

Budget Committee
Town of Queen Creek
22350 S. Ellsworth Road
Queen Creek, AZ 85142

DRAFT

April 25, 2011

1. Call to Order

The meeting was called to order at 4:30 p.m. by Council Member Jeff Brown, Chair.

Committee Members Present: Council Member Julia Wheatley, Council Member Jeff Brown, Vice Mayor Craig Barnes

Also attending: Town Manager John Kross, Assistant Town Manager/CFO Patrick Flynn, Samantha McPike, Jennifer Robinson, Bruce Gardner, Fire Chief Summers, Tom Condit, Debbie Gomez, Paul Gardner, Doreen Cott, Marnie Schubert MCSO Captain Proto, MCSO Chief Munnell

2. Items for Discussion and Possible Action

A. Consideration and possible approval of the December 7, 2010 minutes

Council Member Wheatley moved to approve the minutes of December 7, 2010. Vice Mayor Barnes seconded the motion. Motion carried 3-0 on a voice vote.

B. Consideration and possible approval of the Queen Creek FY 2011-12 Operating Budget as follows:

- Background Information (includes guiding principles for recommendations)
- Summary Information
 - Townwide Financial Shortfall – all funds
 - Town Manager Proposed Recommendations to close financial shortfall
 - Budget Reductions
- Budget Reductions by Department/Cost Center
- Other Options for Closing the Financial Shortfall

Town Manager Kross said section 3 in the packet is the Town's budgetary changes in last 10 years. The information provided in the chart included housing data, population growth and general fund budget. We are at \$17.8 million in the general fund budget for this fiscal year. We will have a decrease in next year's general fund budget. We have had several years of budget cuts. In FY 06/07 we started with 15% then in FY 08/09 a 20% budget cut. The economy continues to contract. We have had to resize the organization and reduce long-term payroll obligations. As we head into next fiscal year, fiscal sustainability is key and to reach that balance not only next year but into the future as well. Also organizational integrity is an important goal from my perspective. From a strategy standpoint, concern over the last few years is long-term cost. We are also addressing structural issues, debt taken by community to pay for services in the community. Because of decline in housing, how do we have a more stable revenue base to pay that debt. Also, the recommendation is to continue to use unrestricted reserves use for one time expenses. If used for ongoing expenses it is tied to gap closure strategies for public safety purposes.

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Tab 4 of the binder is the long-range financial plan. FY 12 is \$17.8M in total general fund expenditure and in out years that decreases.. The variance line item is the savings for next fiscal year and future years and it is generated as needed for the general fund to support debt service.

Tab 5 we have worked with departments on issues, ideas that make up my recommendation. We have a \$4.7M gap in the budget and that is what we are trying to close. The next sheet identifies the FY 11/12 financial shortfall in summary form. The proposed recommendations to close the financial shortfall includes department reductions of \$3.8M with a one time employment cost of \$585,000. The Arizona State Retirement System saving includes the legislative change for employees to pay 53% and the Town to pay 47%. The sewer fee adjustment is \$225,000. The sewer fund balance reserve and the general fund reserve are included to balance the gap at \$4.7M. The service cuts and program cuts are in tab 7. This is not all inclusive. The recommendation is reflective of a lack of public sentiment to grow revenues. However, we need to present these other options for growing the Town's revenues to maintain minimum service levels and these are considered for closing the town-wide financial gap. These include an increase in the bar and restaurant sales tax by 1% which would amount to \$450,000 annually. Equalizing the sales tax rate to 2 ½ town-wide would generate \$700,000 - \$800,000 additional revenue annually. Increase sales tax rate by ¼% town wide would generate \$1,150,000 annually. Seeking a new property tax ballot measure would generate \$100,000 per \$.05. Any single option or a combination could be considered as well as the reductions proposed. As appropriate, the Council could also consider using additional town-wide reserves.

We have cataloged questions from council members that have surfaced over the last few days and have distributed them tonight for reference.

Tab 6 includes the each department's FY12 base budget, recommended reductions and FY12 net budget.

Town Council Budget

The base for next fiscal year of \$149,885 with a reduction of \$8,000 in professional services, professional development, materials and commission/committee support.

