

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

DRAFT

May 2, 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 Jeff Brown, Vice Mayor Craig Barnes, Council Member Julia Wheatley

Also attending: Town Manager John Kross, Assistant Town Manager/CFO Patrick Flynn, Jennifer Robinson, Town Clerk, Doreen Cott, Economic Development Director, Bruce Gardner, Human Resources Director, Debbie Gomez, Parks and Recreation Director, Adam Robinson, Recreation Superintendent, Samantha McPike, Interim Budget Administrator, Paul Gardner, Utilities Director, Tom Condit, Development Services Director, Fire Chief Van Summers

2. Items for Discussion and Possible Action

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

- Responses to questions from April 25, 2011 Committee meeting
No comments or additional questions were asked.

- Continuation of discussion on the Operating Budget

- Sewer Utility

Assistant Town Manager/CFO Patrick Flynn said the base budget is \$2,765,256 with a recommended reduction of \$271,700 for a net budget of \$2,493,556. This budget excludes debt service. This is the operational side. Most of the reduction was in the contingency line item.

Council Member Wheatley asked what is entailed in the master plan update and how are we able to cut \$20,000? Utilities Director Paul Gardner said part of the master plan update was a carryover from the current year. Money has been set a side for master planning and engineering when Pinal County extends the Hunt Highway curve on Ellsworth and this should be sufficient.

Council Member Wheatley asked how are we anticipating less in maintenance and repairs. Mr. Gardner said the prior year we had video taped, vacuumed and cleaned the entire sewer system which was out-sourced. More will be done in-house this year on the cleaning of the system and that is where savings are along with postponing some of the major trunk lines.

- Water Utility Division

Mr. Flynn said this is the water enterprise fund. The base budget is \$8,222,082 with recommended reductions of \$388,913 for a net budget of \$7,833,169.

Vice Mayor Barnes asked how electricity can be reduced by \$25,000. Mr. Gardner said they anticipated when they put the budget together that SRP would do an 8% rate increase, however SRP will not be going to raise rates this year. They have a different electrical agreement with an irrigation rate with Electrical District 6. They will turn on those wells in Electrical District 6 first and then the SRP wells second as the power costs in the ED#6 system is significantly cheaper.

Council Member Brown asked if the write off of bad debt is on par with an enterprise fund of this size. Mr. Gardner said some of the bad debt we kept on books and we were accumulating the debt. In the private sector (when the water systems was Queen Creek Water Company) we wrote these debts off. Now that water is part of the Town, we had to do a projection to write off these debts per public accounting requirements. We collected about 98.5%-99% of what is owed to us. The uncollectables are at a ½%. Mr. Gardner stated that this recovery rate is profoundly high and a significant accomplishment for the system.

The Committee discussed the fuel line has a \$5 diesel rate and has an additional \$20,000 for fuel in case rates go up. The Committee discussed with staff reduction the Water Utility Division is hoping to get better vehicles with better efficiency from consolidating with other departments. Geographic Positioning Systems (GPS) will be placed in the vehicles to help dispatch efficiently and monitor energy consumption.

o Solid Waste

Mr. Flynn said another enterprise fund of the Town is solid waste. The recommended base budget is \$1,307,000 for next year. There are no recommended reductions for this budget. This budget is supported by revenue from fees we charge for solid waste.

Public Works Manager Troy White said staying at the \$1.3 million dollar budget was based on a performa when the program was started. This year's budget stays on par with the performa. The charges to residents will stay the same for this year and next year consistent with the agreement adopted by Council.

Vice Mayor Barnes asked what is Solid Waste Other line item is which has had a 2,000% increase for a base budget of \$18,000 this year. Mr. White said this is for a community outreach program to educate new residents about the program and its provisions. Mr. White responded we are still seeing a challenge with the bulk collection services and hence a need to continue significant outreach. In June and July we will have another media blitz with education.

o CDBG (Community Development Block Grant) Fund

Mr. Flynn said we are estimating \$235,000 in revenue for improvements. Parks and Recreation Director Debbie Gomez said this in anticipation of receiving a couple of grants for sidewalk improvements and demolition of buildings. Council Member Brown said we would not proceed with those improvements unless we knew we would receive these grants.

