



**Agenda**  
**Special Session**  
**Queen Creek Town Council**  
Queen Creek Town Hall, 22350 S. Ellsworth Road  
Council Chambers  
March 8, 2011  
6:00pm

**1. Call to Order**

**2. Roll Call**

**3. Public Comment:** Members of the public may address the Town Council on items not on the printed agenda and during Public Hearings. Please complete a "Request to Speak Card", located on the table at the rear of the Council Chambers and turn it in to the Town Clerk prior to the beginning of the meeting. There is a time limit of three minutes for comments.

**ITEMS FOR DISCUSSION:** These items are for Council discussion only and no action will be taken. In general, no public comment will be taken.

**4. Items for discussion and review:**

- a. Goal for the meeting
- b. Overview of local economic climate
- c. Review of FY 01-11 budgetary changes
- d. Expectations for the future
- e. Review of past budget adjustments
- f. Review of budget assumptions
- g. Review of 5-year long-range financial forecast by fund
- h. Summary review of Town's overall financial surplus (deficit) by fund for FY11/12
- i. Summary review of Town's estimated fund balances as of 6/30/11
- j. Review of Town-wide options for closing financial shortfall in different funds.

**5. Adjournment**

I, Jennifer F. Robinson, do hereby certify that I caused to be posted this 3<sup>rd</sup> day of March 2011, the Agenda for the Special Session of the Queen Creek Town Council in the following places: 1) Queen Creek Town Hall; 2) Queen Creek Library; 3) Queen Creek Community Center bulletin board.


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Jennifer F. Robinson, MMC

The Town of Queen Creek encourages the participation of disabled individuals in the services, activities, and programs provided by the Town. Individuals with disabilities who require reasonable accommodations in order to participate should contact the Town Clerk's office at (480) 358-3000.

## MEMORANDUM

TO: Honorable Mayor and Council

FROM: John Kross, Town Manager 

RE: Agenda and Materials for our March 8, 2011 meeting on the Town Budget

DATE: March 2, 2011

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Enclosed is the agenda and materials for our March 8, 2011 meeting on the Town's budget. Our goal for this meeting is information sharing. This will include reviewing our 5-year financial estimates for the different Town funds. In addition, we will review our budget assumptions in doing the forecast, our current fund balance and reserve levels for each fund as well as discussing possible options for addressing our financial situation following four years of budget downsizing.

In a change from previous years, we are engaging the Council earlier in the budget process to gain your thoughts and insights as we begin the dialogue on our budget program for next fiscal year and beyond.



# Budget Overview FY 11/12

March 8, 2011

# Overview of Local Economic Climate

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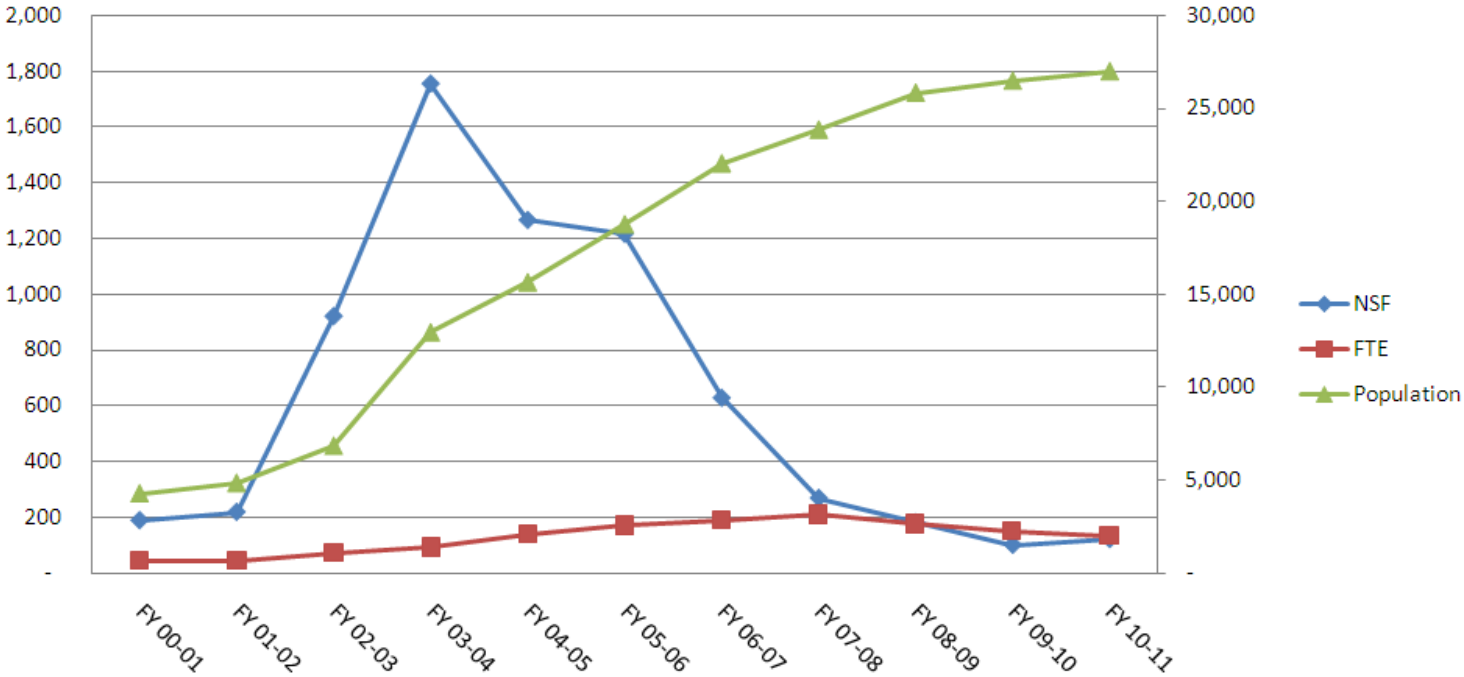
1. Housing permits continue at recessionary levels
  - a. Estimate for FY 10/11: 120
2. Sales Tax Revenue appears to have stabilized
  - a. Six months numbers: .9% above a year ago
3. Property tax revenue down
  - a. Down 27% from 2 years ago. From \$5.75M in FY 9/10 to \$4.2M for FY 11/12 – drop of \$1.5M
4. Average household income: \$100,464; median household income: \$75,263; per capita income: \$28,328
5. Population: 26,996; up 13.2% from FY 07/08



