MARANA TOWN COUNCIL
STUDY SESSION
NOTICE AND AGENDA
11555 W. Civic Center Drive, Marana, Arizona 85653
Council Chambers, April 25, 2017, at or after 6:00 PM

Ed Honea, Mayor
Jon Post, Vice Mayor
David Bowen, Council Member
Patti Comerford, Council Member
Herb Kai, Council Member
Carol McGorray, Council Member
Roxanne Ziegler, Council Member

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Marana Town Council and to the general public that the Town Council will hold a meeting open to the public on April 25, 2017, at or after 6:00 PM located in the Council Chambers of the Marana Municipal Complex, 11555 W. Civic Center Drive, Marana, Arizona.

ACTION MAY BE TAKEN BY THE COUNCIL ON ANY ITEM LISTED ON THIS AGENDA. Revisions to the agenda can occur up to 24 hours prior to the meeting. Revised agenda items appear in *italics*.

The Council Chambers are wheelchair and handicapped accessible. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting the Town Clerk at (520) 382-1999. Requests should be made as early as possible to arrange the accommodation.

This Notice and Agenda posted no later than Monday, April 24, 2017, 6:00 PM, at the Marana Municipal Complex, 11555 W. Civic Center Drive, the Marana Operations Center, 5100 W. Ina Road, and at www.maranaaz.gov under Agendas and Minutes.

CALL TO ORDER AND ROLL CALL

PLEDGE OF ALLEGIANCE/INVOCATION/MOMENT OF SILENCE

APPROVAL OF AGENDA

CALL TO THE PUBLIC

At this time any member of the public is allowed to address the Town Council on any issue within the jurisdiction of the Town Council, except for items scheduled for a Public Hearing at this meeting. The speaker may have up to three minutes to speak. Any persons wishing to address the Council must complete a speaker card located outside the Council Chambers and deliver it to the Town Clerk prior to the commencement of the meeting. Individuals addressing a meeting at the Call to the Public will not be provided with electronic technology capabilities beyond the existing voice amplification and recording capabilities in the facilities. Pursuant to the Arizona Open Meeting Law, at the conclusion of Call to the Public, individual members of the Council may respond to criticism made by those who have addressed the Council, and may ask staff to review the matter, or may ask that the matter be placed on a future agenda.

DISCUSSION/DIRECTION/POSSIBLE ACTION

D1 Relating to Development; preview, discussion and direction regarding the Gladden Farms II Development, including a review of the details of the development and discussion of changes that have been proposed by the developer (Ryan Mahoney)

D2 Relating to Budget; review, discussion, consideration, and direction to staff regarding the fiscal year 2017-2018 Manager's recommended operating budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Operating Fund, Wastewater Operating Fund, and the Airport Operating Fund (Gilbert Davidson and Erik Montague)

EXECUTIVE SESSIONS

Pursuant to A.R.S. § 38-431.03, the Town Council may vote to go into executive session, which will not be open to the public, to discuss certain matters.

E1 Executive Session pursuant to A.R.S. §38-431.03 (A)(3), Council may ask for discussion or consultation for legal advice with the Town Attorney concerning any matter listed on this agenda.

FUTURE AGENDA ITEMS

Notwithstanding the mayor’s discretion regarding the items to be placed on the agenda, if three or more Council members request that an item be placed on the agenda, it must be placed on the agenda for the second regular Town Council meeting after the date of the request, pursuant to Marana Town Code Section 2-4-2(B).

ADJOURNMENT

Council-Study Session **D1**

Meeting Date: 04/25/2017

To: Mayor and Council

From: Ryan Mahoney, Development Services Director

Date: April 25, 2017

Strategic Plan Focus Area:
Not Applicable

Subject: Relating to Development; preview, discussion and direction regarding the Gladden Farms II Development, including a review of the details of the development and discussion of changes that have been proposed by the developer (Ryan Mahoney)

Discussion:

The development of the Gladden Farms II project is getting closer to becoming a reality. Staff has been in discussions with the developer related to timing and location of the first phases of the development. The Specific Plan was adopted in December of 2006 and subsequently block platted in 2007. A graphic of the current Land Use Plan for Gladden Farms I and II is attached. Two blocks in the southwest corner of the development have been final platted and are likely the first two blocks that will be developed. The project can be considered a mixed-use project and has a target unit count of 1,975 single-family units, 370 multi-family units with an overall density or RAC of four. There are six separate zoning designations identified in the specific plan. Three of these essentially mirror our residential zone districts, R-6, R-7 and R-8. The other three are High Density Residential (HDR), Transitional and Commercial. The intensity of development increases from west to east. The idea was to provide a logical transition from Gladden Farms I to Gladden Farms II with similar lot sizes and intensities. As you move closer to the Interstate, the higher density residential and commercial uses are allowed. The HDR zoning designation allows multi-family, single family attached, and single family detached units. Single family detached units within this category are allowed on lot sizes that could be smaller than elsewhere within the community, but such units are limited to no more than 33% of the total lot count. The Transitional and Commercial designations allow similar uses as would be allowed under the Town's Neighborhood Commercial and Village Commercial, respectively.

The Gladden Farms developments, like many of the developments in north Marana, was affected

by the recession, which severely slowed the pace of development. Given the passage of time, the demand for housing in north Marana has come back and is moving ahead at a steady pace. In fact the Gladden Farms I development is nearing completion in its residential blocks and there are now four builders actively selling homes there. These are KB Homes, Lennar, Richmond American and Meritage.

As with any well laid plans the passage of time can leave certain aspects either obsolete or out of sync with market demands. Generally, the Gladden Farms II Specific Plan is in good shape. There are a few modifications that we have been discussing with the developer that would allow them to begin development and also offer expanded amenities for the community. One of these is a replat of block 35 to reflect a preferred lot size for that area. Another is an amendment to the block plat to reflect a realignment of Mike Etter Boulevard on the east side of the development. Finally, the large HOA park in the middle of the development would be omitted from the plan and instead moved to the Heritage Park in the form of lighted soccer fields and other amenities. Each neighborhood would still have access to its own pocket park as well as connectivity to the regional Gladden trails. This move would allow for the Town to meet a demand for sports fields sooner while still keeping the rich amenities that Gladden is known for.

Staff Recommendation:

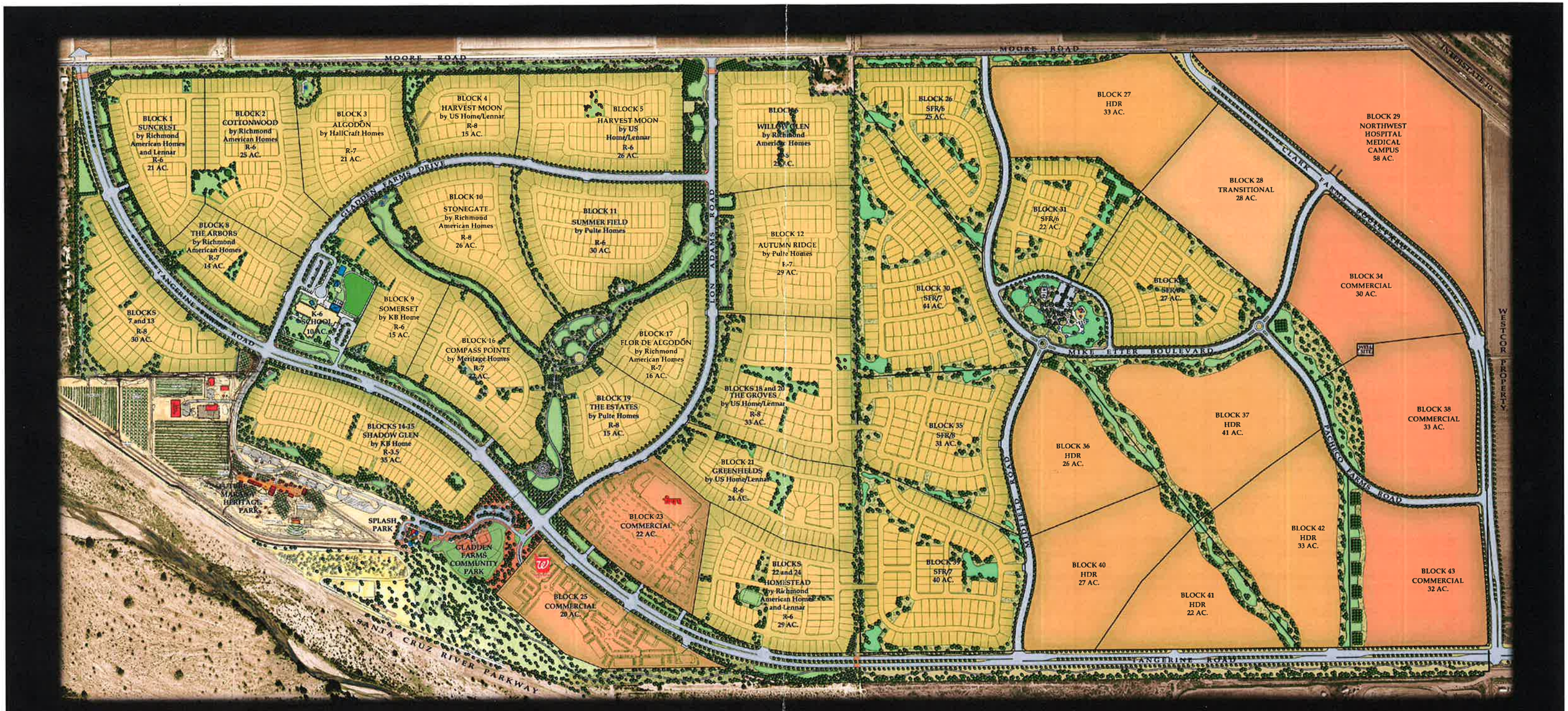
Staff is requesting comments, suggestions and recommendations from the Town Council regarding the Gladden Farms II Specific Plan.