Vice Mayor Barnes would like to remove \$3,300 for council photos. He would like the council members to purchase their own individual photos. Town Manager Kross said a new council will be elected in 2012, technically taking office in June, the last month of the fiscal year. A new town council group photo and individual photos will need to be taken for reference and media requests. Vice Mayor Barnes feels we only need a digital photo for the internet. Council Member Wheatley discussed having the individual photos taken by staff and group photo taken with these services. ***Council Member Brown entertained a motion to remove \$3,300 for council photos. No motion was made.***

Vice Mayor Barnes would like to discontinue the \$4,200 cell phone allowance. He is concerned with the compensation for low usage of the cell phone. He would prefer the money go to professional development. To provide some historical perspective on this issue, Assistant Town Manager/CFO Patrick Flynn said the town council in 2007 adopted a resolution in a pay in benefits. It was a study to pay benefits of councils which included tools used to do the job. Those tools included cell phones and individual computers. There has been years on a temporary basis that cell phone allowance has been eliminated. The adopted resolution allows for cell phones.

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Council Member Brown asked where the Town of Queen Creek Council Members salaries fall in the range compared to other cities. Mr. Flynn responded Queen Creek is low compared to other cities. Committee discussed legal ramifications of using personal cell phone for public business. Town Manager Kross summarized that in general, any of the public's business should be done in public and that relative to cell phones or computers unless it is a confidential matter allowed by Arizona law, that information is discoverable and needs to be released upon request. Whether the public's business was done on a phone or computer provided by the Town or a personal instrument is irrelevant; so a situation could arise where all phone records both personal and private are produced upon request for determination of the business conducted. On occasion the Town does receive requests for a copy of the cell phone bill. The Town Council Member would have to produce that bill upon request. ***Vice Mayor Barnes moved to remove that line item cell phones at \$4200 and not reallocate to another line item. Council Member Wheatley clarified this motion could be vetoed when brought forward to the Town Council. Council Member Wheatley seconded the motion. Voice vote 2-1. Council Member Brown opposed.***

The committee discussed the Commission & Committee Support line base budget of \$4,100 with recommended reduction of \$410. This line item supports nominal needs for the Planning & Zoning Committee, Town Center Committee, Economic Development Committee and others. This also includes training for new members which has traditionally been in-house training.

The Committee discussed the Professional Services line for the Council retreat, goal setting, strategic planning, and special studies. The base budget is \$9000 with a recommended reduction of \$705. This budget line includes bringing in a facilitator.

The Committee discussed media training which has been done every other year with the new council. Council Member Wheatley asked if there were any locations locally to send new council members for training. Town Manager Kross said the only training that exists is the League of AZ Cities and Towns' 2-day training. But, our local program on media training is handled by Marnie Schubert, Public Information Officer, and Orangescreen Productions, the town's media consultant group.

Town Manager Budget

Mr. Kross said the Town Manager's budget for FY 12 is \$531,741. The Professional Services line includes bringing in a facilitator for the management retreat but the proposal is to significantly cut this line item and the professional services line item. Other options could be considered, but that is the recommendation at this time. Vice Mayor Barnes would like to see the \$19,500 recommended reduction go back into Professional Development. Mr. Kross has used webinars over the years as technology has improved. He explained they would rotate attending the local in state conferences and would have to forgo the League conference. The Town Manager's office would use more on-line training rather than travel training. ***Council Member Brown opened for motion. Council Member Barnes moved to return the \$19,500 reduction back into Professional Services. No second. Item fails.***

Finance Budget

Mr. Flynn said the Finance base budget for FY 12 is \$824,892. We are recommending a \$185,866 reduction which includes a reduction of two positions. One position is open and one position is in the accounting group. There were no questions from the committee.

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Town Clerk Budget

Mr. Flynn said the Town Clerk base budget for FY 12 is \$216,975 with a net budget of \$214,175. The reductions were taken in postage and office supplies. Council Member Brown asked with respect to comparative cities, is it common to have 2 persons in the Town Clerk's office to handle customer service coverage. Town Clerk Jennifer Robinson said in a town our size it is common to have 2 or more persons. The assistant issues business licenses and covers the front office at Town Hall. The Town Clerk's position attends the council meetings and oversees elections. If there was only one staff member, they would stagger vacations around council meetings or ask for assistance from other departments and business licenses would be delayed.

Human Resources Budget

Mr. Flynn said the Human Resources net budget is \$399,728. Council Member Wheatley asked what types of training is included in professional development. Human Resources Director Bruce Gardner said that is a catch-all training for parts of the organization. Last year they had training for supervisors over a 6-week period. This line is also used for other departments training, for example customer service training. They have done in-house training and coordinated training with other agencies.

