



MINUTES

Budget Committee

20727 E. Civic Parkway, Queen Creek, AZ 85142

Community Chambers

April 11, 2022 – 3:30 p.m.

1. Call to Order:

The meeting was called to order at 3:30 p.m.

2. Roll Call

Council Member Wheatley, Chair	Present
Council Member Benning	Present
Council Member Oliphant	Present

3. Public Comments

None.

4. Items for Discussion and Possible Action

A. Consideration and possible approval of the April 12, 2021 minutes

MOTION: To approve the April 12, 2021 minutes

RESULT: Approved unanimously (3-0)

MOVER: Council Member Oliphant

SECONDER: Council Member Benning

AYES: Benning, Oliphant, Wheatley

B. Discussion and possible approval of the Queen Creek FY 2022/23 Town Manager's Recommended Budget

1) FY 2022/23 Town Manager's Recommended Budget including Departmental and Capital Budgets

Town Manager John Kross opened the meeting with a budget overview and outlined the meeting agenda. Mr. Kross reviewed the current economic conditions at the local, regional, state and national level and said that Arizona is doing quite well in terms of population and job growth. Mr. Kross discussed the importance of growth projections to identify costs of new services, location of new infrastructure and revenues.

Mr. Kross outlined key financial policies that are in place including:

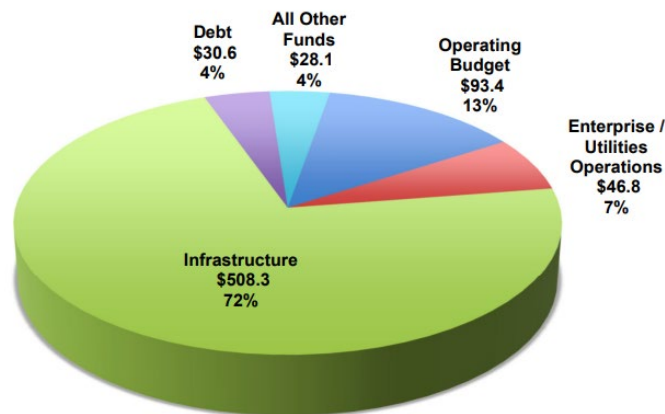
1. Pension Funding Policy (fully funded)
2. Revenue Reserve Policy (proactive approach)

3. Infrastructure Repair/Replace Funds
4. Employee Compensation
5. Parks Master Plan Funding (two phases)
6. New Position Placeholder (increased to 25 positions annually to maintain service levels)

Mr. Kross said policy issue discussions are related to the Town's mission and projections for the community. Policy recommendations for FY22-23 include:

1. **Create an Ambulance Transportation Service:** Annual revenues once fully operational will be \$2.2M and annual expenses projected at \$2.9M
2. **Determine amount to be received from Primary Property Tax:** (exclusively for public safety) Recommendation to maintain current rate of \$ 1.83 per \$100 assessed value.

Mr. Kross provided details on the FY 22-23 total recommended budget of \$707.2M, which is a 48% change from last year. He said 72% of the budget is for infrastructure and a placeholder for water purchases, which reflects the priorities of Council. He discussed the layout of the budget, restricted funds and presented comparisons to last year's budget. Mr. Kross reviewed the budget by area (see chart below).



Mr. Kross summarized the new staffing positions (64) recommended for FY 22-23 and said 66% is for public safety.

Council asked if we currently use any contract employees. Mr. Kross said yes, in the areas of Public Works, Development Services and CIP.

Operating Budget

Finance Director Scott McCarty outlined the 5-Year Planning Goals and major takeaways relative to the operating budget:

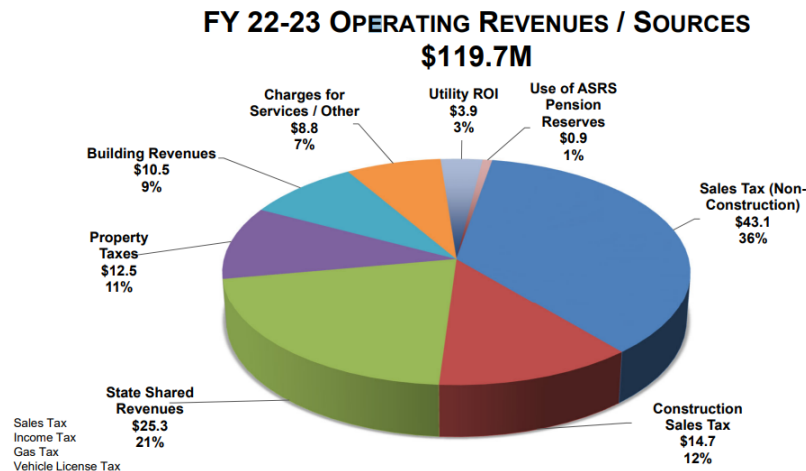
- Continue to fund a fully operational Police Department