Suggested Motion:

Council's pleasure.

Attachments

Gladden Farms Land Use Plan



RICK ENGINEERING COMPANY

The WLB Group WLB

GLADDEN FARMS I and II
LAND USE PLAN

August 10, 2016

Council-Study Session **D2**

Meeting Date: 04/25/2017

To: Mayor and Council

From: Erik Montague, Finance Director

Date: April 25, 2017

Strategic Plan Focus Area:
Commerce, Community, Heritage, Recreation, Progress & Innovation

Subject: Relating to Budget; review, discussion, consideration, and direction to staff regarding the fiscal year 2017-2018 Manager's recommended operating budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Operating Fund, Wastewater Operating Fund, and the Airport Operating Fund (Gilbert Davidson and Erik Montague)

Discussion:

The Town Manager and Finance Director will present the recommended operating budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Operating Fund, Wastewater Operating Fund, and Airport Operating Fund for fiscal year 2017-2018. Information and direction received from Council will be incorporated into the Town's tentative budget which will be brought back to Mayor and Council for consideration at the regular meeting on May 16, 2017.

The presentation will be provided to Council prior to the meeting.

Staff Recommendation:

Staff requests information and direction regarding the Manager's recommended budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Operating Fund, Wastewater Operating Fund, and Airport Operating Fund for fiscal year 2017-2018, which will be incorporated into the tentative budget for Council's consideration on May 16, 2017.

Suggested Motion:

I move to direct the Town Manager to incorporate the item(s) discussed this evening in the preparation of the tentative budget which will be considered for possible adoption on May 16, 2017.

Attachments

2018 Recommended Budget Transmittal

April 18, 2017

Honorable Mayor and Members of Council,

I am pleased to present to you the Manager's recommended operating budgets for the General Fund, Bed Tax Fund, Highway User Revenue Fund, Water Enterprise Operating Fund, Wastewater Enterprise Operating Fund and Airport Enterprise Operating Fund for fiscal year 2017-2018. This recommendation reflects the Town of Marana's commitment to sound fiscal policy and positive investment in our community. Strategic initiatives are balanced against existing priorities, resulting in a robust, yet efficient, financial plan for the coming year. In developing this plan, Town staff were guided by the priority initiatives identified by the Council and the community in the recently adopted Strategic Plan III. These guiding principles, along with the foundational principles of sound financial planning, combine to form the vision of this budget document.