The Committee discussed the Events & Awards line which includes the staff service award program. This program is a way to show appreciation for years of service. This line is also used for the Thanksgiving and Christmas luncheons which are approximately \$400 each.

The Committee discussed the subscription line. Approximately \$7500-\$8000 will be used to bring on an electronic performance evaluation program to save time. The Town currently does paper evaluations. They are looking at a contract with Neo-Gov. Approximately \$3500 of that amount will be used to purchase the program. The savings will be in efficiency.

Mr. Gardner said one recommendation is to reduce the Risk Management position in Emergency Services. The Human Resources staff would take over that role.

Information Technology Budget

Mr. Flynn said the base budget is \$1,369,807 with a recommended reduction of \$223,666. Bruce Gardner, Human Resources Director, oversees this department. The reduction includes elimination of 2 vacancies and one filled position. Mr. Gardner said they average 15-30 calls for help a day which they are hoping to reduce with more training for high frequency areas/users – allowing for self-help. They are looking at using a third party to receive other help desk calls. They would have 5 remaining staff to respond to those calls as needed and to provide the normal and usual support for network, database and other IT infrastructure. They have not chosen any company yet as the third party but it would be part of the Requests for Proposals (RFP). As we go forward with internal IT staff, some governments are looking at outsourcing but it is difficult because of security concerns. This is our first look at how a third party help desk operation would work. If it does not work, it will be eliminated.

Development Services Budget

Mr. Flynn said this is a very large department which includes fleet, custodial, engineering, planning, capital improvements program and inspections including some other functions. There are a number of cost centers attached. The base budget for FY 12 is \$4,847,429 with recommended reductions of \$888,489 for a net budget of \$3,958,940. We are looking at outsourcing of custodial

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and fleet services. There is a large reduction in force for these services.

Council Member Wheatley asked what falls under community outreach. Development Services Director Tom Condit said they have eliminated dollars for Neighborhoods in Bloom and quarterly bulk trash pickup. With the onset of the bulk item pick-up through the solid waste contract the Town currently has, this was deemed not a necessary expense. The line includes the HOA academy training and \$3,500 is for the leadership center.

The Committee discussed cell phone usage. Mr. Kross said a couple of years ago the Town did an analysis and reduced cell costs by 50%. Final determination on which positions actually get cell phones is left up to the individual department but field staff in particular need some cell phones for safety purposes.. The Town did look at radios but the cell phone plan we have now is cheaper and more efficient. Vice Mayor Barnes asked what is the per person cost for a cell phone. Mr. Gardner said for a regular cell phone it is \$50 per person and \$65 for a smart phone.

Council Member Brown questioned the gasoline line item and asked if the increased gasoline prices were reflected correctly in the budget. Mr. Condit said yes, as long as the gas prices do not go up drastically from the current projection. There will not be as many staff needing to travel with the reductions proposed either.

Council Member Brown asked what is entailed in the costs for repairs. Mr. Condit said the street crew has materials for potholes, striping, and sign repair. The traffic engineer has a significant backlog of equipment and fleet services has equipment. ***Council Member Brown asked for more information on the repairs line item at the next meeting.***

Council Member Brown asked how we are saving on the PM10 Construction Service and are we jeopardizing our legal services. ***Mr. Condit will provide more detail on PM10 Construction Services at the next meeting.***

Grounds Maintenance Budget

Mr. Flynn said the Grounds Maintenance net budget for FY 12 is \$987,940. The park ranger program is included in this budget. The Committee discussed the park ranger duties. We are looking at changes in this program by using fire fighters and code enforcement officers to supplement the program and reductions identified. ***Council Member Brown would like to see more information before changing this program.*** We are looking at contracted services instead of full time staff for standard maintenance in some parks areas, trails and other high visibility areas owned by the town. The Grounds Maintenance budget has a \$502,000 recommended reduction.

Council Member Wheatley asked how does overtime occur and if overtime could be reduced entirely. Parks & Recreation Director Debbie Gomez said it will be important to keep overtime to pay as this line item is used for emergency call-out basis only. We do ask staff to come for storm cleanup and we try to clean graffiti within 24 hours. Overtime is only used in special circumstances.

Council Member Brown asked to discuss the savings in professional services. Mrs. Gomez said they have a decrease based on trending in that line. Gopher control is also included in professional services.

Recreation Programs Budget

Mr. Flynn said Recreation Programs recommended reduction for FY12 is \$159,660 with a net budget of \$507,060.