# Town Budget Changes From FY 00/01 to FY 10/11

## Town of Queen Creek Budgetary Changes FY00-01 to FY10-11

Fiscal Year	NSF	FTE	Population	General Fund Budget
FY 00-01	188	43.5	4,254	\$ 2,655,612
FY 01-02	218	44.75	4,820	\$ 2,810,090
FY 02-03	920	72.5	6,818	\$ 5,337,172
FY 03-04	1,754	92.5	12,929	\$ 10,144,073
FY 04-05	1,265	137.94	15,624	\$ 14,631,766
FY 05-06	1,215	170.29	18,748	\$ 30,730,105
FY 06-07	627	188.74	22,032	\$ 29,846,950
FY 07-08	268	209.95	23,850	\$ 30,265,541
FY 08-09	180	175.93	25,844	\$ 22,101,198
FY 09-10	224	151.1	26,490	\$ 20,076,278
FY 10-11	120	132.3	26,996	\$ 17,876,805



# Expectations for the Future (Local)

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1. Difficult to estimate at best
2. Economists look at different indicators to best determine future outlook
  - a. Shows the complexity of the issue
  - b. Indicators to watch:
    - Jay Butler, ASU Realty Studies: Census data for growth rates.
    - Dennis Hoffman, ASU Seidman Research Inst.: pace of retail consumers spending.
    - Beckie Homes, Cox Communications: Job growth.
    - Nathan Topper, Moody's Economy.com: Home prices and repeat sales index.
    - Marshall Vest, U of A: Availability of credit to businesses.

