



## MINUTES

### Budget Committee

20727 E. Civic Parkway, Queen Creek, AZ 85142

Community Chambers

April 10, 2023 – 3:30 p.m.

#### 1. Call to Order and Roll Call:

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

##### **PRESENT:**

Vice Mayor Brown, Chair  
Council Member McClure  
Council Member Oliphant

#### 2. Public Comments

None.

#### 3. Items for Discussion and Possible Action

A. Consideration and possible approval of the April 11, 2022 minutes

**MOTION:** To approve the April 11, 2022 minutes

**RESULT:** Approved unanimously (3-0)

**MOVER:** Council Member Oliphant

**SECONDER:** Council Member McClure

**AYES:** Brown, Oliphant, McClure

B. Discussion and possible approval of recommendations on the Queen Creek FY 2023/24 Town Manager's Recommended Budget of \$867.1 million.

##### **1) FY 2023/24 Town Manager's Recommended Budget including Departmental and Capital Budgets**

Town Manager Bruce Gardner opened the meeting and thanked staff for preparing the budget. He expressed appreciation for the assistance provided by former Town Manager John Kross and for the Finance Team led by Finance Director Scott McCarty and Deputy Director Dan Olsen.

Mr. Gardner provided the budget overview and outlined the meeting agenda. He said a positive financial outlook remains with population growth expected to continue for

Queen Creek. Mr. Gardner said the budget reflects the Town Council's priorities and policy directions with a focus on funding the Police and the Parks Master Plans.

Mr. Gardner outlined the budget planning goals as follows:

- 1) Maintain existing service levels
- 2) Fund Police Department growth (staffing and Master Plan)
- 3) Fund Parks & Recreation Department growth (staffing and Master Plan)
- 4) Continue infrastructure funding (new construction and infrastructure replacement)

Finance Director Scott McCarty said that as the budget grows each year, it allows us to focus on policy decisions. He reviewed the policy decisions that were approved by Council in the fall in regards to property tax and fee reductions (\$1.5M) and pension reserve policies.

Vice Mayor Brown appreciated the change in format to review those policies in the Fall and he commented that it brings certainty to residents.

Mr. McCarty identified the three remaining FY23-24 policy decisions for Council to consider 1) consider a new policy for sworn police personnel salary market increases; 2) consider a new approach for budgeting for construction projects; and 3) Parks Master Plan (Phase 1) potential supplemental funding.

Mr. McCarty discussed the economic overview and spoke about the uncertainty in the U.S. economy. He said that Queen Creek has slowed somewhat, but our economy is still performing better than U.S. and State economies and our underlying economy has not changed. He discussed why population and growth projections are critical to Queen Creek to plan for future services, infrastructure and determine one time and ongoing revenues. Mr. McCarty addressed non-residential construction and development and briefly spoke on what remains to be built out for Queen Creek.

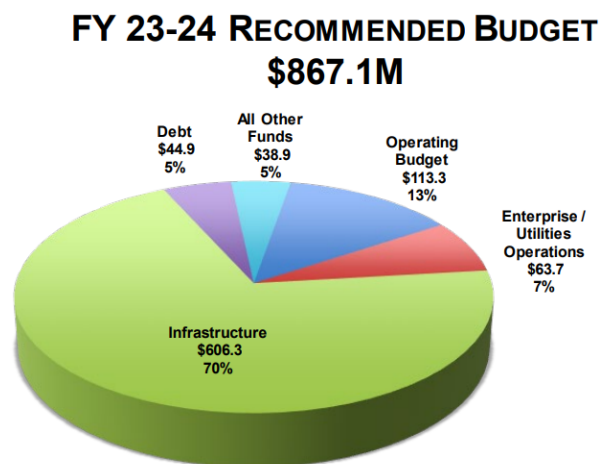
Mr. McCarty said we use a policy-orientated approach to the budget and reviewed the key financial policies:

- Pension Funding – all plans are fully funded
- 25% Revenue Policy Preserve – estimated ending balance June 2024 (\$38.9M) with the goal to increase the number over time to increase our bond rating

