



Budget Overview FY 11/12

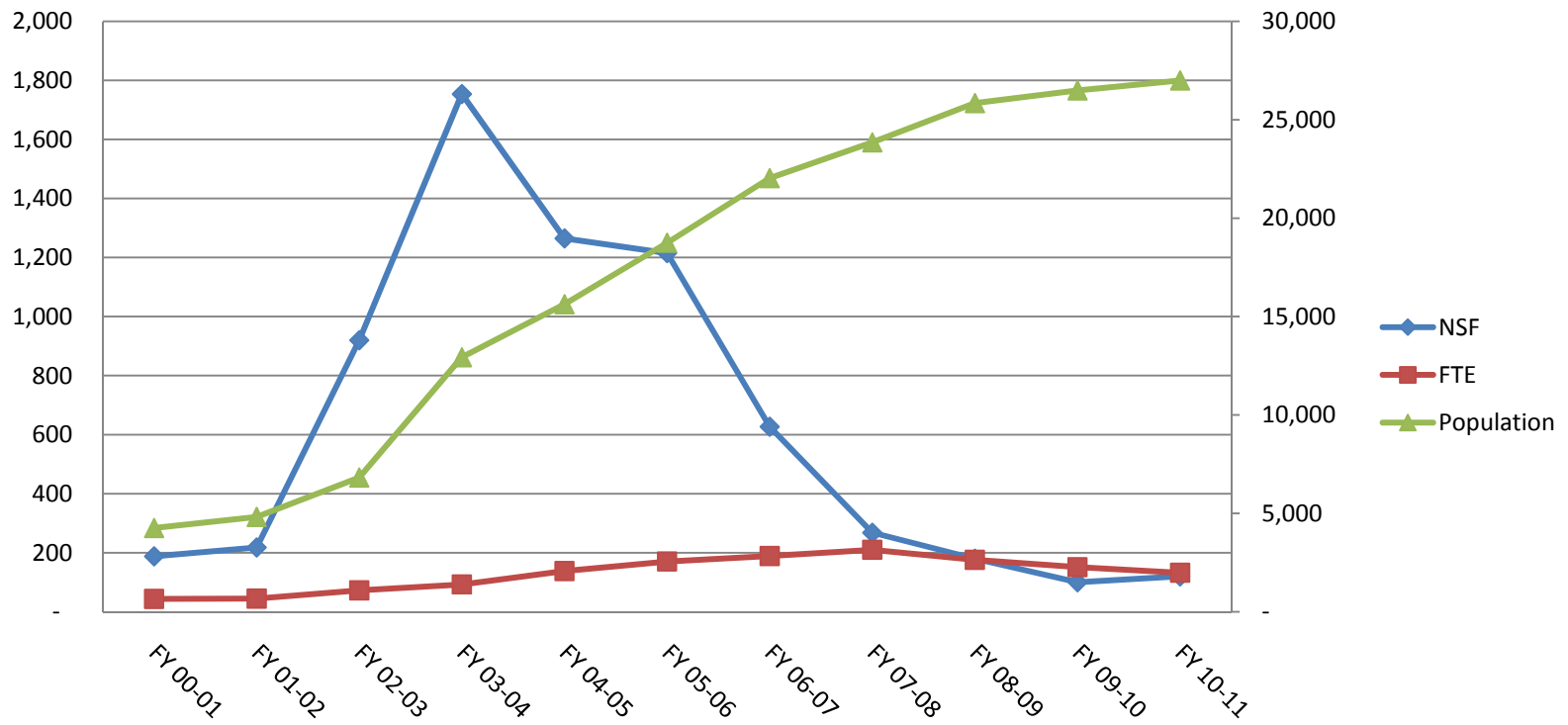
March 8, 2011

Overview of Local Economic Climate

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

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)

- Difficult to estimate at best
- Economists look at different indicators to best determine future outlook
 - Shows the complexity of the issue
 - 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

- 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 over Forecast Period FY 11/12-FY 15/16

- 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)

Budget Assumptions over Forecast Period FY 11/12-FY 15/16

- Revenue *(continued)*
 - 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%

Budget Assumptions over Forecast Period FY 11/12-FY 15/16 *(continued)*

- 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

Budget Assumptions over Forecast Period FY 11/12-FY 15/16 *(continued)*

- 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 service costs.

