

Budget Committee Minutes

Town of Queen Creek

22358 S Ellsworth Road

Queen Creek AZ 85242

September 4, 2008

1. The meeting was Called to Order - at 2:03 pm by Gordon Mortensen, Chair

Committee members present: Gordon Mortensen, Jeff Brown, and Gail Barney.
Absent: None. Also attending: Town Manager John Kross, Assistant Town Manager Patrick Flynn, Budget Administrator Barbara Sena, and Controller Yolanda Bracamonte.

2. Budget Committee Minutes of May 1, 2008 and May 28, 2008:

- a. Consideration and possible approval of minutes from Budget Meetings of May 1, 2008 and May 28, 2008.

Motion to approve by Council Member Barney, second Council Member Brown. Vote 3-0

3. Items for Discussion and possible action (Chair Mortensen requested that the items be discussed in reverse agenda order) :

- a. Discussion and possible action on Town's Investment Policy

Assistant Town Manager Flynn stated that this policy is being followed and now needs to be in writing.

The Town's investments are per state statute and are only invested in the Local Government Investment Pool (LGIP). The Town's focus is first on safety and secondly on liquidity. Queen Creek is in the LGIP pool of investments that are backed by government securities only; the rate of return is 2% as of July 1, 2008.

Motion to approve investment policy as presented and bring to the full Council for discussion and possible action was made by Council Member Barney, second Council Member Brown. Vote 3-0

- b. Discussion and possible action on Town's Reserve Policy

Assistant Town Manager Flynn stated that this policy is being followed and now needs to be in writing. Assistant Town Manager Flynn said that a few years ago, the Financial Task Force brought a reserve policy to Council who said that the Town was not ready for a policy such as this at

that time; the bond rating companies now want to see our policy in writing. Assistant Town Manager said that we have been doing this informally; now the policy needs to be formally adopted by Council. The general fund percentage is more than the enterprise funds due to the volatility of the economy; therefore we do not need as much in the enterprise funds. The WIFA loan policy dictates that the Town keeps in reserve an amount equal to one year's loan payment

Council Member Brown stated the Queen Creek about 25% built out; he asked what a reserve policy would be based upon for a growing community. Assistant Town Manager Flynn replied that rating agencies do consider growth; the reserve percentage typically decreased as the town grows and annual revenues increase.

Assistant Town Manager Flynn stated that there is no reserve for the development fee funds due to the fact that these monies must be spent within 6 years of when they were received.

Motion to approve reserve policy as presented and bring to full Council for discussion and possible action was made by Council Member Barney, second Council Member Brown. Vote 3-0

c. Discussion and possible action on Town's Debt Management Policy

Assistant Town Manager Flynn stated that the credit markets look a minimum of \$3.00 of revenue to \$1.00 of debt service or 25% of a town's total annual revenue as debt capacity; currently, Queen Creek's at 21%. Assistant Town Manager Flynn also stated that the Town will only issue debt if it is rated as investment grade – anything above a BBB rating-excluding any credit enhancement. Assistant Town Manager Flynn said that Queen Creek currently has \$185 million of debt outstanding; debt service payments are around \$11 million annually; of this total, \$140 million is for the sewer lines, the Loop Road, and the water company.

Council Member Mortensen asked if, in good times the ratio is 3:1 and then a downturn comes and the ratio decreases to 2:1, what does a municipality do. Assistant Town Manager Flynn replied that a municipality would issue no more debt; the 3:1 ratio is the minimum and a municipality would need to look at affordability of the debt service prior to issuing additional debt.

Motion to approve the debt management policy as presented and bring to the full Council for discussion and possible action was made by Council Member Barney, second Council Member Brown. Vote 3-0

d. Discussion and possible action on Purchasing Threshold

Assistant Town Manager Flynn reviewed the current purchasing thresholds compared to the proposed ones; the changes would be no competition required for items up to \$4,999, 3 verbal quotes for items from \$5,000 to \$9,999, minimum 3 written quotes on vendor letterhead for items from \$10,000 to \$24,999 and formal solicitation for items \$25,000 and over. Currently Council approves expenditures greater than \$10,000; this threshold change is proposing that the amount be increased to \$25,000 in line with the amount when competitive bids are required.

Council Member Barney asked if this policy determines who we use as a vendor. Assistant Town Manager Flynn said no, the department head chooses who we use. Council Member Barney also asked if there were guidelines regarding who we chose. Assistant Town Manager Flynn replied, yes there are guidelines. Town Manager Kross stated that in the employee handbook, there are references to employee ethics in regards to choosing vendors.

Assistant Town Manager Flynn stated that Queen Creek wants to be in line with other communities; Council would see purchases \$25,000 and over in line with the formal bid process. Council Member Barney asked if the current checks and balances would remain in place with the higher amount. Assistant Town Manager Flynn said yes, there are multiple approval processes in place; information related to purchases is available to Council Members as before. Council Member Brown stated that he cannot support the higher amount of \$25,000. Council Member Barney would like back up information but does not want to hold up necessary purchases. Council Member Mortensen stated that with the checks and balances in place, these changes give department managers more discretion; Council needs to trust the manager's judgment. Council Member Brown stated that he still struggles with the increase from \$10,000 to \$25,000 for Council approval in these economic times. Council Member Barney stated that the Town is still following good financial savvy as in the past.

Motion to approve the purchasing thresholds as presented and bring to the full Council for discussion and possible action was made by Council Member Mortensen, second by Council Member Barney. Vote 2-1 with Council Member Brown casting the nay vote.

e. Discussion and possible action on Budget Amendment Policies

Assistant Town Manager Flynn stated that to coincide with the purchasing changes, the budget amendment policy needs to be changed. Assistant Town Manager Flynn reviewed the current budget amendment thresholds compared to the current ones; the changes would be that the town manager could approve a reallocation from one capital project to another up to \$75,000, above that, reallocations would require Council approval. Council Member Mortensen asked where the \$75,000 come from. Assistant Town Manager Flynn said from a survey of other cities; it is modeled after Goodyear. Council Member Mortensen asked how many times in a year do we hit the threshold and what is the impact.

Additionally, Assistant Town Manager Flynn stated the new policy will allow department directors to approve reallocations from one appropriation account to another within a departmental budget; Town Manager approval would be required for transfers greater than \$25,000 with a departmental budget.

Motion to decrease the amount of the appropriation transfer requiring Town Manager's approval only from the proposed \$75,000 to \$50,000 and to bring to the full Council for discussion and possible action was made by Council Member Barney, second by Council Member Brown. Vote 3-0.

Motion to approve the Town Manager's approval on transfers of greater than \$25,000, require a monthly report of all reallocations, and bring to the full Council for discussion and possible action was made by Council Member Barney, second by Council Member Brown. Vote 3-0.

4. Announcements – None
5. Motion made to adjourn at 3:07 pm by Council Member Barney, second Council Member Brown. Vote 3-0

TOWN OF QUEEN CREEK

Council Member Gordon Mortensen, Chair

ATTEST:

Barbara Sena, Budget Administrator

I, Barbara Sean, 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 the May 1, 2008 meeting of the Queen Creek Town Budget Committee. I further certify that the meeting was duly called and that a quorum was present.

Barbara Sena, Budget Administrator

Passed and approved September 4, 2008