	
Total Restrictions		<u>\$86.1M</u>
Available		\$43.5M

Needed to Cover Operating Costs in Next Fiscal Year for the New Rec and Aquatic Centers



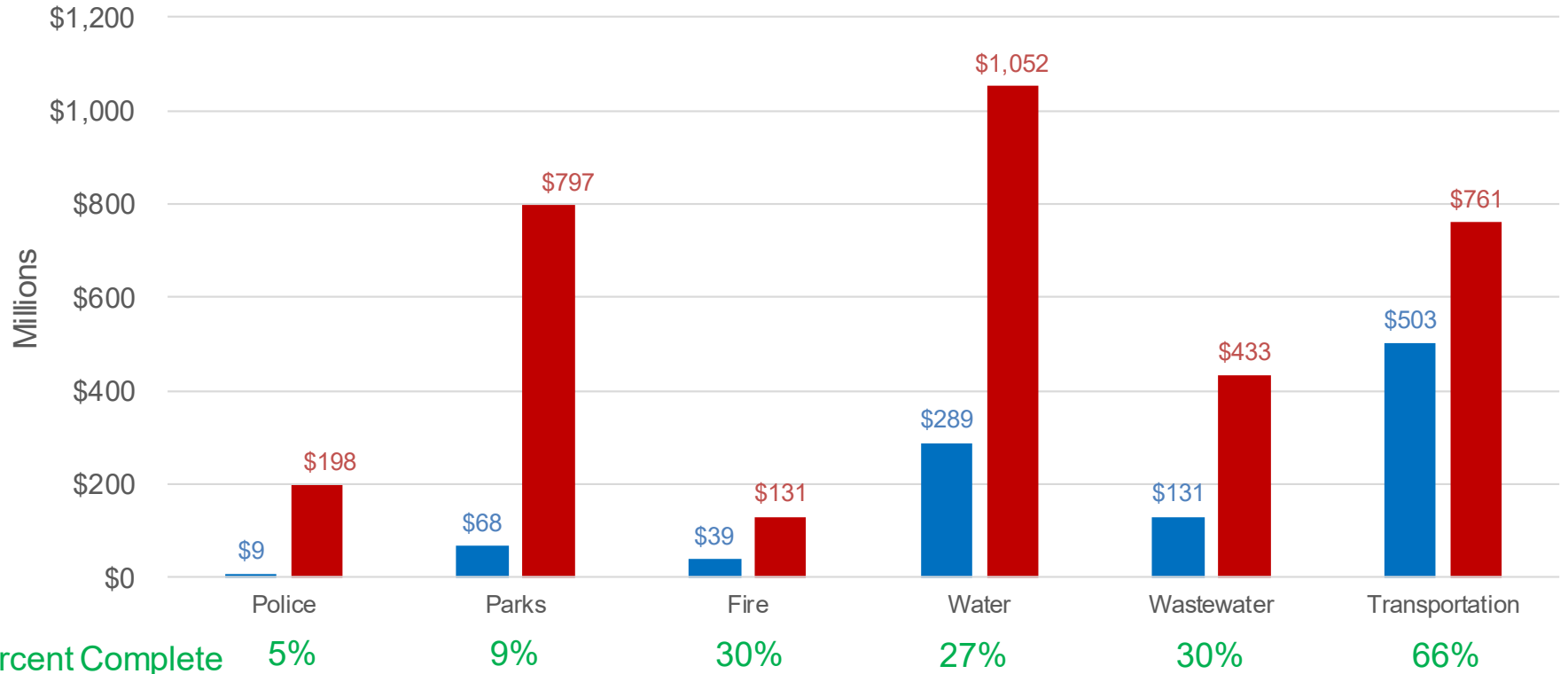
8. Infrastructure Budgets

Aggressive Infrastructure Construction Continues...