- Town Center

Mr. Flynn said the Town Center Fund is a separate fund. A ¼ % of the sales tax collected in the Town Center is earmarked for this fund. We are estimating about \$308,000 in sales tax next year. We have a successful incubator program and we are at capacity. There are some facility rentals coming in from the incubator as well as other contributions. We did get donations and sponsorships for the incubator. There is a surplus in that fund. This fund will assist in closing some of the \$4.7 deficit gap.

- Street Lighting

Mr. Flynn said we have approximately 70 street lighting districts in the town. The Town pays the electric bills on those lights and the Town is reimbursed from the secondary property tax which is assessed based on the assessed value of the house.

- Parks & Recreation Trust Fund

Mr. Flynn said this is where we get donations into parks & recreation. If the contribution and donation money does not come in, it cannot be spent.

- Community Events Fund

Mr. Flynn said this is a fund that was established to deal with costs of different events such as Passport to Discovery, Trunk or Treat, and Monsoon Madness. This fund segregates those expenses. In 2012 we are projecting outside revenue from sponsorships of \$35,000. Total costs for all our events are \$70,000 which we have a deficit. Part of the Town Manager's recommended budget was to retain two events which include Trunk or Treat and Passport to Discovery. The net cost for those two events would be \$35,000, but it would have to be fully supported by contributions from sponsors in order for the events to proceed. There would be no money contributions from the Town but we would provide staffing for the event.

Vice Mayor Barnes asked to look at all the community events with the same philosophy of having full sponsorships including Monsoon Madness. Mr. Flynn said we could include those events however the sponsorships are very difficult to get. Town staff would need to decide when to not have the event if there is not enough money donated and the timing of receipt of those sponsorships is also a challenge given when the published event is scheduled.

- Special Assessment Improvement Fund

Mr. Flynn said this is reflective of the Ellsworth Loop road improvement project. This cost the Town approximately \$61 million of which we financed \$54 million from a bond with a debt service of approximately \$3.8 million. The \$3.8 million is assessed to the different owners that garner benefit from this road. This is billed twice a year. The other \$2 million is coming from the Town. We benefited greatly from this road but we had one property that went into default. By the terms of State statute, we pick up the debt service of approximately \$450,000. We will take ownership of the 17 acres of land as part of that default and pursuant to state law. That is the reason for the higher contribution.

- Other Programs

Mr. Flynn said there are no other programs for next fiscal year.

o Non-Profit Requests

Mr. Flynn said the first page is the summary of the non-profit groups that have submitted requests to the Town for money. The Town has approved a base budget of approximately \$248,000 for a variety of groups. We have received requests in the amount of \$283,000. Past direction from previous budget committees was that the group would be paid in in-kind services first and the balance in cash. As part of the packet, like the Town departments, we also asked the non-profit agencies to prepare different cut scenarios and what those impacts would be.

Council Member Brown asked staff to review the Town's current budget, percentage of general fund reductions, employee reductions, and overall budget scenario. Town Manager Kross said in the packets is a summary of the past budget adjustments. In FY06/07 there was a 15% midyear reduction to the general fund. In 2009 there was a 20% reduction. In FY08/09 there was a reduction in force that included 14 full time employees and 4 part-time employees. In FY09/10 there was a reduction of 15% to the general fund which included 15 full time employees and 3 part-time employees. This fiscal year there was an 11 % cut in the general fund and a reduction of 9 full time employees and 2 part-time employees. Adding that up, there are 47 full time employees and 9 part-time employees. This does not include vacant positions. Including vacancies, there are 75 positions that were reduced over the 4 years. This number does not include the upcoming fiscal year. In the proposed budget for the upcoming fiscal year, there are 48 positions that will be reduced which include 6 part-time positions and 6 vacancies. The reduction of 129 positions equals about 47% of staff will be eliminated. The general fund will have a 42% reduction for this current fiscal year.