Budget Assumptions over Forecast Period FY 11/12-FY 15/16 *(continued)*

- 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



5-Year Revenue and Expenditure Projections

General Fund	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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
Total Revenue	\$ 16,554,000	\$ 17,023,000	\$ 17,437,000	\$ 17,429,000	\$ 17,710,000
Total Expenditures	\$ 16,592,500	\$ 16,448,000	\$ 17,037,000	\$ 17,656,000	\$ 18,305,000
Variance	\$ (38,500)	\$ 575,000	\$ 400,000	\$ (227,000)	\$ (595,000)

Emergency Services	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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
Total Revenue	\$ 5,475,000	\$ 5,135,000	\$ 5,344,000	\$ 5,427,000	\$ 5,512,000
Total Expenditures	\$ 6,598,919	\$ 6,808,000	\$ 7,012,000	\$ 7,226,000	\$ 7,450,000
Variance	\$ (1,123,919)	\$ (1,673,000)	\$ (1,668,000)	\$ (1,799,000)	\$ (1,938,000)



5-Year Revenue and Expenditure Projections

Water Enterprise	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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
Total Revenue	\$ 8,529,000	\$ 8,911,000	\$ 8,996,000	\$ 9,082,000	\$ 9,169,000
Total Expenditures	\$ 8,230,586	\$ 8,430,000	\$ 8,660,000	\$ 8,890,000	\$ 9,130,000
Variance	\$ 298,414	\$ 481,000	\$ 336,000	\$ 192,000	\$ 39,000

Drainage & Transportation	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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
Total Revenue	\$ 1,410,000	\$ 1,542,000	\$ 1,719,000	\$ 1,539,000	\$ 1,553,000
Total Expenditures	\$ 3,076,000	\$ 2,740,000	\$ 2,739,000	\$ 2,742,000	\$ 2,741,000
Variance *	\$ (1,666,000)	\$ (1,198,000)	\$ (1,020,000)	\$ (1,203,000)	\$ (1,188,000)

*Does not include any project funding



5-Year Revenue and Expenditure Projections

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

Parks, Trails & Open Space Development	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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
Total Revenue	\$ 1,001,270	\$ 1,144,000	\$ 1,229,000	\$ 1,320,000	\$ 1,500,000
Total Expenditures	\$ 1,166,360	\$ 1,165,000	\$ 1,163,000	\$ 1,160,000	\$ 1,161,000
Variance	\$ (165,090)	\$ (21,000)	\$ 66,000	\$ 160,000	\$ 339,000



5-Year Revenue and Expenditure Projections

	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
Town Building & Vehicle Development					
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)

	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
Library Development					
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)

	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
Transportation Development					
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	\$ -	\$ -	\$ -	\$ -	\$ -



5-Year Revenue and Expenditure Projections

Fire Development	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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)

Public Safety Development	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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)



5-Year Revenue and Expenditure Projections

Sewer & Waste Water Funds	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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)

Highway User Revenue Fund	FY12 Projected	FY13 Projected	FY14 Projected	FY15 Projected	FY16 Projected
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	\$ -	\$ -	\$ -	\$ -	\$ -



Summary FY 11/12

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)
Totals	\$ 537,714	\$ (5,725,556)
Variance	\$ -	\$ (5,187,842)

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

Fund	Est. Fund Balance 6/30/11
General Fund	\$ 9,500,000
Sewer (Wastewater)	2,900,000
Water Enterprise Fund	2,600,000
Drainage & Transportation Fund ¹	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

¹ Includes developer in lieu payments for Town Infrastructure.

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

Development Funds	Est. Fund Balance 6/30/11
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

Review of Town Options for Addressing Shortfalls in Different Town Funds

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