



Finance Review Task Force

Meeting #4

Monday, March 9, 2009

6:01 - 8:08 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	Absent
Dick Schaner, Transportation Director	Present
Gregory Flynn, Financial Services Analyst	Present
Janet Martin,	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	Present
Tracy Corman, Senior Management Assistant	Present
Troy White, Parks Planning & Development Manager	Present
Yolanda Bracamonte, Controller	Absent

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

Public/Observers:

No Public/Observers.

Call to Order:

Chairman Sossaman called the meeting to order at 6:01 p.m.

Public Comment:

Chairman Sossaman asked if any public/observers were present. No comment from the public was received.

Items for Discussion

Item A: Consideration and possible approval of February 12, 2009 meeting minutes

Chairman Sossaman asked the group to consider the minutes from the previous meeting. A motion was made, seconded and passed unanimously.

Item B: Consideration Overview of Town's current debt and debt capacity

Assistant Town Manager Patrick Flynn reviewed an exhibit highlighting the Town's debt revenue, current debt, and debt capacity. He then explained to the members how bond issues are developed and sold. The Town's bonds were recently evaluated and upgraded to an A rating.

Questions from Task Force Members:

- Q - Is there any reason to close the bonds earlier than anticipated?
Patrick: Not right now, however, if the interest rate goes down to 3½%, then it might be worthwhile. The transaction costs are fairly steep.
- Q - How is the information you presented managed and controlled; how is it revised since there are no dates or page numbers on the policy document?
Patrick: It was adopted last year, Council adopted all of our policies, and we do need to get the dates and page numbers on there. Carlos stated that he's impressed with these numbers.
- Q - What are the variables?
Patrick: Variable rate debt is set by the market on a day-to-day basis. The threshold of our excise tax could have been issued with variable rates.
- Q – The financial market influences the variable rate amount daily, weekly, or monthly, right?
Patrick: Yes. Some of the variable rate debt went up to 10%. In Tempe we kept about 30% in variable rate debt. We had spikes in the rates; it would go from 1½% to 10% depending on the demand for that debt.
- Q - What interest rate were the Town bonds sold at?
Patrick: 4 – 4½ %. ID (Improvement District) bonds are just over 5%, excise is at 4.8%, but in today's market they would be probably 7%. Many bonds are going unsold at this time.

Item C: Overview of potential debt options and potential debt capacity

Assistant Town Manager Patrick Flynn reviewed the handout, explaining that general obligation bonds work differently from the standpoint that they require that the full faith and credit in our community is pledged to make the debt capacity. See the 4th page in the Town's Debt Policy. For every three dollars of revenue, one dollar can be used for debt service. The council is required to assess the community in order to pay general obligation

debt service. If other revenues are short bonds need to be approved by the voters in the community.

Questions from Task Force Members:

- Q - How did the assessor arrive at this?
Patrick: From the secondary assessor money evaluation.

Item D: Overview of Town's projected Transportation Revenue

Assistant Town Manager Patrick Flynn distributed the 5-year CIP Plan reviewing the Drainage and Transportation Fund, revenues and expenditures, unfunded supplemental requests, and HURFs revenues and expenditures. This is a draft of the five year plan. The reimbursement from developers is based on different stipulations; they have to pay depending on their individual agreements. We set these funds aside to pay for specific capital items. We obligate that revenue for those specific purposes.

By the way, this discussion is one of the reasons the Task Force was created. Note that in the 3rd year we have \$10 million to repay. The State had a particular fund for an interest free loan, but we have to pay it back. We'll either issue a bond to cover the debt, or we'll try to get the State to forgive the loan. It's worth trying.

Questions from Task Force Members:

- Q - How many units of housing construction is this number based on?
Patrick: The Transportation impact fees are based on 150 units for next fiscal year.
- Q - Is this accurate at this time?
Patrick: This is accurate for now.

Item E: Presentation on operations and maintenance costs for Town's Transportation Program

Janet Martin, gave the group a presentation on operations and maintenance costs for the Town's Transportation Program and explained why implementation of pavement maintenance is an ongoing process. The timeline used by the computer program is 20 to 40 years. Pavements last longer and cost less to maintain when regular maintenance is performed early on. The most effective way of maintaining the pavement is to do fog sealing every 2 years until cracking occurs. When moving to later rehabilitative maintenance the cost increases to from \$6 to \$16; beyond that, it's \$70 per square yard.

Questions from Task Force Members:

- Q - How long is that dollar good for?
Jan: It's good 8-10 years.
- Q - Does this assume that you've started with a properly constructed road?
Jan: Yes, it's a different maintenance strategy for roads not properly constructed.
- Q - Explain why you fog seal every two years.
Jan: This keeps it maintained at a good condition for as long as possible although eventually it will start to crack.
- Q - When we're beyond the rehabilitative maintenance does the road have to be completely reconstructed?
Jan: Yes, it has to be ripped out and reconstructed.