# Past Budget Adjustments

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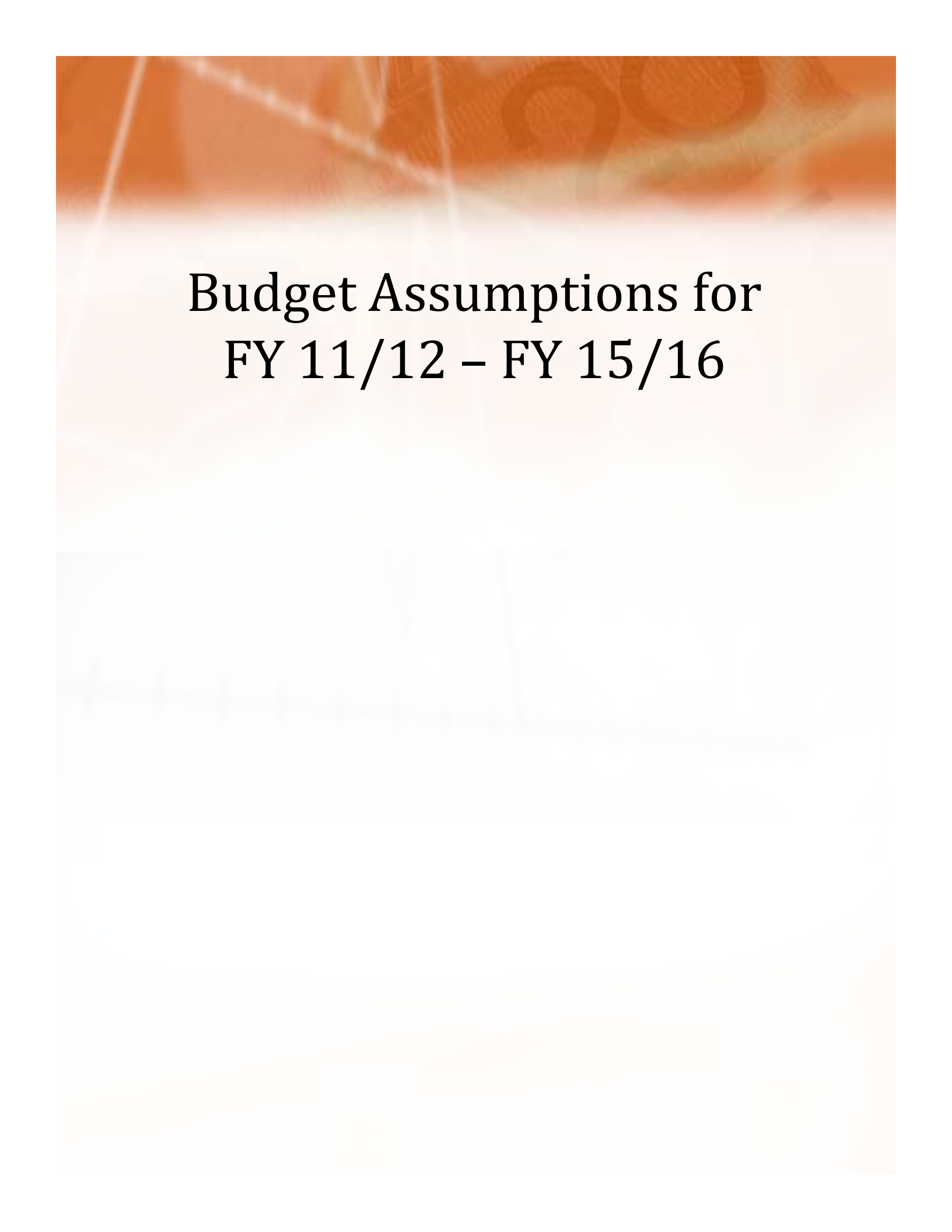
Where we have been...

- FY 06/07 – 15% cut to the General Fund
- FY 08/09 – 20% cut to the General Fund (we had to close a \$5M gap)
- FY 09/10 – 15% cut to the General Fund (\$3.1M gap)
- FY 10/11 – 11% cut to the General Fund (\$1.9M gap)

4-Year Summary

- Reduced the budget from \$30.2M in the general fund to \$17.9M for FY 10/11 – a \$12.3M reduction from 3 years ago or a 40% reduction.
- Resized our operations from 210 general fund employees to 132 (78 positions eliminated).





# Budget Assumptions for FY 11/12 – FY 15/16

# Budget Assumptions over Forecast Period FY 11/12 – FY 15/16

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## Revenue

- General Fund Town Sales Tax Revenue – no change from FY 10/11 - \$9.5M, then 2.4% annual increase
- General Fund State Shared Revenue (Assumes no legislative changes to the Shared Revenue Model)
  - Income Tax – based on Joint Legislative Budget Committee (JLBC) – down 20.4% from FY 10/11 (to \$1.27M); down further to \$1.15M in FY 12/13 before increasing slightly after that
  - Sales Tax: 2.4% increase over 5 year period per JLBC
- General Fund Motor Vehicle Tax: down 3.2% from FY 10/11 before trending upwards (based on State and County estimates)
- General Fund Building Revenues – Based on forecast of minimal commercial activity over period and housing permits as follows:
  - FY 11/12 – 160
  - FY 12/13 – 183
  - FY 13/14 – 200
  - FY 14/15 – 216
  - FY 15/16 – 233

Development funds are based on same permit levels

- Interest Income – down based on lower cash balances and average interest rate of 2-3%

## Expenditures – All Funds

- Continued 6 ¼% pay cut taken in FY 08/09. For FY 11/12 no COLA or merit based pay adjustments. Beginning FY 12/13, 3% merit adjustment included in salary assumptions.

