



**Finance Review Task Force**

Meeting #3

Monday, February 9, 2009

6:03 - 8:21 p.m.

Town Hall – Development Services Building

San Tan Conference Room

**Committee Members:**

Carlos Acuna	Present
Dru D. Alberti	Present
Bob Brita	Absent
Kyle Robinson	Present
Rustyn Sherer	Present
Michael Shirley	Present
Steve Sossaman	Present
David Weiss	Present

**Town Staff Members:**

Barb Sena, Budget Administrator	Present
Creighton Wright, Parks & Rec. Asst. Director	Present
Debbie Gomez, Parks & Rec. Director	Present
Doreen Cott, Economic Development Director	Present
Dick Schaner, Transportation Director	Present
Gregory Flynn, Financial Services Analyst	Present
Lisa Padilla, Special Projects Manager	Present
Mike Pacelli, Asst. Public Works Director	Present
Patrick Flynn, Assistant Town Manager	Present
Shane Dille, Deputy Town Manager/Acting PW Director	Absent
Tracy Corman, Senior Management Assistant	Present
Troy White, Parks Planning & Development Manager	Present
Yolanda Bracamonte, Controller	Present

Lance Decker, LL Decker & Associates, Inc.	Present
Lois Reilly, LL Decker & Associates, Inc.	Present

**Public/Observers:**

No Public/Observers.

**Call to Order:**

Steve Sossaman, Chairman, called the meeting to order at 6:03 p.m.

### **Public Comment:**

Steve Sossaman asked if any public/observers were present. No public comment was received.

### **Items for Discussion**

#### **Item A: Consideration and possible approval of January 12, 2009 meeting minutes**

Steve Sossaman asked that the meeting notes should be titled "minutes". Dru Alberti stated that there was an error on page 6 of the minutes. The actual park site has not been decided and the minutes should read "one community park." Steve Sossaman motioned for final approval with these changes. The motion carried unanimously.

#### **Item B: Consideration and possible appointment of Vice-Chairman**

Steve Sossaman stated that we need a Vice-Chairman and asked for nominations. Rustyn Sherer nominated Dru D. Alberti. Dru accepted the nomination and Steve motioned for approval. The motion carried unanimously. Steve thanked Dru.

#### **Item C: Overview of Task Force curriculum**

Lance Decker distributed data cards to all participants and explained that anything participants would like to have stated verbatim in the minutes should be captured on the cards. Please be sure to print so we can read them. Lance told the group that he would read the cards aloud prior to accepting them. Lance reviewed the agenda for the meeting and reminded everyone to turn cell phones to vibrate and avoid side conversations during the meeting. Lance asked if everyone received task force materials in advance of the meeting. All indicated they had received the packet. Lance then turned the meeting over to Patrick Flynn, Assistant Town Manager, to present an overview of the Task Force study curriculum.

Patrick provided the Overview of Task Force Curriculum document that was sent out in the meeting packet. He stated that in earlier Task Force meetings the group received presentations on the Town's Transportation Plan and Parks Plan, and had also reviewed the 2004 Task Force recommendations and status. At this evening's meeting the group would get a recap of the funded vs. unfunded transportation projects due to the questions from the last meeting. He said that included in this agenda is also a presentation was the Town's retail downtown and a review of the Town's first quarter financial statements. In future meetings the group will go over the Town's debt capacity, debt options, transportation revenue, an overview of the Parks Department's current revenue policy, and a comparison of the Town's rates and fees with surrounding communities. The Task Force will also review operating and maintenance costs as applied to capital projects, and receive an update on the possibility of a Federal stimulus package.

Patrick turned the meeting over to Transportation Director Dick Schaner to present the topic of funded verses unfunded transportation projects.

#### **Item D: Recap of Funded vs. unfunded transportation projects - Dick Schaner**

Transportation Director Dick Schaner handed out two maps to the members: 1) Capital Roadway Improvements Exhibit A (Funded Projects); and 2) High Priority Capital Roadway

Improvements Exhibit B (unfunded). Dick also referred to the Drainage & Transportation handout that was included in the meeting packets. He went over the maps to explain which top priority projects were currently funded vs. those that were not, and explained that the total list of projects in the Drainage & Transportation handout showed a need of an additional \$251 million for build out.

**Questions from Task Force Members:**

- If short on money, insufficient funds, will that carry over to next year? Dick: Yes.
- The map indicates 79 cents left in budget for one project, is that correct? Dick: Yes, that is the actual current account balance.
- Do we have a timeline on these projects? Dick: 1½ years maximum on these projects.
- Regarding the drainage on Sossaman Road, why are we budgeting \$100,000 if it's not realistic? Dick: That's for the design. Projects are budgeted over several years. A project may go through design, and then be shelved until there is enough money for construction. We've managed to save enough money from shelved projects to put toward beginning design on this project.
- Is the negative number borrowed or owed money? Dick: This is not a correct number; it balanced out with a \$200,000 reimbursement from Hastings. Project Number 2 is in front of the church where SRP is out there working, completing the underground work. This is currently not a funded project.
- Patrick pointed out that the \$251 million is unfunded and asked Dick to clarify for the Task Force. Will that be a 10 year number? If this group comes up with a \$25 million per year plan, would that be a realistic goal? Dick: Yes, since obtaining the money all at once would be unfeasible.
- Is this a wish list for all the things the Town needs by the time we reach closure? Dick: Yes, this list is for build out.
- Lance asked if anyone has a summary observation to write on the data cards. There was no response.