Budget Overview

The budgets reflect a continued increase in several key revenue categories. Overall General Fund revenues are expected to increase by approximately 5.7% to $43.6 million. Over 90% of the Town's General Fund revenues consist of sales taxes, intergovernmental revenues (State shared revenue) and development related revenues. While those revenues are sensitive to fluctuations in the local and national economy, local revenues are expected to grow. In fact, there are a number of exciting commercial and residential projects which are either under way or are expected to begin next budget year.

The revenue estimates include projected, full year revenues for the Premium Outlets in Marana near the Twin Peaks interchange. The premium 360,000 square foot mall opened in October 2015. The premium outlet mall is a regional destination shopping center and continues to draw shoppers throughout Arizona and beyond.

Operating revenues in the Bed Tax Fund, Highway User Revenue Fund, Water, Wastewater and Airport Enterprise Funds are expected to increase by 5.5%, 3.1%, 16.9%, 12.7% and 3.5%, respectively. Revenue increases are largely due to a combination of account growth (new customers) and adjustments to fees and rates previously approved by Council, where applicable.

The proposed fiscal year 2017-2018 budget is structurally balanced and meets Council's policy direction as it relates to providing exemplary service in core community services and programs.

Accomplishments and Goals

This year, the Town of Marana invested in strategic advancements for the community, focusing on key areas of need as identified in Strategic Plan III. These diverse achievements reflect efforts on the part of Town Council, staff, and the community to foster prosperity throughout Marana.

Commerce

The Town has worked to secure important economic assets, and the results are showing. The Arizona Pavilions in Marana added approximately 91,000 square feet of new retail space this fiscal year with the opening of Petco, Ross, TJ Maxx, Home Goods and Dollar Tree. Additionally, a new 44,000 square foot Topgolf entertainment center is currently under construction and is anticipated to open in December 2017.

Last year's extension of the sewer system south to Saguaro Bloom has opened a new corridor of potential growth. We are continuing to develop Town infrastructure to facilitate the growth of our community's economy. With increased investment in needed areas, our commercial environment is primed for development.

The Town's Land Development Code (LDC) plays a key role in determining what types of development activities occur and where they locate within our community. An update to the LDC kicked off in November 2016 and will be completed next fiscal year. The LDC update goals include looking for process enhancements and creating zone districts that respond to dynamic housing and commercial markets.

In March, the Department of Economic Development and Tourism completed an Economic Development Strategic Plan. This plan will act as a 3-5 year plan for Economic Development in the Town of Marana, of which the goal is to provide actionable items to be carried out by the Department of Economic Development and Tourism that will lead to industry diversification within the Town to support long term and sustainable economic health.

The airport recently completed an update to the Master Plan and created the airport's first Strategic Business Plan using grant funding from the Arizona Department of Transportation. An airport Master Plan describes and depicts the overall concept for the long-term development of an airport. The goal of the plan is to provide direction for future airport development that will satisfy aviation demand in a financially feasible manner and meet the Town's needs with respect to the airport. This airport Master Plan updates and replaces the September 2007 airport Master Plan.

Community

Marana continues to lead the region in home building. A number of factors go into home buyer purchasing decisions. Those include access to employment centers, quality of school systems, shopping and entertainment centers, access to community services, etc.

The public's safety is a key component of people's sense of community. Design Marana's new police headquarters is substantially complete and construction is anticipated to begin close to the end of the current fiscal year. With an estimated 18 month construction schedule, the facility will open fall/winter of 2018.

Looking ahead, the Town's Pavement Preservation program will continue to successfully treat roads throughout our community, extending their life and lowering long-term costs to the taxpayer. In fact, the Town formally adopted amendments to the subdivision street standards, which among other things, will work to ensure that infrastructure is constructed to live their normal useful lives.

Capital improvement projects like the Tangerine Corridor project and the Ina I-10 Interchange project will eventually provide for additional capacity and safety within our community. The Town developed an Ina business program and Project Ina app in an effort to offset some of the construction impacts. This effort included new signage, advertising within the Project Ina app and a business walk to get a greater sense of business needs during construction.