- New contractual obligations for the library
- Fully funded pensions have been achieved
- Fully funded Compensation & Class Study
- Fully Funded Phase I of Parks Master Plan – debt issue approved
- Initiate placeholder funding for Phase II of Parks Master Plan (for Year-6 opportunities)
- Continue Road Replacement Reserves Funding
- Placeholder for 25 new positions annually (increased from 15)

Revenue Sources/Projections:

Mr. McCarty reviewed revenue projections over the next five years in each revenue category. The drivers for revenue projection are the economy, population growth, sales tax, and new businesses. He said that we do not see the growth slowing down in Town or in the surrounding areas.

Mr. McCarty said the FY22-23 operating revenues are estimated at \$119.7M and is growing each year by 7% - 10%. He compared percentage of change in revenue sources projections by category from the previous budget year. Mr. McCarty said State shared revenue increases were due to growth in the State economy and our share is growing based on our population growth.



Council Member Benning asked about: 1) data for online sales tax collection and the accuracy of reporting; and 2) if there are foreseeable changes for the collection of construction sales tax by the legislature.

Mr. McCarty said that online sales segment is rapidly growing and we feel they are reporting correctly. Mr. Kross said we are always on guard for any adjustments with respect to policy proposals.

Council Member Wheatley said it is encouraging that we are not as reliant on construction sales tax, as in the past.

Property Taxes:

Mr. McCarty said we are seeing significant growth in our assessed property values (\$78.1M). He outlined the property tax formula and reported on the growth of residential, commercial and vacant land. He said the FY22-23 assessed value increased by 13%. Mr. McCarty said existing properties grew by 5% based on the market conditions and new construction increased by 8%.

Mr. McCarty said that Town Council sets the levy rate to decide how much revenue we want to receive each year. Council recommended the Town keep the rate the same as last year at the \$1.83 levy rate. He noted that increases for residential home properties will be due to the market increase of home values.

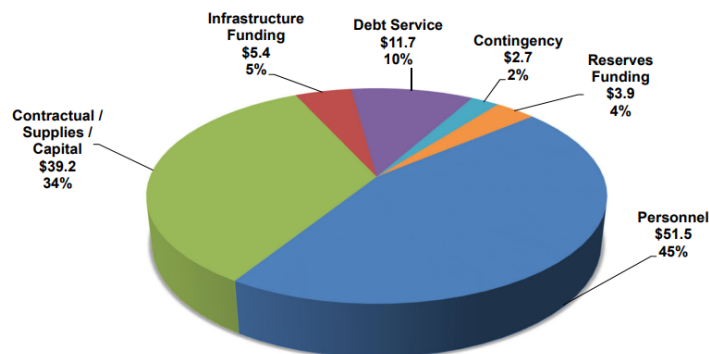
Mr. McCarty said that the levy cannot ever exceed \$1.95 and individual impact on property owners cannot go up any more than 5%. He said property tax is used solely for public safety.

Operating Expense Projections:

Mr. McCarty summarized the expenditure side of the budget (\$114.4M), which reflects a 3% increase (\$3.2M). Mr. Kross noted that the 3% increase is lower than the 10% growth rate of the community. The 5-year Operating Budget expenses are driven by population; creation of the Police Department; new positions and the compensation study; parks funding; library costs; and road replacement funding. Revenues are driven by growth, population and maintaining service levels.

Mr. McCarty highlighted operating expenses by category and program. He noted that the top three priorities from Town Council (transportation, Police and Fire/EMS) represent a majority of the operation expenses. He said we only issue debt to build things and it is based on growth.