### Fringe Benefits

- Health Care: 10% increase in FY 11/12 & 12/13 and 8% annual adjustment in remaining 3 years.
- ASRS 1% FY 12 - 14, then .5% FY 15 and FY 16
- Contracted Services: 1% increase annually
- Utility Costs: 8% increase annually
- All other commodities: 3% increase annually

### Emergency Services Fund

- FY 11/12 property tax revenue down 20% from FY 10/11; decreased further by 9% in FY 12/13 before tracking upward
- Expenditures are based on current spending trends with similar assumptions of general fund

### HURF

- Revenues based on Oct/10 ADOT report

### Sewer and Water Utility

- Revenue based on housing permit growth and usage trends
- Expenditures are based on the same assumption as general fund; Expenditures include debt services costs.

### Development Funds

- Revenue based on housing permit numbers above with minimal commercial growth
- Expenditures are long-term bond and loan payments depending on the fund. Within the Public Safety and Fire Development fund, expenditures here reflect lease payments on equipment or other contractual services requirements



# Five Year Revenue and Expenditure Projections



**Town of Queen Creek  
Five Year Revenue and Expenditure Projections**

<b>General Fund</b>	<b>FY12 Projected</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>
Town Sales Tax	\$ 9,500,000	\$ 9,728,000	\$ 9,777,000	\$ 9,796,000	\$ 9,816,000
State Shared Revenue	\$ 2,532,000	\$ 2,438,000	\$ 2,517,000	\$ 2,590,000	\$ 2,665,000
Motor Vehicle Tax	\$ 552,000	\$ 566,000	\$ 583,000	\$ 601,000	\$ 619,000
Department Support	\$ 1,676,000	\$ 1,693,000	\$ 1,777,000	\$ 1,822,000	\$ 1,867,000
Building Related Revenue	\$ 710,000	\$ 960,000	\$ 1,088,000	\$ 861,000	\$ 903,000
Other	\$ 1,584,000	\$ 1,638,000	\$ 1,695,000	\$ 1,759,000	\$ 1,840,000
<b>Total Revenue</b>	<b>\$ 16,554,000</b>	<b>\$ 17,023,000</b>	<b>\$ 17,437,000</b>	<b>\$ 17,429,000</b>	<b>\$ 17,710,000</b>
<b>Total Expenditures</b>	<b>\$ 16,592,500</b>	<b>\$ 16,448,000</b>	<b>\$ 17,037,000</b>	<b>\$ 17,656,000</b>	<b>\$ 18,305,000</b>
<b>Variance</b>	<b>\$ (38,500)</b>	<b>\$ 575,000</b>	<b>\$ 400,000</b>	<b>\$ (227,000)</b>	<b>\$ (595,000)</b>

<b>Emergency Services</b>	<b>FY12 Projected</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>
Town Sales Tax	\$ 1,235,000	\$ 1,265,000	\$ 1,272,000	\$ 1,274,000	\$ 1,277,000
Property Tax	\$ 4,216,000	\$ 3,836,000	\$ 4,028,000	\$ 4,109,000	\$ 4,191,000
Other	\$ 24,000	\$ 34,000	\$ 44,000	\$ 44,000	\$ 44,000
<b>Total Revenue</b>	<b>\$ 5,475,000</b>	<b>\$ 5,135,000</b>	<b>\$ 5,344,000</b>	<b>\$ 5,427,000</b>	<b>\$ 5,512,000</b>
<b>Total Expenditures</b>	<b>\$ 6,598,919</b>	<b>\$ 6,808,000</b>	<b>\$ 7,012,000</b>	<b>\$ 7,226,000</b>	<b>\$ 7,450,000</b>
<b>Variance</b>	<b>\$ (1,123,919)</b>	<b>\$ (1,673,000)</b>	<b>\$ (1,668,000)</b>	<b>\$ (1,799,000)</b>	<b>\$ (1,938,000)</b>



**Town of Queen Creek  
Five Year Revenue and Expenditure Projections**

<b>Water Enterprise</b>	<b>FY12 Projected</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>
Water Sales	\$ 7,800,000	\$ 8,178,000	\$ 8,260,000	\$ 8,342,000	\$ 8,425,000
Other	\$ 729,000	\$ 733,000	\$ 736,000	\$ 740,000	\$ 744,000
<b>Total Revenue</b>	<b>\$ 8,529,000</b>	<b>\$ 8,911,000</b>	<b>\$ 8,996,000</b>	<b>\$ 9,082,000</b>	<b>\$ 9,169,000</b>
<b>Total Expenditures</b>	<b>\$ 8,230,586</b>	<b>\$ 8,430,000</b>	<b>\$ 8,660,000</b>	<b>\$ 8,890,000</b>	<b>\$ 9,130,000</b>
<b>Variance</b>	<b>\$ 298,414</b>	<b>\$ 481,000</b>	<b>\$ 336,000</b>	<b>\$ 192,000</b>	<b>\$ 39,000</b>