- New Position Placeholder – 25 new positions to maintain service levels in PD
- Employee Compensation – market and merit increases for all employees to stay competitive and retain employees  
*Council asked for data for the attrition turnover percentage for employees.*
- Infrastructure Placeholders: \$3.5M Annually – for road replacement; Parks and Police Phase 2 Master Plans
- Parks Master Plan Funding – placeholders for debt and changes to parks maintenance in future years
- Police Master Plan Funding – Phase I and Phase 2

Deputy Director Dan Olsen provided the budget overview. The total recommended budget for FY23-24 is \$867.1M, representing a 19% increase from last year. Mr. Olsen said the bulk of the increase is for infrastructure funding for roads, water rights and the Police Master Plan facilities. He added that we do have the revenues and resources to pay for these recommended items.

He reviewed the total budget by category and pointed out that infrastructure dominates the budget (see chart below).



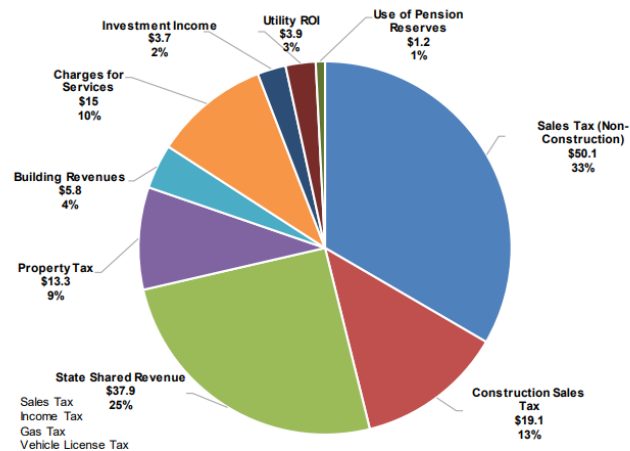
Mr. Olsen summarized the new staffing positions recommended for FY23-24 (61.25) and said the main driver of increases are in public safety. He discussed the correlation between personnel and population growth.

## Operating Budget

### Operating Revenue Projections:

Mr. McCarty provided the 5-year revenue projection for the operating budget. He explained the three-step approach used by the Town is to close out the books; revise; and estimate. He said the number is reset each year and many of the adjustments are based on sales tax. He said the estimated revenues are \$150M for this budget year (see chart below).

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



51

Mr. McCarty reviewed revenue projections in each revenue category and said our revenue projections are increasing 16%. Some of the drivers for revenue projection include population; growth; sales tax; charge for services (new ambulance transport fees); and investment income. Mr. McCarty said the growth in our sales tax revenue is due to increase in population, inflation and new businesses in Town.

### Operating Expense Projections:

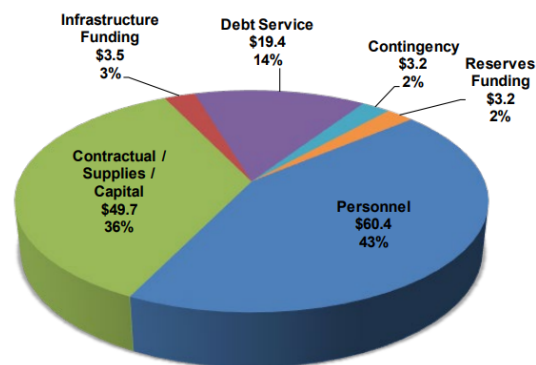
Mr. McCarty said the expense projections, including reserve funding, is \$139.4M and represents a \$13.5M increase. He noted the following highlights regarding expenditures:

1. Fund the 25% Reserve Increase
2. Maintain Existing Service Levels
3. Fund New Services (police, fire and parks)
4. Create Capacity for Recreation and Aquatic Center New expense FY 24-25
5. Continue Infrastructure Funding

## 6. Continue Road Replacement Funding

Mr. McCarty said that population and additional staff to maintain services drives our expenses. He reviewed the operating expenses by category and outlined the changes that resulted in the \$13.5M increase from the previous budget (see chart below).