**FY 22-23 OPERATING EXPENSES / USES
\$114.4M BY CATEGORY**



Operating Budget Reserves

Mr. McCarty concluded with the revenue/expense summary which leaves a net \$5.3M for FY 22-23 and an ending fund balance totaling \$106.7M. He said after our four policy restrictions (including our policy of setting aside a 25% reserve) we anticipate an available reserve of \$22.8M left over for FY22-23 budget for future use as determined by Council. He said staff will present Council with ideas for use of the reserves that will strategically strengthen our financial performance and layout policy decisions to help achieve a AAA bond rating in the future.

Other Major Budgets

Deputy Finance Director Dan Olsen provided an overview of other major budgets that are not part of the Operating Budget:

- Water Operating Fund (self-funded) - \$60M placeholder for water rights purchases; \$1.0M for five full time employees (FTE) and compensation and classification study. Operational increases are due to system growth; and no rate increase for customers next year but new rate study underway
- Wastewater Operating Fund (self-funded) – operational increases offset by reduction in equipment funding; no rate increase but rate study underway
- Solid Waste/Recycling Fund (self-funded) – service provider costs increased 23% due to new accounts; contract renewed through 2027; no rate increase but rate study underway
- Town Center Fund – dedicated 0.25% sales tax \$1.0M annually will be focused on implementing the Town Center Plan; focus is on drainage improvements and utilities infrastructure
- Streetlight Improvement District – \$150K placeholder, awaiting data from the County; exact numbers will be available in the Tentative Budget
- Healthcare Fund (self-insured) – revenues/claims \$7.6M; no change to employee premiums; future objective is to establish a formal reserve policy for this fund

Infrastructure Budgets

Mr. Olsen said the infrastructure budget represents 72% of the town's budget and is a reflection of the priorities of the community. The \$508.4M infrastructure budgets include new projects and carry forward projects.

Mr. Olsen gave a brief overview of the following infrastructure budgets:

- Street infrastructure (\$430M for 10-year Capital Plan) - \$161M for FY22-23 includes \$95M for carry-forward projects and \$66M for new projects
- Parks & Trails – \$149.1M for FY22-23; Major projects include \$144.3M for design/development of Frontier Family Park; Recreation Center; Aquatic Center; and Mansel Carter Park Phase 2. \$4.8M for trails that are ongoing (impact fees fund all trail projects)
- Water Infrastructure (\$443M for 10-year Capital Plan) - \$69M for FY22-23 includes \$30M for carry-forward projects and \$39M for new projects; financing recently completed and an updated Master Plan is forthcoming
- Wastewater Infrastructure (\$234M for 10-year Capital Plan) – \$25M for FY22-23 includes \$9M for carry-forward projects and \$16M for new projects; financing recently completed and an updated Master Plan is forthcoming
- Fire / Police – \$17M for FY22-23 includes land and design of PD Evidence Facility; Fire Station #2; Fire Station #5; and Fire Resource Center

(Mr. Olsen noted that the Resource Center costs increased and there is an opportunity to possibly use ARPA funds for this project. The Town's ARPA amount is \$4.8M and is based on federal rules and Council direction to use ARPA for public safety.)

- Municipal Facilities - \$7.4M for FY22-23 includes Public Works Facility design and construction; fueling system; and street sweeper washout area

Contingencies Budgets

Mr. Olsen reviewed the purpose and importance of contingencies to be used for unexpected costs or under contract carry forward. He said the total contingency amount for FY22-23 is \$209.1M. Mr. Olsen said Council approval is required before any funds are spent.

- Projects under Contract - \$67.9M
- Projects Budgets Approved (not yet awarded) - \$98.5M
- Unanticipated Expenses - \$20M for new opportunities or emergency needs
- Grants Contingency – expenditure authority for potential grants - \$10.0M
- Carry forward for long-lead capital items - \$7.0M
- Operating contingencies - \$3.7M
- Development Agreements - \$2.0M (related to Costco & car dealership)

The committee took a short break and resumed at 5:15 pm.

Council Member Oliphant said it is important to note the Town's practice of using pay-as-you-go funds and she suggested that we include this in the Budget presentation.

Debt Budgets

Mr. Olsen reviewed the Town's debt payments.