<b>Drainage &amp; Transportation</b>	<b>FY12 Projected</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>
Constuction Sales Tax	\$ 1,111,000	\$ 1,137,000	\$ 1,143,000	\$ 1,145,000	\$ 1,147,000
Transfer In from Transportation Development Fund	\$ 156,000	\$ 269,000	\$ 449,000	\$ 283,000	\$ 308,000
Interest Income	\$ 143,000	\$ 136,000	\$ 127,000	\$ 111,000	\$ 98,000
<b>Total Revenue</b>	<b>\$ 1,410,000</b>	<b>\$ 1,542,000</b>	<b>\$ 1,719,000</b>	<b>\$ 1,539,000</b>	<b>\$ 1,553,000</b>
<b>Total Expenditures</b>	<b>\$ 3,076,000</b>	<b>\$ 2,740,000</b>	<b>\$ 2,739,000</b>	<b>\$ 2,742,000</b>	<b>\$ 2,741,000</b>
<b>Variance *</b>	<b>\$ (1,666,000)</b>	<b>\$ (1,198,000)</b>	<b>\$ (1,020,000)</b>	<b>\$ (1,203,000)</b>	<b>\$ (1,188,000)</b>

\*Does not include any project funding



**Town of Queen Creek  
Five Year Revenue and Expenditure Projections**

<b>Town Center Fund</b>	<b>FY12 Projected</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>
Town Sales Tax	\$ 308,000	\$ 315,000	\$ 317,000	\$ 318,000	\$ 318,000
Facility Rental	\$ 58,000	\$ 36,000	\$ -	\$ -	\$ -
Other	\$ 5,000	\$ 3,000	\$ -	\$ -	\$ -
<b>Total Revenue</b>	<b>\$ 371,000</b>	<b>\$ 354,000</b>	<b>\$ 317,000</b>	<b>\$ 318,000</b>	<b>\$ 318,000</b>
<b>Total Expenditures</b>	<b>\$ 131,700</b>	<b>\$ 31,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Variance</b>	<b>\$ 239,300</b>	<b>\$ 323,000</b>	<b>\$ 317,000</b>	<b>\$ 318,000</b>	<b>\$ 318,000</b>

<b>Parks, Trails &amp; Open Space Development</b>	<b>FY12 Projected</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>
Development Fees	\$ 915,000	\$ 1,058,000	\$ 1,143,000	\$ 1,234,000	\$ 1,414,000
Transfer In from Other Funds	\$ 86,270	\$ 86,000	\$ 86,000	\$ 86,000	\$ 86,000
<b>Total Revenue</b>	<b>\$ 1,001,270</b>	<b>\$ 1,144,000</b>	<b>\$ 1,229,000</b>	<b>\$ 1,320,000</b>	<b>\$ 1,500,000</b>
<b>Total Expenditures</b>	<b>\$ 1,166,360</b>	<b>\$ 1,165,000</b>	<b>\$ 1,163,000</b>	<b>\$ 1,160,000</b>	<b>\$ 1,161,000</b>
<b>Variance</b>	<b>\$ (165,090)</b>	<b>\$ (21,000)</b>	<b>\$ 66,000</b>	<b>\$ 160,000</b>	<b>\$ 339,000</b>



**Town of Queen Creek  
Five Year Revenue and Expenditure Projections**

	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
<b>Town Building &amp; Vehicle Development</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Development Fees	\$ 307,000	\$ 388,000	\$ 483,000	\$ 437,000	\$ 493,000
Total Revenue	\$ 307,000	\$ 388,000	\$ 483,000	\$ 437,000	\$ 493,000
Total Expenditures (Debt Service)	\$ 726,000	\$ 727,000	\$ 727,000	\$ 727,000	\$ 727,000
Variance	\$ (419,000)	\$ (339,000)	\$ (244,000)	\$ (290,000)	\$ (234,000)

	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
<b>Library Development</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Development Fees	\$ 219,000	\$ 253,000	\$ 274,000	\$ 296,000	\$ 339,000
Total Revenue	\$ 219,000	\$ 253,000	\$ 274,000	\$ 296,000	\$ 339,000
Total Expenditures (Debt Service)	\$ 1,015,000	\$ 1,015,000	\$ 1,015,000	\$ 1,015,000	\$ 1,015,000
Variance	\$ (796,000)	\$ (762,000)	\$ (741,000)	\$ (719,000)	\$ (676,000)