**Item E: Overview and presentation of retail in the downtown - Doreen Cott**

Economic Development Director Doreen Cott gave a presentation on the retail in downtown and the Town Center Plan.

**Questions from Task Force Members:**

- Will Ellsworth remain a two lane road? Dick: On project #3 Rittenhouse to Circle K is currently on hold waiting for the Transportation Advisory Committee's recommendation on the number of lanes, medians, etc.
- When will the Town Center Committee come up with a new plan update to be presented to council? Doreen: About 10 months.
- Does the town have any say about what goes into the projects? Can residents object to a strip club or a Wal-Mart? Doreen: There would be special consideration if they were considering an adult use such as a strip club, but the decision to permit a retail use is based on zoning.

- What controls does the Council have over what comes to Town? Doreen: Zoning and entitlements determine and control development.
- How do we keep Queen Creek dollars in Queen Creek? Can we dictate some things? For instance, can we encourage unique retail in the area south of Ocotillo, not the retail chains? Do you have an Excel spreadsheet that shows the income of how much sales tax is generated by each type business, in terms of volume? Doreen: We can put a spreadsheet together that shows amount of sales tax collected for each type of use.
- How can we keep Queen Creek unique, and keep our retail dollars in our community. Doreen: Economic Development is working with the Queen Creek Chamber of Commerce to educate residents to shop in Queen Creek, and what their sales tax dollars fund. This program should be rolled out over the next couple months.
- Are there any Costco opportunities? Doreen: No, not at this time, possibly at a later date. They prefer to be just off the freeway.

**Comments from participants:**

- Patrick explained that the apartments generate a property tax and a rental tax. You only get rental tax if it is rented. Buildings are assessed at 25%. For the sales tax, in partnership, we're trying to educate Queen Creek residents about having their tax dollars stay in Queen Creek. We need to get people to think about where they're shopping.
- Doreen stated that the Town Center Committee will be studying this issue and the development of the area, but it is 10 months from presenting something to the Town Council.

**Item F: Review of Town's 1st Quarter Financial Statements - Patrick Flynn**

Assistant Town Manager Patrick Flynn reviewed the Town's 1<sup>st</sup> quarter financial statements. He stated that the first quarter financial statement is a snapshot of the Town's budget with what exists. These statements are provided to Town Council each month.

**Questions from Task Force Members:**

- What about seasonal variance? Do revenues come in at 25% a quarter, or is there seasonal variance? Should we actually be higher than the 25% for the first quarter? Patrick: Goals are adjusted as we build our trend analysis. We have been generally running at 25% per quarter.
- Are there any tax obligations that would change over time? Patrick: Taxation has to be consistent. We do have development agreements with various developers. For example because of the funding provided upfront to build Ellsworth Loop Road by Queen Creek Cornerstone and Queen Creek Marketplace, they will get paid back over time with 50% of the sales tax they collect. There's a 15 year time frame for Marketplace and Cornerstone until they are paid off. This type of financing is used by cities and towns because when you really need it the credit markets aren't accessible, developer monies are needed. Lance asked Patrick if the question involved the concept of tax incremental financing. Patrick explained that property that has a limited value, and in tax increment financing if there is added value from

public improvements, that “increment” can use the added property tax in financing with bonds backed by tax revenue. The State of Arizona doesn’t allow tax increment financing. We use sales tax rebates that are locally generated as an alternative. The developer advances money to make public infrastructure improvements, then the Town repays the developer over a period of time from the added sales taxes generated.

- In Doreen’s presentation she referred to a general plan amendment that proposed an active retirement community. We don’t have that type of community in Queen Creek. Chairman Sossaman: Our neighbors have active retirement communities.
- Is there a possibility of a fire district? Patrick: Plenty of cost with that when you tax the district.
- What is the feasibility of the transportation district to share in the cost of the roads with all who use the roads. Could Queen Creek form a “Transportation District”? Patrick: There are no such districts right now, but we can look into how that might work.
- How does the Town adjust the budget when times change from good to bad or vice versa? When times are good does money go into a slush fund for savings? Patrick: The Town does a monthly review of the Town’s finances, and makes adjustments as necessary. For example, fees in the transportation area were based on 300 housing units for an estimated 12 million transportation development fees. These fees are not coming in so we started to freeze projects. Although it has been appropriated, this means it’s frozen with no revenue behind it. We monitor finances on a monthly basis. When times are good, we have a reserve policy where we stash away dollars for the worse times. We put monies aside. Even with this being the worst economy, Standard & Poor’s upgraded our bonds because of the way we do this based on our reserve policy/debt policy. 75% of our budget is in the bank right now. Patrick informed the participants that we currently have \$11 million debt payments to be paid annually. We need to have enough money to carry us out a few years. Our bonds are reviewed annually.
- When can we expect the 2<sup>nd</sup> quarter statements to be available? Patrick: We can expect our 2<sup>nd</sup> quarter statements within a couple weeks. We receive the sales tax 2 months out. October sales tax is received in December and November sales tax is received in January.
- Why does Economic Development show an expenditure increase of 56% over last year? Patrick: Doreen added a position so she now has a two person show in Economic Development.
- Is the \$2 million reimbursement from developers a realistic number; do we expect to receive all of that? Patrick: It is actually already in the bank.
- Patrick stated that the Library Development Fund has \$575,000 in the budget that comes from the general fund. Lance asked if you can reimburse yourself in future years. Patrick replied no.
- What does CDBG stand for? Patrick: The CDBG (Community Development Block Grants) Fund can only be used in the redevelopment area. Debbie must have a 5 year plan for this. Queen Creek works through Maricopa County. The funds go from HUD to the states, then the county and then to the Town of Queen Creek.