East Valley Partnership (EVP) – Mr. Kross said the EVP is an organization that represents business and government entities in the east valley. It is a public/private partnership and is a non-profit. It advances 6-7 policy initiatives annually in the interests of the East Valley. They were a leading role in developing the land plan for the Superstition Vistas Project that is the 275-square miles of state lands. The Town has been a member of the East Valley Partnership for years. . Council Member Brown is the Town's representative and serves on the EVP board.

Council Member Brown moved to accept the request for funding at zero. Council Member Wheatley seconded the motion. Motion carries on a 3-0 voice vote.

Queen Creek Performing Arts Center (QCPAC)

Economic Development Director Doreen Cott said the Queen Creek Cultural Foundation is requesting \$110,000 in funding.

Representing the Queen Creek Foundation was Wendy Feldman-Kerr, chair of the Queen Creek Foundation and Molly Jacobs, president of the Cultural Foundation and director of the Performing Arts Center. The representatives discussed the economic value of the QCPAC.

Council Member Wheatley asked their intentions for sponsoring Passport to Discovery. Mrs. Cott said Town staff did meet with Molly and clarified the application and

outlined components to the event. Molly assured us that they would fully sponsor the event and Town staff would serve in an advisory role in the transition of the first year.

Council Member Brown said we are faced with giving a budget to the council that is getting back to the core services, a number that is cognizant of layoffs, trailing property tax revenues and sales tax revenues.

Council Member Brown moves the QCPAC receive zero dollars for FY11/12. No second. Motion failed.

Vice Mayor Barnes moved we propose a 15% (\$16,500) cut from \$110,000. Council Member Wheatley sees QCPAC as a great economic driver. The 10% cut would make it cost prohibitive for them to participate in Passport to Discovery. Council Member Brown seconded the motion. Motion fails on a 1-2 voice vote. Council Member Brown and Council Member Wheatley opposed.

Council Member Wheatley moved to fund at \$106,250 which is the same funding as last year. No second. Motion failed.

Council Member Wheatley moved \$106,250 in funding for the QCPAC. With that motion we can eliminate the one community event, Passport to Discovery. The PAC would pick it up Passport to Discovery in its entirety. Council Member Brown restated the motion is to fund QCPAC at \$106,250 that would include the sponsorship of the Passport to Discovery event and would include a subtraction of the Passport to Discovery event line item in the Town's budget. No second. Motion failed

Council Member Brown moved that we approve the QCPAC budget in the amount of \$106,250 less 25% (\$26,562.50). No second. Motion failed.

Vice Mayor Barnes does not want to take the full variance from the base budget and the requested amount from one non-profit agency. Council Member Brown said each non-profit agency should be judged on their own merit. We are recommending a good suggestion to the full town council.

Vice Mayor Barnes moved that we fund QCPAC at \$100,000 and leave everything else as is. Council Member Wheatley seconded the motion. Motion carries on a 2-1 voice vote. Council Member Brown opposed.

Boys & Girls Club of the East Valley

Mr. Flynn said the request is \$81,250. Mrs. Gomez said this is an organization that provides new programming to local teens before and after school. The Town has traditionally funded the Boys & Girls Club since 2005. In FY09/10 the Boys & Girls Club received additional funding to deliver teen services.

Justin Duran, branch executive of the Boys & Girls Club of the East Valley and the area director of the Boys & Girls Club of the East Valley were present to answer questions.

The committee reviewed how funding is distributed to Queen Creek members and how

they determine how many members are from Queen Creek. Mrs. Gomez said the Parks & Recreation department did do an internal audit and the total annual membership showed 421 members of which 331 were residents from the Town's database. Their daily average membership is 150 per day of those we did not do internal audit. Council Member Brown feels the participation number would be beneficial.

Mr. Duran explained that a 10% funding reduction would reduce staff hours, hours for the teen center and program supplies. They would try to bring in additional monies from fundraising and donors.

Council Member Barnes move to fund the Boys & Girls Club of the East Valley at \$75,000 which is an approximate 7.5% decrease from the funding request. Council Member Wheatley seconded. Motion carries 3-0 on a voice vote.