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



The committee had a brief discussion on how to portray fluctuations in the budget documents from prior years. They said this could give the impression that we are cutting services when it is often a result of a one-time expense. Mr. McCarty thanked them for the feedback and said he will add more context in the budget documents.

### *Operating Budget Reserves*

Mr. McCarty provided the revenue/expense summary which leaves a net \$10.6M to be used to create capacity for the new Recreation and Aquatic Center in following years. He said at the end of June 30, 2024, we expect an ending fund balance totaling \$129.6M, which is well above the adopted reserve policy of 25%. Mr. McCarty said after restrictions (\$86.1M) the budget anticipates ending the fiscal year with \$43.5 million of fund balance that will be available for any of the Town Council's future policy objectives.

### *Infrastructure Budgets*

Mr. Olsen said the infrastructure budget represents 70% of the town's budget. He said the Town has a robust Capital Improvement Program and is a reflection of the priorities of the community. He outlined the progress the Town has made in regards to infrastructure and what is needed at buildout in various areas. He said we have approximately \$1.1B of infrastructure that needs to be built in the next five years.

The recommended FY23-24 \$606.3M infrastructure budgets include projects under contract (\$52.9M), priority projects (\$503.4M) and contingency projects (\$50M).

Mr. Olsen reviewed the priority projects that are being recommended, some of which are time sensitive (see table below).

	FY 23-24 Recommended 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	\$168.1M
Total	\$503.4M

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

- Street infrastructure (\$88M) - \$37M for carry-forward projects and \$51M for State Land (roads)
- Parks & Trails Infrastructure (\$179.9M) - Parks \$170M and Trails \$0.9M
- Water Infrastructure (\$217M) - Infrastructure \$49M and \$168M for Water Resource Acquisition (water rights)
- Wastewater Infrastructure (\$25M) – Mainly State Land \$15M and Carry-Forward Projects \$2M and Pinal County ARPA Projects \$8M
- Police Infrastructure (\$35.3M) – Renovation of Evidence Facility at Barney Sports Complex \$28.6M; Fleet Facility Expansion Design \$1.3M; Radio Tower Design \$400K and Land Acquisition Placeholder \$5M
- Fire / Medical Infrastructure (\$17.7M) – Renovation of Resource Center Complex \$17.5M and Retrofit of Replacement Fire Pumper Truck \$160K

Council Member McClure commented on the importance of water rights to set us up for the future and to take advantage of opportunities as they arise.

### *Debt Budgets*

Mr. Olsen said that debt is only issued to build infrastructure and the financial objective is to spread the cost over multiple generations. He reviewed the outstanding debt and the funding sources for general government debt and water and wastewater debt. Mr. Olsen said debt is paid using numerous sources, and not just tax dollars.

- General government debt totals \$442.9M and the top three areas are in parks, transportation and police which aligns with Town Council priorities. The annual debt payment in the operating budget is \$19.4M. These amounts include \$130M of proposed new debt for funding the first phase of the Police Master Plan.
- Water and wastewater debt total \$466.8M and includes water rights, CIP infrastructure projects and water company acquisitions. The annual debt payment in this category is \$15.3M and is from a combination of user fees and capacity fees. These amounts include \$168M of proposed new debt for funding of new water resources.

### *Other Major Budgets*

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

- Utility Funds (self-funded) – Includes Water (\$33.3M), Wastewater (\$8.8M) and Solid Waste / Recycling (\$5.3M); service areas vary and can include customers outside of town limits; operational increases are due to personnel, inflation and increased population; new rate study underway
- Town Center Fund – dedicated 0.25% sales tax generates \$1.8M annually; Town Center Master Plan Update will go to Council at a later date
- Streetlight Improvement District – FY23-24 expenses \$232K ; tax levy has been eliminated
- Healthcare Fund (self-insured) – revenues/claims \$9.6M; no change to employee premiums
- Contingency Budgets (\$130.3M) – includes projects under contract; new construction projects; grants contingency; carry-forward long lead items;

recreation capital contingency and operating contingency. Arizona state law prohibits cities and towns from increasing their budget once adopted, therefore contingencies are needed

Mr. Olsen concluded with the budget timeline and key budget dates.