- Public Safety (Fire/EMS and Police)
- Transportation
- Water Supply Acquisition
- Water and Wastewater System
- Parks and Trails

Town Infrastructure: Today's Valuation (\$1B) vs. Buildout (\$3.3B)



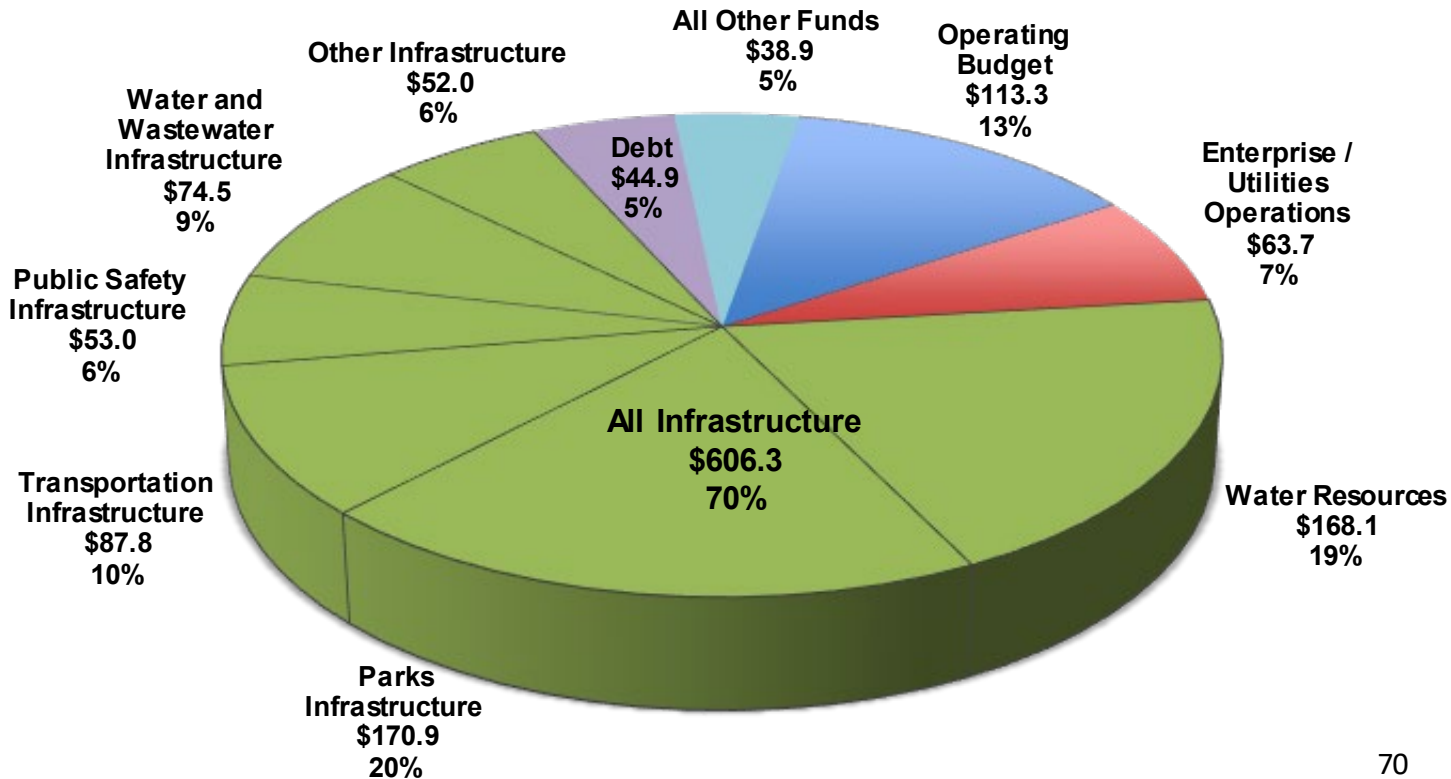
New Infrastructure Estimate: \$2.3B



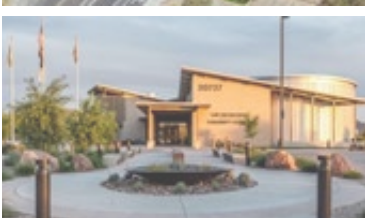
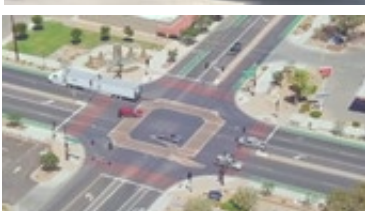
	Years 1 - 5	Thereafter	Total
Police	\$108M	\$81M	\$189M
Fire	\$38M	\$54M	\$92M
Transportation	\$258M	Pending Master Plan Update	\$258M
Parks	\$217M	\$512M	\$729M
Water	\$320M	\$443M	\$763M
Wastewater	<u>\$111M</u>	<u>\$191M</u>	<u>\$302M</u>
Total	\$1.1B	\$1.3B	\$2.3B