Community Events Budget

Mr. Flynn said Community Events recommended reduction for FY12 is \$42,918 with a net budget of \$35,755. The Trunk or Treat and Passport to Discovery programs will remain and it is anticipated that they will have sponsorship revenue to cover costs. Recreation staff will look at partnerships when putting on future events. We are looking at reducing the youth basketball program. Within this program, we are looking at reducing full-time staff with parttime staff. The Home Town Christmas and Monsoon Madness programs are proposed for elimination as is Roots N' Boots. If we have these events, we will need outside sponsors to cover costs. The special interest classes which are called contract classes will stay since they are self-sustaining with revenues covering all costs. The usual contract class has a 70%/30% split with 70% of the fee being returned to the contractor.

Council Member Wheatley said the Cultural Foundation has indicated they would sponsor Passport to Discovery. Does staff know to what extent they will sponsor the event? Economic Development Director Doreen Cott said they have only had preliminary conversations with staff about possibly sponsoring events. We have not discussed the details of their intent.

Parks Administration Budget

Mr. Flynn said Parks Administration recommended reduction for FY 12 is \$62,000 with a net budget of \$323,345. It is recommended to cut a position in Parks Administration. Vice Mayor Barnes asked what is \$5,000 used for in license fees. Mrs. Gomez said that is for the Active Network software for on-line class and program registration. Council Member Brown asked what gets mailed from the postage line item. Mrs. Gomez said the recreation brochure gets mailed if we do not have sponsorships for the brochure.

Horseshoe Park & Equestrian Centre (HPEC) Budget

Mr. Flynn said HPEC recommended reduction for FY 12 is \$91,000 for a net budget of \$646,266. HPEC has a revenue offset of \$460,000 for next year's projections.

Council Member Wheatley asked for more information on the new laborer contract under professional services. HPEC General Manager Tim Lynch said they are looking at a more cost effective manner to get the barns cleaned. They can use more contracted labor services at about \$12 an hour versus other city services with more money and benefits. They have used Canyon State Academy for barn cleaning services. When Canyon State Academy is not available, we have gone to labor contract services. HPEC has 3 full time employees who are used as supervisors over the labor contract services. We have had events in which we need to clean the stalls in one or two days before the next event.

Council Member Wheatley asked about the livestock line. Mr. Lynch said we have had a group of events such as Ranch Sorting which is an event we own and we garner all the money. We bring in people from Tucson and Yuma to this event. People come to Queen Creek and compete in these events. We are the producer of the event and we have to provide the cattle for the event. We recoup all those costs through the fees. We have a show by show contract with the cattle producer and he gets a third of the revenue.

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Council Member Wheatley asked with regards to the utility line, what is policy for lighting. Mr. Lynch said the outside arenas are lit if in use during dark hours. If the arena is rented, we are recouping the electrical costs in the rental fee. We have the remnants of the non profit rate and we are losing money for those events but the lighting fees help recoup those costs.

Vice Mayor Barnes said Tim and I previously spoke about using prisoners to clean stalls and asked Mr. Lynch to elaborate on that conversation. Mr. Lynch said Arizona has a state and county prison system. With the county system, you get the prisoners for 7 hours. The 7 hours starts when they open the cell doors, including travel time to and from HPEC, to when the cell doors close. Due to the location of Queen Creek from the county's cells, and how the County calculates available time, it is infeasible to get them to the site and work for the time we need them. Additionally, the prison system will only allow prisoners to come that merit that kind of special treatment which makes the prison system unreliable.

The committee discussed cost savings in liability insurance from a better negotiated fee with Ranch Sorting. The committee discussed omitting the audio system. Mr. Lynch will delay the audio system installation until next year. If necessary the Town can rent an audio system for a few thousand dollars, significantly less than acquiring a whole system.

Council Member Brown asked staff to further evaluate the gasoline line item. Mr. Lynch said they use diesel fuel at HPEC. Financial Services Analyst Samantha McPike said the gasoline line is trended for \$5.00/gal for diesel. The committee discussed getting diesel fuel at red/farm rate. Facilities/Fleet Division Manager Lee Councilor said in order to get farm fuel we would need our own 25 gallon storage unit/tank and we would have to tap into someone's existing line servicing this area. With farm fuel we would not pay federal, state or local taxes. Farm fuel can only be used for farm equipment, however. If it is not used for farm equipment, we will be issued a penalty. ***Council Member Brown asked staff to look into red/farm fuel as an option.***

Council Member Brown asked about the revenues from HPEC. Mr. Lynch said we will see rapid revenue next year and then it will stabilize. Last year's revenue was \$126,000 which may double for next year. He has some contracts that will bring \$100,000 into the revenue base. Council Member Brown asked how many days of events are on the calendar compared to a year ago. Mr. Lynch said for example, the Cutting Horse contract added 25 days to the event calendar. HPEC should have 60-100 additional event days.