- What is the thought for next year's budget? Where are you looking to cut the additional 10%? Patrick: We've asked our departments how we can lower the cost of doing business. Departments are looking at tasks to see if there's anything we do outside our core services that we don't want to continue to do.
- Can you explain whether development fees can be used for operations, or just for capital projects? Patrick: Development fees can only be used for acquisition and development, not operating costs.
- What is the feasibility of Town operated "sanitation" department? Mike Pacelli: There is a request for proposals out right now for haulers to propose on various types of trash/recycling service. Council will decide what level of service is feasible in the next few months.
- Now that the library is completed, can we continue to collect the library development fee? Patrick: There is debt service on the library that needs to be paid. The library development fee continues to be collected in order to pay off the costs of building the library.
- Can we get an impact fee breakdown?
- Should we consider an update to the development fees? How do development fees get implemented? How long do they take, and how often is this done? Patrick: We do an update of the fees every couple years. An update does take time. This requires a public hearing to re-evaluate the amount which creates a delay. Legislation is being considered to waive fees in order to help construction industries. Cities and towns are lobbying against this because we rely on them to pay for the impacts of new growth. To update the fees we bring in a national expert. You must be able to show that the additional house is impacting you.
- What about the wastewater fee? Not everyone is on the sewer. Chairman Sossaman: If they have a septic tank and don't use the sewer, then they're not charged for it.
- We need to review questions and recommendations/ideas – determine action items-legalities/possibilities. Review and report at next meeting.
- Lance asked about the tax leakage question. What about value loss from others spending outside of Queen Creek "leakage"? Rustyn suggested a private partnership to get this done.
- Chairman Sossaman reminded everyone about the responses to the Task Force Members' questions in their packets.
- Lance asked if we take the expense equation off the table, is there anything we should think about in regards to revenue. Patrick replied that we often hear suggestions to think about a user fee of some sort. Although it would be nice to have, user fees cannot generate enough revenue to do the big ticket items. Is a change in sales tax an option; how do we fare with other communities? In the case of some of the plans we have been studying, maybe we should send them back to the originating committees. Income tax would be phenomenal. A shared state income tax deal was made between cities and that State so that we receive 15%, but we are not allowed to implement our own income tax. This was part of a late 1970s deal. We'd like to have control of our own destiny and get back into overall tax revenue. We're not allowed to add sales tax to gas sales. The Chamber of

Commerce always enters into this as an important member. We must prove changes are value added and necessary.

**Item G: Discussion of future meeting schedule**

Chairman Sossaman and Lance Decker informed the participants that one member has an ongoing conflict with the 2<sup>nd</sup> Monday of each month. Is there an alternate time we would like to consider meeting? One participant would like to ensure that the member would be present at the meetings with concern that we change the meeting and the member is still unable to attend. Steve asked Lance to email everyone and determine if we will change to a different Monday each month or leave it as is. If all cannot change, it will remain on the current schedule.

**Announcements**

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State Parks has announced that the State has cut grants from this year's fiscal budget and no State Parks Grants will be issued this year. Grants make up an average of \$500,000 of our annual revenue that will not be realized this fiscal year due to these cuts.

The next agenda should include different debt options and Parks revenue structure.

The 3<sup>rd</sup> or 4<sup>th</sup> Monday works well for Patrick. The 1<sup>st</sup> and 3<sup>rd</sup> Mondays are tough for Dru with meetings and travel.

Lance stated that it seemed like a smooth meeting and asks for feedback. Tracy sending the meeting packets to the group ahead of time really helped; everyone was prepared.

Carlos asked about when we should have deliverables to Town Council. Patrick indicated that the Task Force should have recommendations ready to send in May or June.

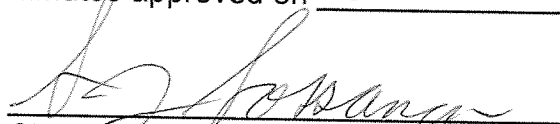
**Adjourn**

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Chairman Sossaman asked for a motion to adjourn. Motion by Dru Alberti, Second by David Weiss : Unanimous.

Meeting adjourned 8:21 p.m.

Minutes approved on 3-09-09

  
Chairman Steve Sossaman