Lastly, we completed the design of the 1.5MGD Marana Water Reclamation Facility (WRF). Construction is currently under way, with the commissioning process for the WRF starting sometime late spring or early summer of calendar year 2018.

Innovation

We continue to work at identifying was to integrate new technologies into processes to improve effectiveness and efficiency. The Project Ina app mentioned previously, which provides traffic alerts and deals from local businesses, is yet another example of where we deployed new technology in an effort to assist the business community.

The Town also actively participated in and assisted with the regional roll-out of Coalition Against Retail Theft (CART) initiatives and strategies. The CART program provides education and resources to the business community in an effort to curb shoplifting.

The Town also successfully rolled out an electronic plan review solution which allows for the efficient distribution, review, commenting and changing of plans and other documents. Over time, this will dramatically reduce time lost with the movement of paper documents.

Heritage

Showcasing our Marana heritage reached a new height this year with a special event dedicated to the pride we have in Our Town. October's Cotton Festival put our history and culture on display, honoring our past and celebrating our common future. With over 3,000 attendees, the event was a clear success – evidence of the community's commitment to heritage.

For several years, we have prioritized revitalizing Marana Main Street, and those efforts will continue as we work to invest in this historic part of Marana. The architectural standards of Marana Main Street, which include adobe brick and red Spanish tile, ensure a consistent look and feel in this growing district. Eventually, we envision Marana Main Street as a hub of retail, dining, arts, and residential activity, a hub that will attract visitors and residents of all ages and backgrounds.

Recreation

Living in Marana has never been more fun. Last year we hosted four Signature Events, as well as various movies and concerts in the park, 5Ks, and more. These events give Marana residents the chance to get out and have fun, ensuring that our community enjoys a high quality of life.

We successfully hosted our inaugural segment of El Tour de Tucson. This world-class cycling event will showcase Marana's stunning landscapes and well-maintained roadways. Our partnership with Perimeter Cycling, the parent organization of El Tour, means that Marana residents will be able to enjoy a family-oriented bike ride that is part of this larger regional event.

Parks completed an update of Marana's Parks, Recreation, Trails and Open Space Master Plan update through Partner with University of Arizona College of Architecture, Planning and Landscape Architecture (CAPLA). This document will frame future parks and related projects in the future.

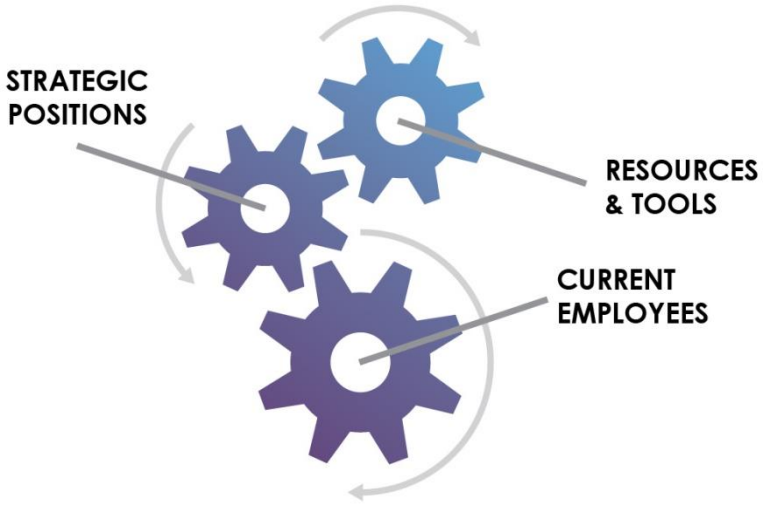
Design for the Tangerine Sky Community Park is complete and construction is expected to be completed early into the new fiscal year. The Santa Cruz Shared-Use Path extension from El Rio Park to Avra Valley Road will also be completed this fiscal year.

In Summary

Providing Marana residents and businesses with high quality, dedicated service does not come free. By investing wisely, though, we can simultaneously satisfy the demands of residents today while ensuring the long-term financial stability of Marana for many years to come. Marana is an exceptional place to live and work, and this budget reflects our commitment to meeting the high expectations of our community.