FY 23-24 RECOMMENDED BUDGET

\$867.1M



Infrastructure Budget Summary



	Projects Under Contract	Priority Projects (1)	New Projects	FY 23-24 Tentative Budget
Transportation	\$37.2M	\$50.6M	-	\$87.8M
Parks and Trails	\$0.9M	\$170.0M	-	\$170.9M
Water	\$10.5M	\$38.6M	-	\$49.1M
Wastewater	\$2.3M	\$23.1M	-	\$25.4M
Water Resources	-	\$168.1M	-	\$168.1M
Fire	-	\$17.7M	-	\$17.7M
Police	-	\$35.3M	-	\$35.3M
Municipal Facilities	\$2.0M	-	-	\$2.0M
Contingencies	-	-	\$50.0M	\$50.0M
Total Infrastructure	\$52.9M	\$503.4M	\$50.0M	\$606.3M

(1) See next slide

Priority Projects



	FY 23-24 Tentative Budget
Police Master Plan / Joint PD-Fire Facility	\$53.0M
Parks Master Plan Phase I & Related Projects	\$170.0M
State Lands Infrastructure (Roads, Water, Wastewater)	\$77.2M
Water / Wastewater Projects Funded by Pinal County	\$35.1M
Water Resources	<u>\$168.1M</u>
Total	\$503.4M



9. Debt Budgets

Debt

- Debt is Only Issued to Build Infrastructure
- The Issuance of Debt Accomplishes the Financial Objective of Spreading the Cost of Infrastructure over Multiple Generations (Intergenerational Equity)
- Two Types of Debt Outstanding
 1. General Government
 2. Water / Wastewater
- Debt is Paid Using Numerous Sources
 - Impact and Capacity Fees, Operating Budget, Dedicated Revenues, and Rates



Outstanding Debt: General Government

Purpose	Outstanding Amount 6/30/24	% of Total
Parks ⁽¹⁾	\$153.5M	34%
Transportation	\$118.1M	26%
Police ⁽²⁾	\$109.5M	25%
Fire ⁽²⁾	\$49.7M	11%
Library	\$4.0M	1%
Recreation Annex	\$3.4M	1%
HPEC	\$3.2M	1%
Town Buildings	<u>\$3.2M</u>	<u>1%</u>
TOTAL	\$444.6M	100%

(1) Includes \$21.7M new debt expected to be issued in FY 2023-24 for Parks & Recreation facilities.

(2) Includes \$130M new debt expected to be issued in FY 2023-24 (\$108M for PD, \$22M for Fire).

Annual Debt Payments: General Government

Funding Source	FY 23-24 Payment	% of Total Payment
Operating Budget	\$19.4M	80%
Dedicated Transportation Sales Tax	\$1.5M	6%
Town Center Sales Tax	\$0.3M	1%
Transportation Impact Fees	\$0.9M	4%
Fire Impact Fees	\$1.1M	4%
Law Enforcement Impact Fees	\$0.2M	1%
Library Impact Fees	\$0.2M	1%
Town Building Impact Fees	\$0.3M	1%
Parks Impact Fees	<u>\$0.5M</u>	<u>2%</u>
TOTAL	\$24.4M	100%

Annual Debt Payment: Operating Budget

Purpose	FY 23-24 Payment	% of Total Payment
Parks and Recreation	\$8.6M	44%
Transportation	\$5.8M	30%
Police	\$2.8M	14%
Fire	\$1.4M	7%
HPEC	\$0.3M	2%
Town Buildings	\$0.3M	2%
Library	<u>\$0.2M</u>	<u>1%</u>
TOTAL	\$19.4M	100%

Outstanding Debt: Water and Wastewater

Purpose	Outstanding Amount 6/30/24	% of Total
Water – Water Resources ⁽¹⁾	\$264.9M	57%
Water – CIP Infrastructure Projects	\$104.5M	22%
Water – Company Acquisitions	\$60.6M	13%
Wastewater – CIP Infrastructure Projects	\$35.1M	7%
Wastewater – GWRP Buy-in	<u>\$1.7M</u>	<u>0.4%</u>
TOTAL	\$466.8M	100%

(1) Includes \$168M new debt expected to be issued in FY 2023-24 for new water rights.