- Q - What's the total percent of poor, serious and failed roads in Town?
Jan: That comes out to about 1% based on visual inspection.
- Q - Some of these are along roads yet to be developed, and may be partially paid for by the future developments. Is that one of the areas where you keep it at the 70% level?
Jan: Yes, we want to keep them around there and not get potholes.
- Q - Can you model the program to show less heavy haul truck traffic using the roads?
Jan: Yes, but we haven't included that yet.
- Q - Does everyone know what fog seal is?
A - Light coating spray to preserve the pavement.
- Q - What is micro seal?
Jan: It's a type of slurry seal modified so that it dries very quickly. You can put it down and have traffic in 10 minutes, but you have to pay a premium for it.
- Q - Are the numbers in square yards?
Jan: Yes
- Q - Could we have crack filled streets sponsored by Wal-Mart or Safeway?
Good idea.
- Q - If we had the best of scenarios what is the dollar amount we need to keep our roads where they need to be?
Jan: 1.7 million for the current roads.

Item F: Presentation on Town's Parks current revenue structure and revenue policy

Since Debbie Gomez, Parks & Recreation Director was unable to attend the meeting due to personal issues, Assistant Director Creighton Wright reviewed the handout with an overview of the revenue structure of the Parks & Recreation Department and how the Town manages funds through an adopted revenue policy.

Questions from Task Force Members:

- Could you assign a percentage to each revenue that makes up the Parks and Recreation Department General Fund budget?
Creighton: general tax revenues of Town – 93%, recreation user fees – 3%, facility rental fees & service charges – 3%, HPEC – arena rental fees & service charges – 1%, and grants – 1%.
- Does the Fee Philosophy include lighting costs?
Creighton: It's included for outdoor facilities; it's a variable cost.
- Is my donation a tax write off?
Creighton: It's not technically a 501(c)(3). The goal in the next 5 years is to create a partner program that could allow tax deductible donations.
- In the Fee Philosophy it looks like the costs have gotten a little aggressive this year.
Creighton: Yes, it varies by program but that is the concept.
- What about O/M costs?
Creighton: Yes there are light fees and set up fees; these are not based on residency.
- Do these numbers factor in the money saved by the Town not sponsoring the Little League teams?
Creighton: No, the cost recovery information does not factor in money saved by having non-profits offer programs.

Item G: Discussion on operations and maintenance costs for Town's Parks Master Plan

Creighton then reviewed the handouts for the Projected Operations Cost of Future Five Parks and Trail System. The projections used for the presentation have not received final approval, but it's a good start; the numbers are preliminary.

Questions from Task Force Members:

- Could you give us an example of capital cost?
Creighton: A mower for West Park would be a capital cost.
- Is there a rule of thumb for how many employees per acre?
Creighton: There's no quick and easy formula. Acreage of turf and landscape have variables that determine the FTE required.
- Is there any value or thought of renting the acres for farming?
Troy: East Park has an agreement with farmers for \$1 per year. It saves us thousands of dollars for maintaining that acreage. The Town has tried to find someone to farm the West Park site, but have had trouble finding a farmer who is able to get in there with all their equipment.
- There's a skate park only in West Park and it's probably the most utilized feature in Town. I can't imagine it takes that much to maintain. Should we consider additional skate parks? It's what's popular and I thought it should be considered. Is liability a factor?
Creighton: As we were going through the master park process, the committee wanted to focus on different elements at each park, a goal for each park. Each of the other sites has a theme. It's also based on level of service to be provided.
Troy: Set at a population of 90 thousand, we'll have another skate park at Founders Park eventually.
Creighton: There is liability involved in a skate park, but it's not huge.
- Have we approached anyone for corporate sponsorship for the ball fields or do we have any direction on that?
Lisa: We are within a few weeks of partnering to make recommendations for sponsorships based on current activities. Brainstorming helps me, if anyone has ideas, please send them to me at lisa.padilla@queencreek.org. I welcome all your ideas.
- At Sossaman/Cloud why are there three different dog park zones.
Creighton: That will allow the turf to recover while keeping 2 areas open at a time since it can take about 6 months for recovery.
- Will there be a naming contest for the Sossaman/Cloud park?
Creighton: They had a contest but haven't come up with the right name yet.
- Could Sonoqui Park be considered for community participation for vegetation and eco projects?
Creighton: Community participation would be good here. We have a community group at the Desert Mountain Park maintaining the desert garden area that may carry over into this park.
- Should we assume Sonoqui Park property was deeded to town because it was undevelopable?
Creighton: No, it has more to do with the Town asking for a dedication for a park site and this is the piece of property the Town got.