Investment Planning

As the economy and region continue to improve, it is critical to maintain a framework to guide future decisions. The investment plan will provide a basis to allocate resources to those areas that are critical in providing and maintaining core services.



Plan Investments

The following tables describe the Town's investments into the priority areas for the total town-wide investment and the portions incorporated within the General Fund (GF). These investments represent the additional costs which are included within the recommended budget summaries presented later.

I. **Employee Compensation and Benefits Investment = $1,623,080 ($1,503,806 GF)**
    a. Performance pay adjustments - $792,075 ($701,110 General Fund (GF))

- Up to 3.0% team performance pay adjustment added to base pay or lump sum for those at the top of their pay range
- Eligibility and other conditions apply

b. Other pay and benefits $809,979 ($783,370 GF) on other pay and benefits (health, retirement, disability insurance, etc.)
   - Employee Retirement - $451,680 (GF)
   - Health Insurance - $103,575 ($82,840 GF)
   - Worker's Compensation - $184,688 ($168,145 GF)
   - Training and development $21,026 ($11,425 GF)

II. Resources and Tools Investment - $1,887,640 ($1,775,720 GF)

a. Vehicle Replacements $1,235,100 ($1,003,300 GF)

b. Technology
   - Council chambers podium enhancements $20,000 (GF)
   - Server and network upgrades $20,000 (GF)
   - Police property and evidence software $80,000 (GF)

c. Facilities
   - Maintenance projects $334,920 (GF)
   - Parks maintenance projects $259,500 (GF)

d. Supplies and Equipment
   - Pool equipment, tables and shade $17,000 (GF)
   - Fleet lift, compressor, tire machine, pressure washer and other items $41,000 (GF)

III. Strategic Positions

Marana continues to be a regional leader in development growth. The addition of key positions is critical in maintaining service levels. For example, the addition of new officers will assist in maintaining service call response times in key portions of our town. A new park, the first in the north-east portion of our community, is expected to open in the spring of 2017 and additional maintenance workers and laborers will be needed to take care of the grounds.

The following table lists the new full time equivalent (FTE) positon added:

Position	FTE	Department	Funding Source
Customer Service Clerk	1.00	Communications & Marketing	General Fund/ Bed Tax Fund
Document Clerk	1.00	Engineering	General Fund
Police Officer	2.00	Police	General Fund
Senior Maintenance Associate	1.00	Public Works	General Fund
Fleet Tech I	1.00	Public Works	General Fund
Water Operator III	1.00	Water	Water Fund
Wastewater Reclamation Operator II	1.00	Wastewater	Water Fund
Total FTE Changes	8.00		

Governmental Funds Budget Summary

General Fund

The following General Fund summary is structurally balanced with ongoing revenues supporting ongoing services and programs. One-time resources support one-time projects and programs. Of the amounts included below, $40.3 million represents ongoing costs and $5.8 million represents one-time costs.

Summary of General Fund
Recommended Budget
Fiscal Year 2018[2]

Revenues	FY2017	FY2018 Recommended	$ Change	% Change
Sales tax revenues	$ 24,156,385	$ 25,817,378	1,660,993	6.9%
Intergovernmental revenues	10,805,072	11,035,916	230,844	2.1%
Licenses, fees & permits	4,040,385	4,454,185	413,800	10.2%
Charges for services	489,160	534,650	45,490	9.3%
Fines and forfeiture	640,000	625,000	(15,000)	-2.3%
Grants and contributions	231,264	224,300	(6,964)	-3.0%
Investment income	200,000	200,000	-	0.0%
Miscellaneous revenues	655,919	666,719	10,800	1.6%
Total Revenue	***41,218,185***	***43,558,148***	***2,339,963***	***5.7%***
Expenditures				
Personnel & benefits	26,675,415	28,536,333	1,860,918	7.0%
Contracted services	5,756,924	6,157,798	400,874	7.0%
Operating supplies & equip	4,471,649	4,202,797	(268,852)	-6.0%
Capital outlay	1,230,392	1,127,340	(103,052)	-8.4%
Total Expenditures	***$ 38,134,380***	***$ 40,024,268***	***1,889,888***	***4.7%***
Over/(Under)	***$ 3,083,805***	***$ 3,533,880***	***450,075***	***14.6%***
Other Sources and (Uses)				
Transfers out	(5,567,949)	(6,107,870)	(539,921)	9.7%
Total Sources and (Uses)	***(5,567,949)***	***(6,107,870)***	***(539,921)***	***9.7%***
Change in fund balance	***(2,484,144)***	***(2,573,990)***	***(89,846)***	***3.6%***