Annual Debt Payment: Water and Wastewater

Purpose	Total FY 23-24 Payment
Water – Company Acquisitions	\$4.7M
Water – Water Resources	\$3.9M
Water – CIP	\$4.0M
Wastewater – CIP	\$2.3M
Wastewater – Treatment Plant	<u>\$0.4M</u>
TOTAL	\$15.3M



10. Other Major Budgets

Utility Funds

- Three Utility Funds
 1. Water
 2. Wastewater
 3. Solid Waste/ Recycling
- Rates and Fees Pay for Expenses (Not Taxes)
- Size of Service Areas Vary
- Rate Study Underway



Utility Funds (concluded)

	Water	Wastewater	Solid Waste / Recycling
Operating Expenses ⁽¹⁾	\$33.3M	\$8.8M	\$5.3M
Expense Increases	<p>Personnel-Market and Merit</p> <p>4.5 New FTEs</p> <p>Commodity Increases Due to Increased Accounts and Inflation (Electricity, Chemicals)</p>	<p>Personnel-Market and Merit</p> <p>No New FTE</p> <p>Commodity Increases Due to Increased Accounts and Inflation (Electricity, Chemicals)</p>	<p>Personnel-Market and Merit</p> <p>1 New FTE for Environmental Monitoring Programs</p> <p>No Operating Expense Increases</p>

(1) Excludes Capital and Debt Service

Town Center Fund

- Dedicated 0.25% Sales Tax: \$1.8M Annually
- Dedicated Tax to be Used for Infrastructure and Programming Needs of the Town Center
- Town Center Master Plan to be Updated
 - Constructing Drainage Improvements
 - New Transportation and Utilities Infrastructure (Budgeted Separately in Appropriate Funds)



Contingency Budgets

Purpose	Description	Amount
1. Projects Under Contract	Carryforward of approved contracts into FY 23-24	\$52.9M
2. New Construction Projects	Expenditure authority for new projects or unanticipated CIP costs	<u>\$50.0M</u>
	Total CIP Contingency	\$102.9
4. Grants Contingency	Expenditure authority for potential receipt of grants for PD, Fire, Traffic, Streets, and Trails	\$5.0M
5. Carry-Forward for Long-Lead Items	Expenditure authority for vehicles, equipment, projects and materials ordered in FY 22-23 but will not be received or completed until FY 23-24	\$10.0M
6. Recreation Capital Contingencies	Expenditure authority for possible long-lead items related to the Recreation/Aquatic Center that will be needed before the facility opens in FY 24-25	\$8.0M
7. Operating Contingencies	Expenditure authority for unanticipated operating costs in the Operating Budget and Utility Funds (set at 3% of budgeted expenses)	<u>\$4.4M</u>
	Total FY 23-24 Contingencies	<u>\$130.3M</u>





11. Calendar

Key Budget Dates



Date	Item
February 24-25	Council Strategic Planning Session
March 23	Town Manager Recommended Budget Released
March 27-30	Budget Briefings with Town Council
April 10	Budget Committee Meeting
May 3	Tentative Budget Approval
May 17	Final Budget Adoption
June 7	Property Tax Levy Adopted



12.

Discussion of FY 23-24 Remaining Policy Issues

Outstanding Strategic Financial Policy Issues



1. 'AAA' Bond Rating

- Use of 2% Dedicated Construction Sales Tax
- Update Debt Management Policy
- Update Pension Funding Policy
- Update Operating Budget Reserve Policy

2. New Water Supply Funding

3. New Infrastructure Funding

4. Impact and Capacity Fee Rate Study

5. Utility Rate Study (water, wastewater, solid waste/recycling monthly rates)

6. Initial Utility Bond Rating

7. Funding Infrastructure Replacement

Funding Needs

1. Police Master Plan (Phase 1): \$130M
2. Transportation Master Plan (Supplemental): \$105M
3. Water Supply Acquisition and Related: \$200M
4. Field Operations Center: \$TBD
5. Town Center Infrastructure: \$TBD
6. Horseshoe Park: \$TBD



Remaining FY 23-24 Policy Decisions

REPEAT

1. Consider a New Policy for Sworn Police Personnel Salary Market Increases
2. Consider a New Approach for Budgeting for Construction Projects



1. Sworn Police Personnel Salary Market Increase Policy

Objective: Ensure the salary ranges for Police sworn staff remain competitive within the local market