Child Crisis Center

The Family Resource Center is requesting \$5,000 in funding and Arizona Adoption and Foster Care is requesting \$5,000 in funding. Mrs. Gomez said the Family Resource Center is a child abuse prevention program. They promote learning, development skills and support. The Resource Center is to minimize family stressors. They do have a number of families served here. The next proposal is the adoption care. They have family adoption care homes here in Queen Creek. They certify the homes and place children in the homes.

Carol Penske, family support chair of the Resource Center said the Family Resource Center provides parenting classes, support groups, self esteem building and support for families. They have 58 classes over a 6 month period. They served 800+ families last year.

Council Member Brown moved that the Family Resource Center receive \$2,400 in funding and the Arizona Adoption and Foster Care receive \$2,400 in funding. Vice Mayor Barnes seconded. Motion carries on a 3-0 voice vote.

Queen Creek Chamber of Commerce

Mr. Flynn said the Queen Creek Chamber of Commerce is requesting \$60,000 in funding. Council Member Brown said the Chamber of Commerce is an extension of Town staff in respect to economic development. They have helped run numerous programs over the year including the incubator program and farmers market.

Vice Mayor Barnes asked how much money the Chamber of Commerce is saving now that they are in a Town building. Mrs. Cott said as part of the Queen Creek Incubator Program, they moved into a Town rented space as an anchor tenant. The old space was \$1100/mo which included the utility charges. In our agreement with Queen Creek Inc. in lieu of not paying rent and utility fees, they have hired a part-time person to help with Chamber and Queen Creek Inc. activities.

Council Member Brown moved that the Town fund the Queen Creek Chamber of Commerce at the exact amount as last year which was \$55,000. Council Member Wheatley seconded. Motion carried on a 3-0 voice vote.

Kiwanis Club – 4th of July Celebration

Mr. Flynn said the request is for \$5,000 in monetary funding from the Town. Recreation Superintendent Adam Robinson said the 4th of July event has been occurring since 2002. Last year they did not request funding. The event is held at Schnepf Farms as a community event. Mr. Jerry Wailing, current chair of the 4th of July event is here from Kiwanis to answer questions.

Vice Mayor Barnes asked how did last year's event work without funding from the Town. Mr. Wailing said the event was originally a fundraiser for the Kiwanis Club. It has evolved and last year they did have a loss of \$3,500. It is a signature event to give the people of Queen Creek a place to celebrate the 4th of July. They have an attendance of approximately 7,000-10,000 people. They applied for funding for in-kind services for fire and ambulance.

Mr. Robinson said in the past the funding has been a mix of in-kind services and monetary funding. We first charge in-kind services and anything left would be given in cash. It has been approximately \$2,500-\$3,500 of in-kind services in the past.

Vice Mayor Barnes would like to see funding requests broken down for in-kind service and monetary.

Vice Mayor Barnes moved to fund \$3,500 of in-kind services for the 4th of July event. Council member Wheatley seconded. Motion carried on a 3-0 voice vote.

Positive Impacts – London's Run

Mr. Flynn said the funding request is \$5,900 of which \$900 is in-kind services and \$5,000 is monetary.

Rene Vida from London's Run said when the event began in 2006 there were approximately 200 runners. Since that time, that number has risen considerable and a number of activities are attached to the run. This past year there were approximately 5,000 people at Schnepf Farms which include the runners and those participating in the activities. The number of runners shows that people are coming from outside Queen Creek. Mr. Robinson said the run route starts a few hundred yards in Queen Creek and crosses the county line through farm land and the last 4 miles is back in Queen Creek to Schnepf Farms.

Vice Mayor Barnes moved to fund \$2,500 to London's Run. Council Member Wheatley seconded. Motion Carried 3-0 on a voice vote. Council Member Barnes clarified the motion includes paying \$900 of in-kind services and the balance in monetary. The in-kind services would be paid first.

Holiday Festival and Parade

Mr. Flynn said the request for funding is for \$5,000 of in-kind services.

Adam said this is the 29th annual parade. The parade leads into the festival at the library site.

Vice Mayor Barnes moved to fund \$5,000 to the Holiday Festival and Parade as in-kind services. Council Member Wheatley seconded. Motion carried 3-0 on a voice vote.