Note 2: Both the FY2017 and FY2018 budgets shown here exclude contingency which may only be utilized when approved by Council. The FY2018 budget will include a contingency appropriation.

The following describes major changes between fiscal years:

- Sales tax revenues – Anticipated tax revenue growth of 6.9% includes a full year projection for activity at the Premium Outlets in Marana. Tax estimates anticipate the addition of approximately 91,000 square feet of retail space. Additionally, the contracting portion of tax revenues includes an estimated infusion of additional one-item taxes associated with major construction projects within Marana.

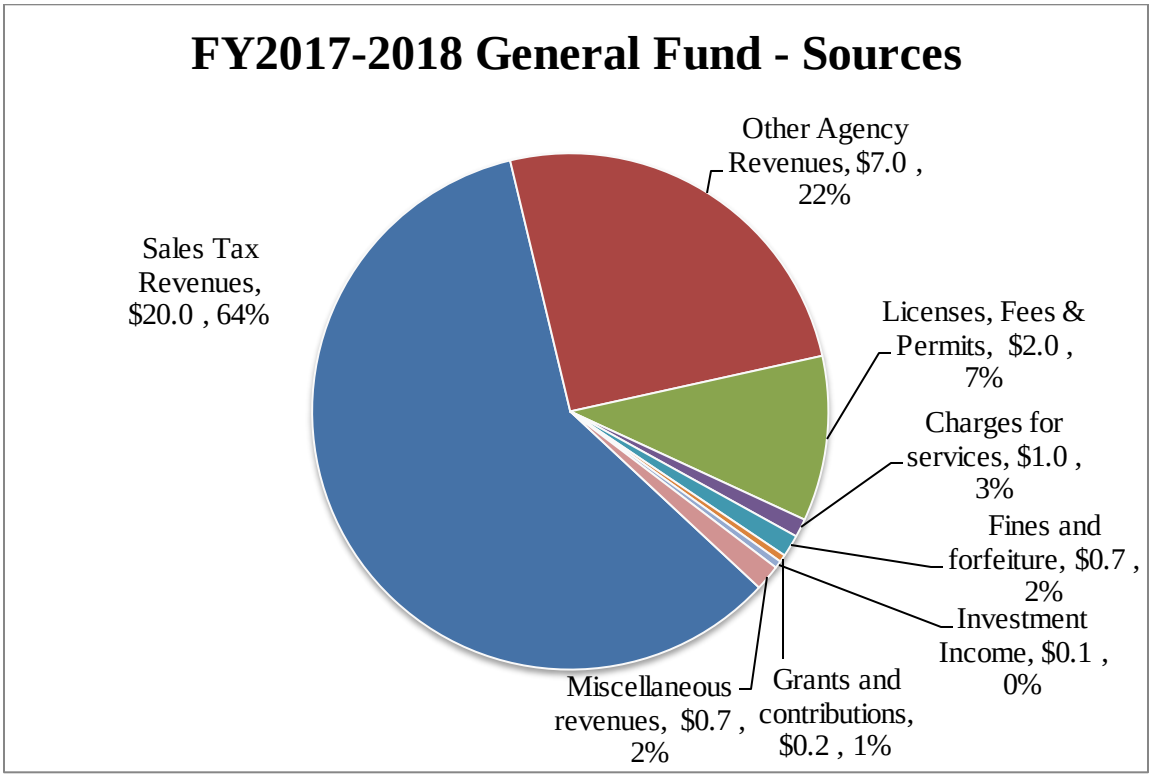
- Intergovernmental revenues – The shared revenue estimate is based on HB2483 – Municipal population estimates bill which passed in the 2016 legislative session. This bill utilizes the annual Federal Census population estimate as the basis for allocating state shared revenues to the various cities and towns. The intergovernmental revenue estimate shown here is based upon a preliminary Federal Census population estimate provided to the League of Arizona Cities and Towns. The final Federal population estimate and shared revenue numbers will be provided to cities and towns by mid-May. *Therefore, the revenue estimate presented in the summary above could change significantly if the Federal Census estimates used for the final shared revenue allocation are materially different than the population estimates used in the above estimate.*