	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
<b>Transportation Development</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Development Fees	\$ 156,000	\$ 269,000	\$ 449,000	\$ 283,000	\$ 308,000
Total Revenue	\$ 156,000	\$ 269,000	\$ 449,000	\$ 283,000	\$ 308,000
Total Expenditures	\$ 156,000	\$ 269,000	\$ 449,000	\$ 283,000	\$ 308,000
Variance	\$ -	\$ -	\$ -	\$ -	\$ -





**Town of Queen Creek  
Five Year Revenue and Expenditure Projections**

	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
<b>Fire Development</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Development Fees	\$ 121,000	\$ 161,000	\$ 213,000	\$ 181,000	\$ 203,000
Total Revenue	\$ 121,000	\$ 161,000	\$ 213,000	\$ 181,000	\$ 203,000
Total Expenditures (Equipment Lease)	\$ 393,000	\$ 393,000	\$ 252,000	\$ 252,000	\$ 252,000
Variance	\$ (272,000)	\$ (232,000)	\$ (39,000)	\$ (71,000)	\$ (49,000)

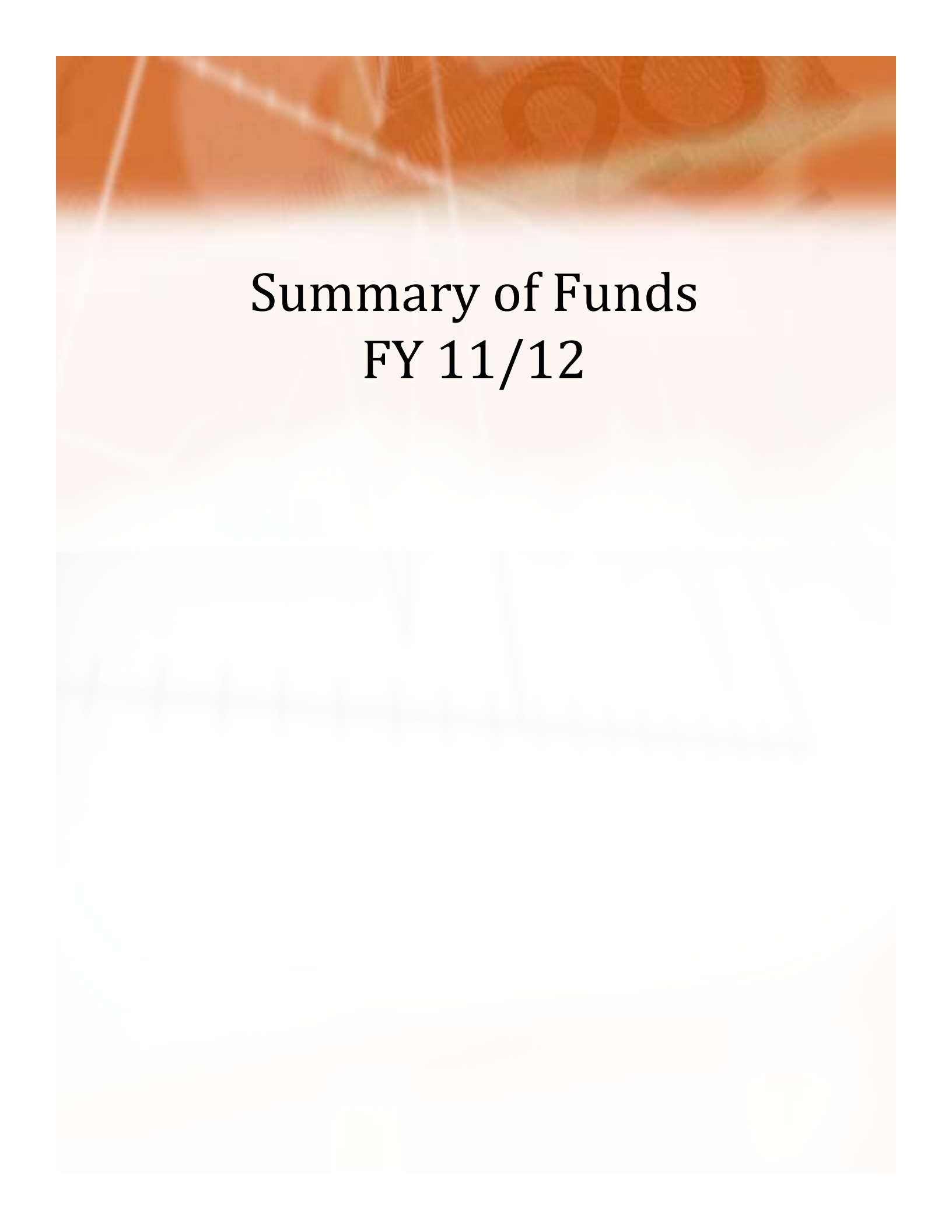
	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>
<b>Public Safety Development</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Development Fees	\$ 115,000	\$ 137,000	\$ 156,000	\$ 158,000	\$ 181,000
Total Revenue	\$ 115,000	\$ 137,000	\$ 156,000	\$ 158,000	\$ 181,000
Total Expenditures (% of MCSO contract)	\$ 389,291	\$ 393,000	\$ 397,000	\$ 401,000	\$ 405,000
Variance	\$ (274,291)	\$ (256,000)	\$ (241,000)	\$ (243,000)	\$ (224,000)