- Annual Bond Debt Payment – total debt payment for the year is \$16.7M
Mr. Olsen said this amount does not include Utility related items. Funding sources include sales tax, impact fees and operating budget.
- Operating Budget Payment – debt service total annual amount is \$11.7M mostly for Transportation; parks and other items make up the remainder
- Outstanding Bonded Debt - outstanding amount of debt as of 6/30/222 is \$312.7M; majority is for transportation (40%) and parks (45%) and is related to direction from Council; includes the new debt that will be issued in May 2022
- Annual Debt Service (Utilities) - \$12.2M - on an annual basis, 80% comes from rates and 20% from capacity fees
- Outstanding Bonded Debt – Utilities - \$280.5M with a majority for water company acquisitions, water rights and some new CIP projects
- Park Land Purchase - \$23M for Parks Land Purchase

Mr. Olsen explained that on April 6, 2022 Council approved \$138M in excise tax debt. This included \$23M towards parks land acquisition for future park construction. He said the period for approval would fall in next year's budget with an expected contract completion date of July or August 2022. Mr. Olsen said staff is recommending an increase in the FY22-23 budget by \$23M to accommodate the land acquisition contract. He said, if Council approves this \$23M revision the total FY22-23 Recommended Budget would be \$730.2M. The funding source for this will be the bonds that are being issued and we will have the cash available in fund balance.

Mr. Olsen concluded with key budget dates in the budget approval process. He summarized the key budget takeaways as follows:

- Positive financial outlook remains
- Strong population growth expected which will require additional staff and new infrastructure to maintain service levels
- All pensions are fully funded, reducing our use of current-year revenues by \$1.3M

The following departments presented to the Budget Committee:

Dave Lipinski, CIP Director addressed the growth in the Town and outlined projects under contract, carry forward and new projects. He presented CIP projects in the areas of transportation; wastewater and water; parks; trails; and municipal facilities. In street infrastructure, he said there are \$161M in projects including carry forward and four new projects.

Fire Chief Vance Gray provided an overview of the QC Fire and Medical department requests. He said they are requesting 28 FTE with the majority for the new Emergency Transportation Services (ETS) Program. Chief Gray outlined the timeframe, training and details to establish the program and said it will roll out in July/August 2023.

Council had questions regarding the shifts and training for the new program. Chief Gray said ETS would follow the same shifts as the fire department. He said EMTs are already certified but will have some orientation training relative to the Town and our equipment.

Chief Gray provided information on other department requests including equipment needs and a vehicle for the new Training Deputy Fire Chief. He provided an update on the Resource Skills Center and said significant cost increases have occurred. As a result, staff is analyzing options in the event that the \$8M will not cover a fully scoped project. He discussed phasing options and downsizing the classroom portion of the project.

Police Chief Randy Brice provided details on the request for 15 full time employees (ten sworn PD and five civilian PD); supplies and services; support costs; and vehicles supplies and radios.

Economic Development Director Doreen Cott introduced Horseshoe Park & Equestrian Centre (HPEC) General Manager David Solum. Mr. Solum provided information on three supplemental requests for HPEC. Items included 24 additional RV spaces; two RV Dump Stations and 84 additional barn stalls. He discussed the economic impacts, return on investments on these items, and said the items are in high demand at HPEC.

Council asked if additional staff is required because of these items. Mr. Solum said no additional staff is required.

MOTION: To recommend to the full Town Council for approval, the Town Manager's Revised FY2022/23 Recommended Budget of \$730.2M

RESULT: Approved unanimously (3-0)

MOVER: Council Member Oliphant

SECONDER: Council Member Benning

AYES: Wheatley, Oliphant, Benning

Council Member Wheatley thanked staff for their time and work on the budget process. She appreciates the conservative approach by Council and staff in developing the annual budget.

3. Announcements

Mr. Kross concluded with the budget timeline:

- May 4, 2022 Town Council Meeting - the budget will be discussed for tentative approval
- May 18, 2022 Town Council Meeting – the budget will be discussed for final adoption
- June 1, 2022 Town Council Meeting - the property tax levy will be considered

Mr. Kross thanked staff and Council for their collaboration and work on the budget.

5. Adjournment

The meeting adjourned at 6:23 p.m.

The April 12, 2022 Budget Committee Meeting was not needed, and was cancelled.

TOWN OF QUEEN CREEK

Council Member Julia Wheatley, Chair

ATTEST:

Joy Maglione, Deputy Town Clerk

I, Joy Maglione, do hereby certify that, to the best of my knowledge and belief, the foregoing Minutes are a true and correct copy of the Minutes of April 11, 2022 Budget Committee Meeting. I further certify that the meeting was duly called and that a quorum was present.

Passed and approved on: April 10, 2023