San Tan Mountain PRIDE

The request is for \$3,000. Mrs. Gomez said this is a volunteer of citizens that clean San Tan Mountain Park. They would like to assist with cleaning up local trails.

Council Member Brown asked to explain the proposal to clean the washes in the town. Mr. Rossburg said they have a 50/50 program to help with juvenile delinquency. The \$3,000 would provide up to \$100 dollars for 30 children for sports, gymnastics and science projects. The children would pay back with community service work. They would have to give us 10 hours of community service work for the \$100. They would paint, clean up road sides and washes. Council Member Brown said it accomplishes one of our goals by cleaning up washes and having partnerships, but we would want donated time instead of buying their time at \$10 per hour.

Council Member Brown moved to not fund San Tan PRIDE. Council Member Wheatley seconded. Motion carried 3-0 on a voice vote.

American Legion – 9/11 Memorial

The request for funding is \$3,000 of which \$2,000 is in-kind service.

Russell said on September 10 they would like to again partner with the Town to hold a service for victims of terrorist attacks. The memorial is open to Queen Creek residents and others.

Council Member Wheatley moved to approve 2,000 of in-kind services for American Legion. No second.

Council Member Brown moved to approve \$2,000 of in-kind services and \$1,000 in monetary funding to the American Legion for the 9/11 Memorial event. Vice Mayor Barnes seconded. Motions carried on a 3-0 voice vote.

Mr. Flynn said the CDBG base budget is \$248,000 and the Budget Committee approved funding of \$248,800 for non-profits.

Mr. Flynn said we had two amendments on the Town Manager's recommended operating budget. The first amendment was to eliminate the Town Council's cell phone allowance of \$4,200. The second amendment was to the Economic Development Internet Enhancements budget of \$7,500. If there are enhancements needed, the funding will come from contingency reserve.

Council Member Brown has concerns regarding the elimination of the cell phone line item. He feels it is a necessary line item.

Vice Mayor Barnes moved to restore the funding (\$4,200) back for cell phones in the

Town Council budget. Council Member Wheatley seconded. Motion carried on a 3-0 voice vote.

Mr. Flynn reviewed the non-profit funding.

Agency/Program	FY 11/12 Request	Committee Recommendation	Type of Funding I=in-kind service M=monetary
East Valley Partnership	0	0	-
QC Performing Arts Center	\$ 110,000	\$ 100,000	M
East Valley Boys & Girls Club	\$ 81,250	\$ 75,000	M
Family Resource Center	\$ 5,000	\$ 2,400	M
AZ Adoption & Foster Care	\$ 5,000	\$ 2,400	M
Kiwanis Club-4th of July	\$ 5,000	\$ 3,500	I
London's Run & Ride	\$ 5,900	\$ 2,500	I - \$900 M - \$1,600
Holiday Festival & Parade	\$ 5,000	\$ 5,000	I
San Tan Pride	\$ 3,000	0	-
American Legion 9/11 Memorial	\$ 3,000	\$ 3,000	I -\$2,000 M - \$1,000
QC Chamber of Commerce	\$ 60,000	\$ 55,000	M
TOTAL	\$ 283,150	\$ 248,800	

Council Member Wheatley moved to reallocate the \$19,500 to the Town Manager's professional development budget. Vice Mayor Barnes seconded.

Vice Mayor Barnes feels education is a great use of money. The Town Manager's knowledge is passed on to the Town Council and staff.

Council Member Brown said this item was discussed with Town Manager Kross and he felt comfortable with paying for those costs personally for one year. It is a morale booster for the employees that continue with us to know the Town Manager is not immune from the impact of this downturn and is more than willing to shoulder some of that burden.

Motion failed on a 1-2 voice vote. Council Member Wheatley and Council Member Brown opposed. The Town Manager's professional development line item stays as is with the recommended reduction of \$19,500.

Break at 7:07 p.m. and reconvened at 7:10 p.m.

Council Member Brown asked for a motion to approve the FY11/12 operating budget

as amended.