Economic Development Budget

Mr. Flynn said Economic Development includes both administration plus Communications & Marketing. Economic Development recommended reductions for FY12 is \$79,036 with a net budget of \$825,400. The committee discussed printing done by contract. The committee discussed the reduction in video services with Orangescreeen. The video services for a special council meeting or town council training is proposed for reduction. The committee discussed the Vision Internet Enhancements line is for continual updates based on need of the organization. Council Member Brown asked if it would be possible to omit that line and use contingency money if there were enhancements. ***Council Member Brown moved to remove the line item for Vision Internet. Council Member Wheatley seconded the motion.*** Vice Mayor Barnes asked if that would have to go back to council for approval or could Town Manager John Kross approve. Mr. Kross said if it is in the budget and the expenditure is approved then yes he could approve. If it is a

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contingency, then per the Town's financial policies, the Council approves. *Motion carried 3-0 on a voice vote.*

The committee discussed the Community Outreach line which includes two community town hall events, Citizen Leadership Institute and the Star Student program. The two community town hall events is proposed to remain as the Ice Cream Social and the Pancake Breakfast.

The committee discussed the marketing line item. Mrs. Cott said this line is for the branding proposal which includes economic development elements to target specific industries, social media, tradeshow, sales and promotional programs, partnership opportunities with Rio Salado and advertising. They are looking at advertising in Allegiant Airlines in flight magazine.

Committee agrees to stay and review the emergency services budget and bring back the sewer utility budget at the next meeting.

Emergency Services Budget

Mr. Flynn said Emergency Services has a recommended reduction of \$852,231 for a FY 12 net budget of \$5,545,327. Part of the reduction is reducing the Town's sheriff beats from 5 to 4.

The committee discussed contractual professional services. Fire Chief Summers said the Fire department has a number of certifications they need to maintain for paramedics, EMTs, and drivers. They bring in a third-party for training to ensure validation of the certifications.

The committee discussed the reduction in the Gilbert Intergovernmental Agreement (IGA). Fire Chief Summers said they have other resources in-house that can accommodate this reduction. We were fortunate to plug into services that were mature from Gilbert at the time when the department first started operations in January 2008. It does not affect hard assets (e.g., Fire trucks), they are staying in tact and will continue to be serviced by Gilbert technicians.

The committee discussed the MCSO contract reduction from five beats to four. MCSO Chief Frank Munnell said the citizens will not see a significant reduction of service with the reduction of one beat. He stated we can always bring back an extra person or beat in the future. Vice Mayor Barnes asked what would change if we reduced another half beat. Chief Munnell said they would staff at peak hours and adjust staffing for to the slowest times needed in the community.

The committee discussed equipment rental under materials. Emergency Services Coordinator Joe LaFortune said that was the installation of the modular building of the sheriff's office which is now leased.

The committee discussed department support. Mr. Flynn said these funds help pay for the human resources office and IT services which gives some relief to the general fund. The Water and Sewer department also has a department support line. Mr. Kross said the department support also includes lease for town facilities.

C. Consideration and possible action on the Town's FY 2012-2016 Capital Improvement Plan (includes Development Funds), with emphasis on the FY 11/12 Capital Program

Continued to the May 2, 2011 Budget Committee meeting.

3. Announcements

Mr. Flynn reviewed the agenda for next meeting on May 2. The agenda will include a response to committee questions from this meeting, capital improvements, not for profits, water and sewer utilities.

4. Adjournment

Vice Mayor Barnes moved to adjourn the meeting. Council Member Wheatley seconded the motion. Motion carried unanimously. Council Member Brown adjourned the meeting at 6:48 p.m.

TOWN OF QUEEN CREEK

Council Member Jeff Brown, Chair

ATTEST:

Marsha Hunt, Sr. Administrative Assistant

I, Marsha Hunt, 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 April 25, 2011 meeting of the Queen Creek Town Budget Committee. I further certify that the meeting was duly called and that a quorum was present.

Marsha Hunt, Sr. Administrative Assistant

Passed and approved on _____, 2011.