

Budget Committee Minutes

Town of Queen Creek

22358 S Ellsworth Road

Queen Creek AZ 85242

December 11, 2008

1. The meeting was Called to Order - at 9:32 am 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, Rustyn Sherer, President, Queen Creek Chamber of Commerce.

2. Items for Discussion and possible action :

- a. Consideration and possible approval of minutes from Budget Meeting of September 4, 2008.

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

- b. Discussion of 1st quarter Town Financial Statements

Town Manager Kross stated that the first quarter had met projections for overall revenues; expenses were 16% of budget year to date.

Council Member Mortensen asked when there would be a review by the committee of capital items.

Town Manager Kross stated that the CIP kickoff was held December 1st; project managers were now in the process of preparing their requests.

Assistant Town Manager Flynn stated that during the committee's review of the 2nd quarter financial statements, a CIP update would be included; this committee will meet prior to the budget committee meeting to review the CIP budget requests.

Assistant Town Manager Flynn reviewed the 1st quarter Budget compared to Actual report and noted that general fund revenues for the first quarter of FY 2008/09 were down compared to the first quarter of FY 2007/08 by 6.2%; sales tax revenue; however is 15.3% higher than last year. Assistant Town Manager Flynn stated that through November 30, sales tax collections were up.

Assistant Town Manager Flynn stated that due to the lag in reporting and remitting from Department of Revenue, November stipends were actually based upon September; our sales tax auditor is now working with businesses that are not paying the correct taxes now that he has the DOR information.

Assistant Town Manager Flynn stated that sales tax revenue is offsetting the decrease in Building revenues. Assistant Town Manager Flynn also said that the state sales tax as well as the motor vehicle tax revenue will be down in FY 2008/09; state shared income tax revenue would be fine in FY 2008/09 but potentially down in FY 2009/10 about 13%. Assistant Town Manager Flynn stated that LGIP interest is not receiving the anticipated return on investment and recreation user fees are down due to the timing of events when the various sports are held; Parks and Recreation Department are projecting about \$200,000 in fee revenue.

Council Member Mortensen asked if the fee increases impacted the revenue shortfall.

Town Manager Kross stated that he thinks it is due to people cutting back on costs in general and not having extra money for these events/sports; Parks says that they are on track for the \$40,000 revenue in HPEC in FY 2008/09 but most of the events are not-for-profits.

Assistant Town Manager Flynn stated that he estimates fiscal year end revenue would be in the \$21 million vicinity. He stated that as of the first of the year, the General Fund fund balance was \$13.5 million. The Town's 25% policy would require a balance of \$ 5.5 million and we are more than that now. Assistant Town Manager Flynn said the he does not want to draw the fund balance down for operating expenses; at the end of the first quarter, operating expenses were 18% less in this year compared to last fiscal year at first quarter end and he is anticipating operating expenses of about \$ 17 million for FY 2008/09 because the budget includes \$2.3 million in contingency.

Town Manager Kross stated that the contingency reflects savings from layoffs, pay cuts, etc. Although, with all the bad news about the economy in general, there continues to be tremendous anxiety amongst the staff but the Town Manager's office is aggressive in their communications to staff about our budget status in an attempt to alleviate any concerns.

Assistant Town Manager Flynn stated that the Town is receiving the checks from the state loan according to schedule for the Ellsworth Road project.

Town Manager Kross stated that a priority in the next state legislative session is to change the rules regarding that loan repayment term so that the funds are deemed a loan with a longer repayment schedule similar to standard bonding.

Council Member Mortensen asked if the Town would apply for any Federal bailout funds.

Town Manager Kross stated that the Town submitted \$ 23.4 million of projects that could go to construction within 90 days to the federal infrastructure committee; however, he is concerned with the strings that are always attached to federal funds such as EPA review, archeological reviews, etc. These strings are attached to all monies received by the Federal Government and affect virtually every government.

Council Member Mortensen asked if our federal lobbyist is working on this.

Town Manager Kross stated yes.

Assistant Town Manager Flynn stated that the Waste Water Development Fee fund has debt service of \$ 1.616 million; there is a shortfall of revenue generated for debt service and that some projects may have to be pushed out to preserve fund balance in the CIP funds.

Town Manager Kross stated that he and Assistant Town Manager Flynn would be modeling for the next 5 years to determine possible timing of bonding, the possible impact on operations with an increase in general fund transfers for debt service.

Council Member Mortensen asked what our bond interest is.

Assistant Town Manager Flynn stated that we pay on average 4.5%.

Council Member Mortensen stated that the HPEC needs to operate as an enterprise fund.

Council Member Barney stated that HPEC will never be self-supporting.

Assistant Town Manager Flynn stated that not all stores in the municipal town center are charging the additional ¼% sales tax; this will be caught with Al Holler's audit.

c. Discussion of Queen Creek Chamber of Commerce program

Town Manager Kross stated that the Budget Committee was reviewing the Chamber's financials at the request of the full Council.

Council Member Mortensen stated that the Council voted to keep the funding level at the \$ 43,000 amount and re-visit the request.

President Sherer stated that without the Town's funding, the Chamber would be a part time chamber only, maybe only a regional partnership; he said that there has been a 31% decrease in membership and of these, about 70% are businesses who are going out of business.

Council Member Barney asked how the dues were structured.

President Sherer stated that the dues are based on employee count and that they are competitive – about 50% of what Gilbert's are; he is requesting a return to the former funding amount in order to take the Chamber through FY 2009.

Council Member Mortensen said that the revenue stream must increase from non-Town sources

President Sherer stated that he needs money to make money – needs capital to put on the big events - and that additional staff is needed in order to get the big money from the larger corporations; customers are being very selective in their advertising dollars. President Sherer also stated that the Chamber must have 10 new members a month to offset the decrease in Town funding; he said that Casa Grande subsidizes their Chamber \$50,000, Florence \$77,500, Apache Junction \$ 80,000. President Sherer said that with the additional funding from the Town, the Chamber could increase printing, photography, plaques for new members, morning mixers, conferences.

Council Member Brown requested a comparison of aggregate net sales with current members vs. net sales at the old membership level in order to estimate how much sales tax they bring in.

Council Member Mortensen recommended the following: (1) revisit the level of specific service requirements (2) if the Town gives the additional \$22,000 what would the Chamber use those funds for.

Town Manager Kross requested a 3 year financial plan which would include line item detail for both revenues and expenditures

- 3. Announcements – None
- 4. Motion made to adjourn at 11:45 am by Council Member Mortensen, second Council Member Barney. Vote 3-0

TOWN OF QUEEN CREEK

Council Member Gordon Mortensen, Chair

ATTEST:

Barbara Sena, Budget Administrator

I, Barbara Sena, 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 December 11, 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 on