- Is Sonoqui Park in the flood plan?
Creighton: It's 60% in the flood plan.
- How much linear frontage does Sonoqui Park have?
Dick: Maybe 800 feet.
- What about excise tax bonds? Can we speculate that the \$15 million (referred to earlier in the bond overview) covers the property, the cost of purchasing acreage?
Creighton: That \$15 million is the cost is to build Horseshoe Park and Equestrian Centre.
- Is the 27 million equated to the town any part of it? Have the parks been paid for?
Creighton: Yes, the Town has purchased all the property referred to regarding the future five parks. Patrick: We did consolidation for the 27 million; 52% was for park purchases. Some was used for getting funding for Horseshoe Park and some for previous debt. The cost of Horseshoe Park was \$18 million.

Item H: Comparison of Town's rates and fees with surrounding communities

Parks and Recreation Assistant Director Creighton Wright presented a comparison of rates and fees for indoor and outdoor rentals of Parks facilities.

Questions from Task Force Members:

- Could we have the number based on revenue?
Greg: We're looking for \$90,000 this year for indoor and outdoor rentals. Recreation user fees are \$89,000. We're looking for facility rentals to be \$61,000 this fiscal year.
- Did you select same size communities?
Creighton: We went with surrounding communities as they are most approximate to our market, the ones we're competing with in terms of rental fees and charges.
- How about Apache Junction?
Creighton: Not at this time; we will check with them the next time we complete a fee analysis..

Senior Management Assistant Tracy Corman reviewed the handouts that were in the packet distributed earlier showing a comparison of the Town's rates and fees with other area communities.

- Was the maximum property tax adopted, and is it used for both Fire and the Sheriff?
Patrick: We are charging and utilizing the maximum and you are correct it is used for Fire and Sheriff services. There is a separate budget for police protection; 50% comes out of it.
- Charging 4.25% for construction sales tax means nothing today. Should that be adjusted to another area? Could we move it somewhere else where the money is at?
Patrick: It can be if that's a recommendation from the task force. It would just need to be council approved.
- How does the town receive money for shared transportation resources? Could that be one of the recommendations?
Patrick – yes.

- Can we get an update at a future meeting on what the town doing in regards to the Federal Recovery Act?

Steve stated that when we meet next time, we'll need an outline of the discussion to take place with a clear concise expectation. Lance said that the next meeting is very important; now is the time for you send Lance any thoughts and ideas that you'd like to discuss for possible revenue sources.

PLANNING FOR ACTION

ACTION PLAN		
	Who is responsible?	When will it be complete?
Distribute Tracy's comparison information electronically.	Tracy	
Distribute the disclaimer from Creighton.	Creighton	
Need process flow for next meeting.	Lance	
E-mail Lance your thoughts and ideas for what you would like to discuss for possible revenue sources. ldecker@ldecker.com	all	
Research the concept of motor shed district, state statute, lobbyist, agricultural district, special assessment district.		
Send ideas to lisa.padilla@queencreek.org for the Queen Creek Sports Complex.	all	
Confirm quorum rules.	Lance	
Put page numbers on all handouts.	all	
Include resolution numbers on financial policies.	Patrick	
Does the town have policies for short term debt?	Patrick	
Research direct income revenue, deferred maintenance expenses – added community benefit.		
Research has the P.L.T. been revised		

downward to reflect the current economic times?		
Add/research topic: GO Bonds 1) lowest rates, 2)highest leverage, and 3)downside of added property tax.		
I would like to see a presentation or at least the data on what the funds and opportunities will be from the Recovery Act. Example: Transportation (direct funding and available grants), Energy, and Water (CWA Improvement needs). Who is tracking this so opportunities are not lost?		

Announcements

Lance mentioned that the Task Force had a resignation, and asked the group if they wanted to replace the member. There was consensus that too much information had already been provided to the group for a new member to catch up, and that the Task Force would operate with 8 members. Lance will find out how many Task Force members have to be present to constitute a quorum for purposes of holding a meeting.

Going forward, we will have page numbers on the resolutions. Lance complimented the Parks and Recreation policy on fee structures. Creighton would like to give credit for the policy to Carlos, Michael and the other citizens that worked so hard on the Parks, Trails, and Open Space Committee and Recreation Advisory Board.

Carlos reminded the other Task Force members that the idea generation process they're about to initiate should be open and inclusive. Look at everything. Think without limits. The group should be free to say anything they want and test ideas. Don't be afraid to bring something up; it might be an idea that the Town can build on.

Chairman Sossaman thanked Jan for her presentation and for teaching us how roads are maintained, thanked Creighton for the information he shared, and thanked everybody for participating in tonight meetings.

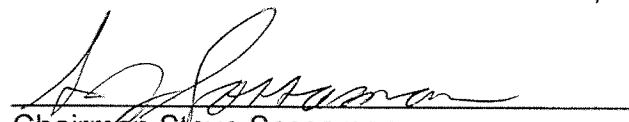
Our next meeting is Monday, April 13th.

Adjourn

Chairman Sossaman asked for a motion to adjourn. Motion by Rustyn Sherer, Second by Michael Shirley: Unanimous.

Meeting adjourned 8:08 p.m.

Minutes approved on 4-13-09


Chairman Steve Sossaman