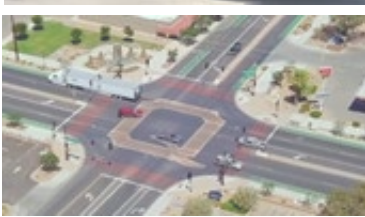
- Since QCPD started in January 2022, other agencies have aggressively increased compensation for sworn staff
 - Pay ranges, hiring bonuses, retention incentives
- QCPD has implemented bonuses and incentives, but salary ranges for sworn staff are currently at the bottom half of the market comparisons




1. Sworn Police Personnel Salary Market Increase Policy (concluded)




Procedure:



July 1: PD sworn staff receive the same market adjustment as all other Town employees (FY 23-24 = 5%)



October 15th: HR compares QCPD salary ranges to market, identifies increases needed to rank mid-point of QCPD sworn positions in the top three of the market comparisons







January 1: PD sworn staff receive an additional adjustment based on market analysis (FY 23-24 = 4% estimated, \$280K)



2. New Approach Budgeting for Construction Projects

The Issue: The Adopted Budget and the Voter Approved Expenditure Limit are NOT the Same

- Expenditure Limit
 - FY 23-24: \$631M
 - Voter Approved Permanent Base Adjustment in August 2022
 - Calculated Net of “Exclusions”
 - FY 23-24 will be the First Budget Under the New Expenditure Limit
 - Adopted Budget
 - Much Larger than the Amount the Town will Ever Spend in One Year
 - Adopted Budget = Spend + Contract Awards
 - Cannot be Increased Once Approved
- 
- 
- 
- 

2. New Approach for Budgeting for Construction Projects (continued)

The Objective: Create a Connection Between the Expenditure Limit and the Adopted Budget

- Two Issues Are Causing the Disconnection
 1. The Large Size of Construction Project Budgets (the Largest Component of the Budget)
 2. State Law Requires “Budget Authority” to Enter Into Construction Contracts ... Even Though the Projects are Built Over Several Years
 - Construction Projects Are Rarely Completed in One Year
 - The Amount of the Construction Projects Carry Forward Continues to Grow



2. New Approach for Budgeting for Construction Projects (concluded)

Recommendation

1. Carry Forward Only Existing Projects Under Contract at June 30
 - Current Practice is to Carry Forward All Previously Approved Projects
2. Not All New Projects Will be Included in Adopted Budget
 - “Priority Projects” Will be Specifically Approved in Adopted Budget
 - “\$50M New Project Contingency” will be Used for “Non-Priority Projects” that are Started During the Year
 - Town Council Approval Required



New Policy Approach



	Current Approach	New Approach	Reduction to Budget
Carry Forward Existing Projects that are Under Contract (excluding "Priority Projects")	\$134.1M	\$52.9M	(\$81.2M)
New Projects / "Priority Projects"	\$566.9M	\$503.4M	(\$63.5M)
Project Contingency	<u>\$50.0M</u>	<u>\$50.0M</u>	_____ -
Total CIP Budget	\$751.0M	\$606.3M	(\$144.7M)
Operating Budgets	<u>\$260.8M</u>	<u>\$260.8M</u>	_____ -
Total FY 23-24 Budget	\$1,011.8M	\$867.1M	(\$144.7M)

Compliance With Expenditure Limit of \$631.4M

		FY 23-24 Tentative Budget
Total Recommended Budget		\$867.1M
Less Exclusions:		
Use of Debt Proceeds (for CIP Projects and Water Resources)	\$398.3M	
Debt Service Requirements	\$44.9M	
Investment Income	\$8.0M	
Amounts Received from State (Infrastructure Reimbursement)	\$30.0M	
Transactions Between Funds (Healthcare Internal Service Fund)	\$9.7M	
HURF Revenues	\$5.3M	
Contracts with Other Local Governments (Pinal ARPA Projects)	<u>\$35.1M</u>	
	Total Exclusions	<u>\$531.3M</u>
Budget Amount Subject to the Expenditure Limit		\$335.8M
FY 23-24 Expenditure Limit, per ADOR		<u>\$631.4M</u>
	Amount Under the Expenditure Limit	\$295.6M

Recommended Motion

Move to Approve the FY 2023-24 Tentative Budget of \$867.1M and Set May 17, 2023 at 6:30 p.m. as the date and time of the Public Hearing for the FY 2023-24 Final Budget as required under Arizona Revised Statutes.

- Sets the Maximum Budget Amount





Discussion and Questions