**Town of Queen Creek  
Five Year Revenue and Expenditure Projections**

<b>Sewer &amp; Waste Water Funds</b>	<b>FY12 Projected</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>
Sewer Rates	\$ 2,900,901	\$ 2,969,953	\$ 3,040,226	\$ 3,112,335	\$ 3,185,911
Development Fees	\$ 853,000	\$ 1,005,000	\$ 1,053,000	\$ 1,133,000	\$ 1,292,000
Total Revenue	\$ 3,753,901	\$ 3,974,953	\$ 4,093,226	\$ 4,245,335	\$ 4,477,911
Total Expenditures	\$ 4,724,657	\$ 6,633,221	\$ 6,714,641	\$ 6,805,104	\$ 6,890,627
Variance	\$ (970,756)	\$ (2,658,268)	\$ (2,621,415)	\$ (2,559,769)	\$ (2,412,716)

<b>Highway User Revenue Fund</b>	<b>FY12 Projected</b>	<b>FY13 Projected</b>	<b>FY14 Projected</b>	<b>FY15 Projected</b>	<b>FY16 Projected</b>
HURF Funds	\$ 850,000	\$ 881,000	\$ 898,000	\$ 916,000	\$ 935,000
Pinal County Tax	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
Total Revenue	\$ 858,000	\$ 889,000	\$ 906,000	\$ 924,000	\$ 943,000
Total Expenditures	\$ 858,000	\$ 889,000	\$ 906,000	\$ 924,000	\$ 943,000
Variance	\$ -	\$ -	\$ -	\$ -	\$ -

The background of the slide is a close-up, slightly blurred image of a stack of Euro banknotes. The colors are primarily orange and yellow, with some green and blue tones visible in the shadows and highlights of the paper. The texture of the paper and the intricate patterns of the banknotes are visible, though not sharp.

# Summary of Funds FY 11/12



## Summary FY11-12

Fund	Surplus	Deficit
General Fund	\$ -	\$ (38,500)
Emergency Services	\$ -	\$ (1,123,919)
Water Enterprise	\$ 298,414	\$ -
Drainage & Transportation	\$ -	\$ (1,666,000)
Town Center Fund	\$ 239,300	\$ -
Parks, Trails & Open Space Development	\$ -	\$ (165,090)
Town Building & Vehicle Development	\$ -	\$ (419,000)
Library Development	\$ -	\$ (796,000)
Transportation Development	\$ -	\$ -
Fire Development	\$ -	\$ (272,000)
Public Safety Development	\$ -	\$ (274,291)
Highway User Revenue Fund	\$ -	\$ -
Sewer & Waste Water Funds	\$ -	\$ (970,756)
<b>Totals</b>	<b>\$ 537,714</b>	<b>\$ (5,725,556)</b>
<b>Variance</b>	<b>\$ -</b>	<b>\$ (5,187,842)</b>



# Town Budget Fund Balances (Est.) as of June 30, 2011

# Schedule of Estimated Town Fund Balances (Reserves) as of June 30, 2011

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<b>Fund</b>	<b>Est. Fund Balance 6/30/11</b>
General Fund	\$ 9,500,000
Sewer (Wastewater)	2,900,000
Water Enterprise Fund	2,600,000
Drainage & Transportation Fund <sup>1</sup>	4,900,000
Town Center Fund	775,000
Emergency Services Fund	1,070,000
Highway User Revenue Fund (HURF)	800,000
Local Transportation Assistance Fund (LTAF)	200,000

<b>Development Funds</b>	<b>Est. Fund Balance 6/30/11</b>
Park, Open Spaces & Recreation	\$ 700,000
Town Buildings Fund	865,000
Library Fund	150,000
Fire Development Fund	540,000
Public Safety Development Fund	335,000