- Tentative Budget Approval - May 3 Town Council Meeting
- Final Budget Adoption - May 17 Town Council Meeting
- Property Tax Levy Adoption - June 7 Town Council Meeting

Vice Mayor Brown asked if there were any public feedback since the March 23 budget release to present date. Town Manager Gardner replied no.

Finance Director McCarty provided an update on outstanding strategic policy issues. He discussed the dedicated 2% construction sales tax that has been used to build new roads and said that over the next 10 years the amount collected is projected to be \$125M. He stated that staff is exploring whether the council should consider re-directing some of these funds in other areas where funding is needed. He said staff would update Council in the Fall with a comprehensive recommendation package for consideration. Mr. McCarty also provided an update on near term funding needs to be considered as allowed in this budget.

## **2) Police Sworn Staff Market Adjustment Policy**

Town Manager Gardner discussed the importance of recruitment and retention for the Police Department. He said we have been successful thus far but we need to remain aggressive as we grow and continue to staff the police department.

Mr. Gardner provided regional statistics for a variety of positions and said the market has responded and we want to regain our rank in the top three of market comparisons amongst other entities.

The Committee was in favor of this policy and said it is important to attract and retain officers and remain competitive.

Council Member Oliphant asked if staff had done the same analysis for Fire sworn staff. Mr. Gardner said we had not but staff will review Fire salaries relative to the market and bring back more information to the Town Council at a later date.



**MOTION: To recommend approval of the Police Sworn Staff Market Adjustment Policy to the full Council.**

**RESULT: Approved unanimously (3-0)**

**MOVER:** Council Member McClure

**SECONDER:** Council Member Oliphant

**AYES:** Brown, Oliphant, McClure

### **3) New Approach to CIP Budgets**

Finance Director McCarty said this is the first budget since the voter approved Expenditure Limit was passed. He said the Expenditure Limit for FY23-24 is \$631M and is not calculated the same as the budget and can cause confusion. Mr. McCarty said the objective is to create a connection between the expenditure limit and the adopted budget in terms of how we budget for large construction projects. He explained that many projects are actually built out over several years and the carry-forward amounts continue to grow.

Mr. McCarty said that staff is recommending a new approach where we carry-forward only existing projects under contract at June 30. He said not all new projects will be included in the adopted budget and we will focus on the “priority” projects. A new \$50M project contingency will be used for non-priority projects started during the year with Council approval required. He said this approach would reduce the size of the budget but still allow us to do projects that are needed.

The Committee took a ten-minute recess and returned at 5:30 p.m.

Vice Mayor Brown asked how the new approach would be perceived in regards to transparency, and what is the amount of intervention by Council.

Mr. McCarty said the procurement process is the same and the new approach actually has more oversight by Council. He said that instead of carry over projects being automatically started and carried forward, the contract would need to go back to Council on a public meeting agenda for approval as a contingency item.

**MOTION:** To recommend approval of the new approach for budgeting construction projects to the full Council.

**RESULT:** Approved unanimously (3-0)

**MOVER:** Council Member Oliphant

**SECONDER:** Council Member McClure

**AYES:** Brown, Oliphant, McClure

#### **4) Parks & Recreation Projects \$21M Supplemental Funding Options**

Mr. McCarty provided the financing history in regards to the Parks Master Plan. He said that in December 2021, Council directed staff to construct and issue bonds to finance Phase I of the Parks Master Plan with an estimated \$136M total cost.

Mr. McCarty said the funding shortfall is \$27M and some factors are attributed to construction costs increasing, record inflation and higher interest rates.

Mr. McCarty discussed the necessary levels of service (LOS) needed for the Town to maintain adequate parks to serve the residents. He said based on Council directive, the Town's objective is to prioritize parks and catch up and keep up. He said we are making progress, but we are still not closing the gap in terms of level of service.