Vice Mayor Barnes moved to approve the FY11/12 operating budget as amended and forward to the Town Council. Council Member Wheatley seconded. Motion carried on a 3-0 voice vote.

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

Mr. Flynn said the next item refers to the Queen Creek Capital Improvement Program (CIP) and we show a 5 year plan. The emphasis is on the funding for fiscal year FY11/12. In summary much of this is a debt service program. There are a few projects being suggested within the FY 11/12 program that are being offset by grant funding or monies previously collected.

Waste Water Development

Mr. Flynn said there are some development impact fees that are based on 160 housing permits for the year. There are \$2.6 million in development fee monies. \$853,000 is from the waste water development group. Mr. Kross is still reviewing the impacts from the legislation. The bottom of page is debt service. The loans are to WIFA and \$350,000 is also a debt service from some road and sewer improvements we are repaying to the town of Gilbert. The next page is the unfunded projects. If we had money, we would recommend those unfunded projects.

Drainage & Transportation

Mr. Flynn said the next fund is the drainage and transportation fund. There is some government agency reimbursement. Under major equipment improvement, \$965,000 is construction sales tax. In 2006 we were getting almost \$6 million per year in this account. There is some interest income from the transportation fund. It is based on impact fees. Below the line are the expenditures. \$54,000 is for our lobbyist who is being funded from here. The \$2 million and \$640,000 is debt service. There is a \$7 million gap. We have a \$145,000 project on Rittenhouse and Village Loop South. That is a warrant issue and we need to proceed on this project. The next page is the unfunded projects.

Street Projects - HURF

Mr. Flynn said the revenue coming in from HURF is a combination of gas tax and registration fees which is based on population and that is with the changes from the census. The \$1,194,957 is our street pavement program. It is not totally funded. We did \$1.2 million this year and this matches it. The state cut the HURF monies. We were scheduled to get \$1.5 million. The state took \$185,000 from the Town this year to balance the state budget.

Transportation Development

Mr. Flynn said the transportation development fee is \$156,000 which pays for bridges and culverts. Based on projections on permits, we are hoping to get \$156,000. This helps pay for the bridge on Rittenhouse.

Council Member Wheatley asked why the Development Impact Fees go from \$269,000 in

2013 to \$449,000 in 2014 and back to \$283,000 in 2015. Samantha McPike said the change is from the Communiiversity that is coming in.

Parks, Open Space Recreation

Mr. Flynn said Parks, Opens Space Recreation is \$915,000 in Development Impact Fees which is based on 160 housing permits. The bottom of the page is the expenditures for this fund. There is a loan payment of \$170,575 and another \$990,366 for the excise bond. We are paying off Horseshoe Park & Equestrian Centre (HPEC) mortgage. \$120,000 is for some construction services and it is matched with a grant. The next page is the unfunded projects for parks and trails.

Town Building & Vehicles

Mr. Flynn said Town Buildings and Vehicles has \$307,000 in development impact fees. Most is mortgage money. The transfer out of \$39,280 is payment of the east park. Samantha McPike said they purchased the entire lot and we use a portion of the lot for the fire station and east yard.

Fire Development

Mr. Flynn said the Fire Development impact fees are \$121,000. The biggest expenditure is the \$320,000 which is the lease on the different fire vehicles. There is some land acquisition which is a repayment.

Public Safety Development

Mr. Flynn said Public Safety has development fees of \$115,000. Sheriff's services is \$389,291.

Library Development

Mr. Flynn said Library Development impact fees are \$219,000. The \$1,015,000 is total mortgage payment on the library facility which is paid in installments.

Vice Mayor Barnes moved to accept and move forward to the Town Council (the Town's FY 2012-2016 Capital Improvement Plan which includes Development Funds). Council Member Wheatley seconded. Motion carried 3-0 on a voice vote.

3. Announcements

Mr. Flynn said the Town Council will consider the tentative budget on May 18. The tentative budget establishes the ceiling. Also at May 18 meeting, the Town Council will set the public hearing for the final budget.

4. Adjournment

Council Member Brownd adjourned the meeting at 7:26 p.m.

Budget Committee MINUTES

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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 May 2, 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.