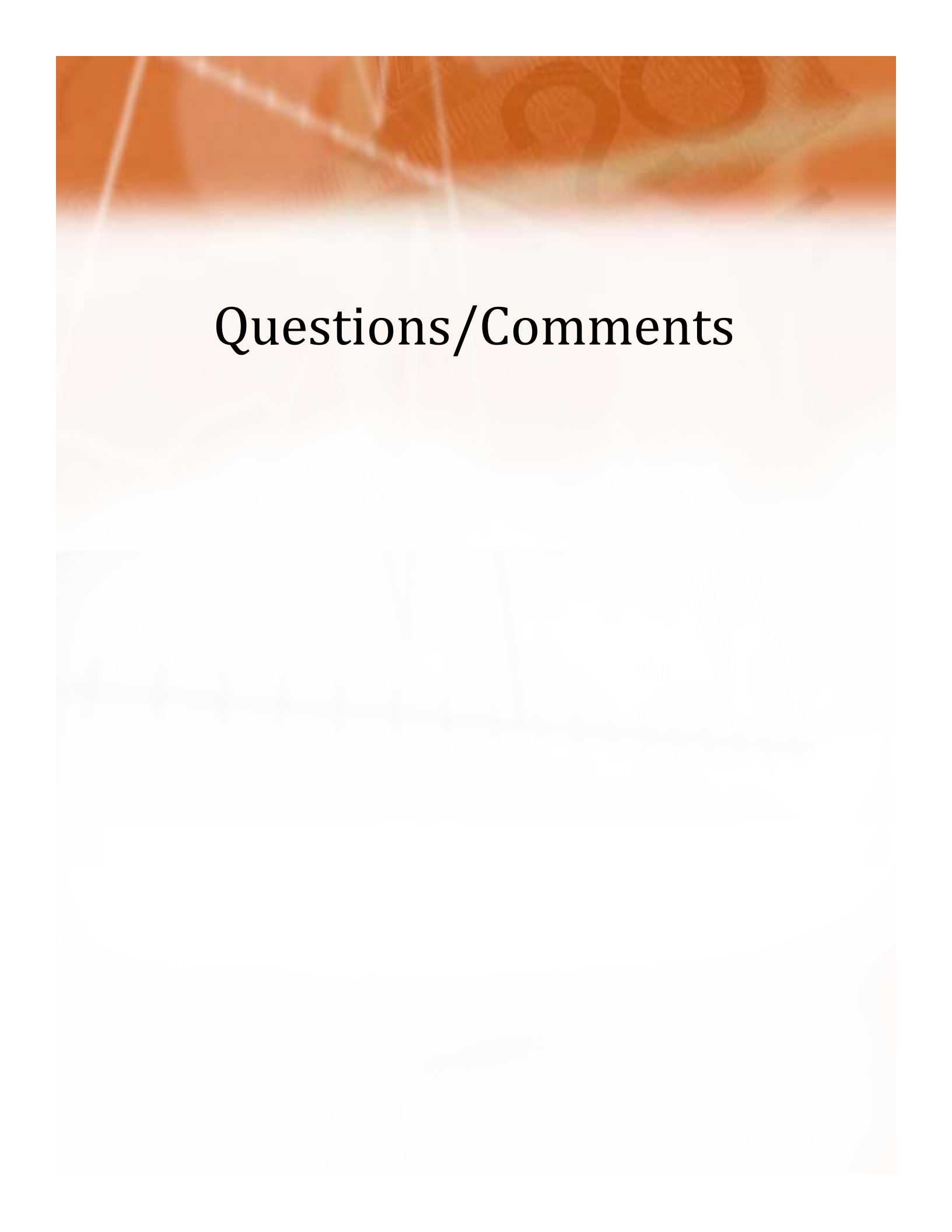
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<sup>1</sup> Includes developer in lieu payments for Town Infrastructure.

# Review of Town Options for Addressing Shortfalls in Different Town Funds

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1. Use of Town Reserves (Fund Balances)
2. Seeking further budget cutbacks in the Town (5%, 10%, and 25% budget cut scenarios in all operating areas of the Town)
3. Use of Town Center Fund surplus monies
4. Use of Water Enterprise Fund surplus monies
5. Increasing Town Revenues
  - a. Equalizing the Sales Tax Rate to 2 ½% town wide
  - b. Increasing Sales Tax Rate by ¼%
  - c. Increasing Town other revenue – building fees, etc.
6. Seeking a new public safety ballot measure – seeking a new property tax rate ceiling – from \$1.95 to \$2.75
7. Enterprise fund rate or fee adjustments
8. Other options



# Questions/Comments



# Notes

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