Council Member Oliphant commented that we had a higher level of service at one time (61 acres) and it was reduced to 51 acres.

Mr. Gardner said that in addition to new parks, the residents expect the amenities and fields to go along with it. He said it is important to note that the supplemental costs include the amenities and not just the cost to build a park.

Community Services Deputy Director Adam Robinson presented details on Mansel Carter Oasis Park, Frontier Family Park and the Recreation and Aquatic Center, including amenities for each park. Mr. Robinson presented design guidelines and renderings of the new facilities. He explained some of the cost reducing features that were included with the Aquatics and Recreation Center and programs that will be offered. He concluded with the timeline and completion dates for each project.

Vice Mayor Brown asked Mr. Robinson if there were cuts made that he would like to see put back. Mr. Robinson said that good cost savings changes were made without changing the amenities and things can be added as needed.

Vice Mayor Brown commented on the need for seating and shade structures. He asked about the costs to include the costs up front or in the near future as an amendment. He said this was an issue at the Splash Pad.

Mr. McCarty discussed options for funding the \$27M shortfall and said he would like a recommendation for the April 19 Town Council meeting. He provided details on the following options:

Option 1: Issue debt for \$21M

Option 2: Use \$21M of reserves in excess of the \$38.9M policy amount.

Option 3: Hybrid – combination of debt and reserves

Mr. McCarty said we have time to consider the options at a later date, and the money will not be spent immediately. He recommended Option #1 at this time for flexibility.

The committee members discussed current interest rates and debt. Council Member McClure asked if we could change our mind on the \$21M debt at a later date.

Mr. McCarty said yes, for the purpose of moving the project along, we are deciding on the increase of the \$27M shortfall. He said at a future date we need to decide how to fund it. We can recommend a funding option tonight or do it at later date.

Vice Mayor Brown asked if we had an estimate on costs for shading and seating for both parks.

CIP Director Dave Lipinski replied that he does not have an exact amount at this time, but it could be approximately \$500K or more. He said he would get additional information in the next few days.

Vice Mayor Brown asked staff to include the costs for shading and seating as an option in the recommendation that will be presented to the full Council. Staff agreed to do so.

**MOTION: To recommend approval the Parks Supplemental Funding in the amount of \$27M plus the cost of seating and shade structures at both parks to the full Council.**

**RESULT: Approved unanimously (3-0)**

**MOVER:** Vice Mayor Brown

**SECONDER:** Council Member Oliphant

**AYES:** Brown, Oliphant, McClure

The Committee had a brief discussion on recommending the debt option to finance the supplemental funding of the parks for maximum flexibility.

**MOTION: To recommend approval of using debt to finance the Parks Supplemental Funding to the full Council.**

**RESULT: Approved unanimously (3-0)**

**MOVER:** Vice Mayor Brown

**SECONDER:** Council Member Oliphant

**AYES:** Brown, Oliphant, McClure

Vice Mayor Brown thanked staff for putting the budget documents together and for their diligence and cooperation throughout the process. He appreciated keeping costs down while providing priority services to the residents.

Council Member McClure echoed the gratitude toward staff and appreciated the focus on infrastructure and public safety.

Council Member Oliphant appreciated the organized approach used to compile the documents and present the budget information.

**MOTION: To recommend approval of the Town Manager's revised FY 2023-24 recommended budget of \$867.1M to the full Town Council.**

**RESULT: Approved unanimously (3-0)**

**MOVER:** Council Member Oliphant

**SECONDER:** Council Member McClure

**AYES:** Brown, Oliphant, McClure

#### **4. Adjournment**

The meeting adjourned at 6:26 p.m.

The April 11, 2023 Budget Committee Meeting was not needed, and was cancelled.

TOWN OF QUEEN CREEK

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Vice Mayor Brown, Chair

ATTEST:

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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 10, 2023 Budget Committee Meeting. I further certify that the meeting was duly called and that a quorum was present.

Passed and approved on:      Passed and approved on April 8, 2024