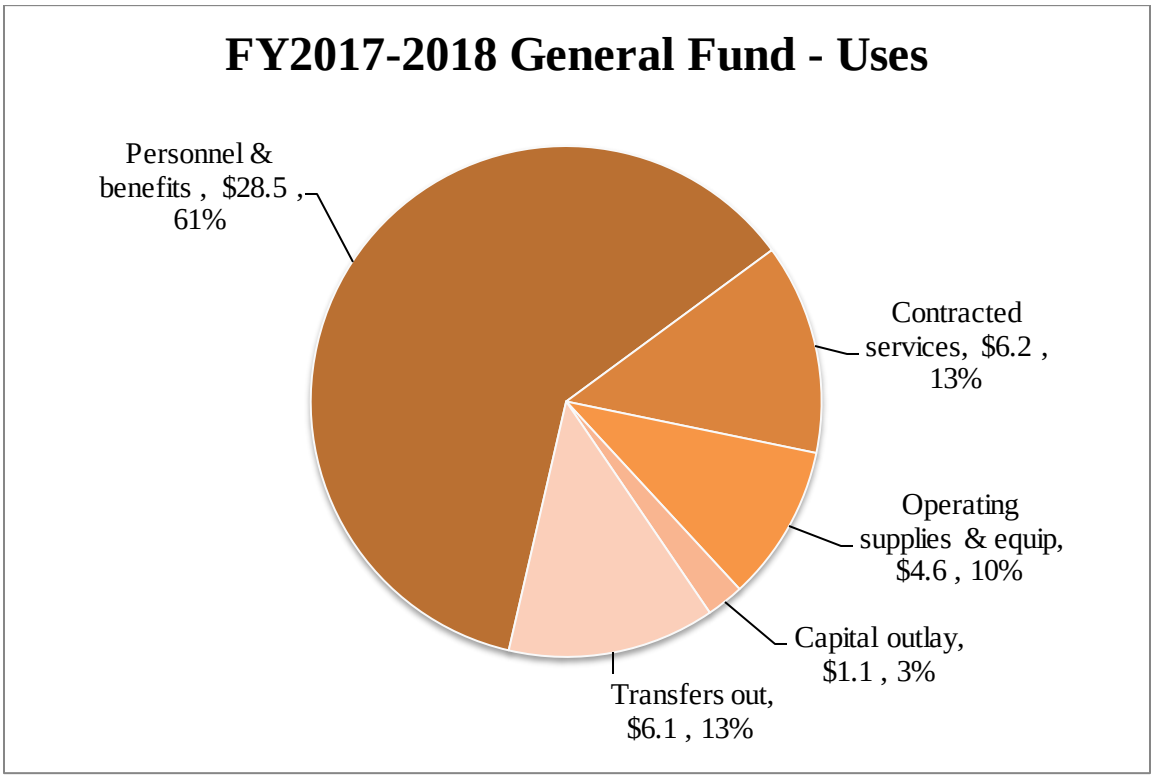
- Charges for services revenue – The majority of this revenue variance is attributable to the estimated increase in single family residential permits (SFR's) budgeted from 550 to 625 in fiscal years 2017 and 2018, respectively.

- Personnel and benefits – The changes in personnel costs include the addition of the new strategic positions listed earlier as well as the costs for all other compensation and benefit changes. Additionally, the change for fiscal year 2017-2018 also includes the second half of personnel and benefit costs of approximately $355K which were shifted back to the General Fund from HURF in an effort to increase the availability of road maintenance dollars.

- Transfers out – In addition to required debt service transfers, the General Fund budget also anticipates contributions of up to $3M for drainage and other site improvements related to the new police headquarters.

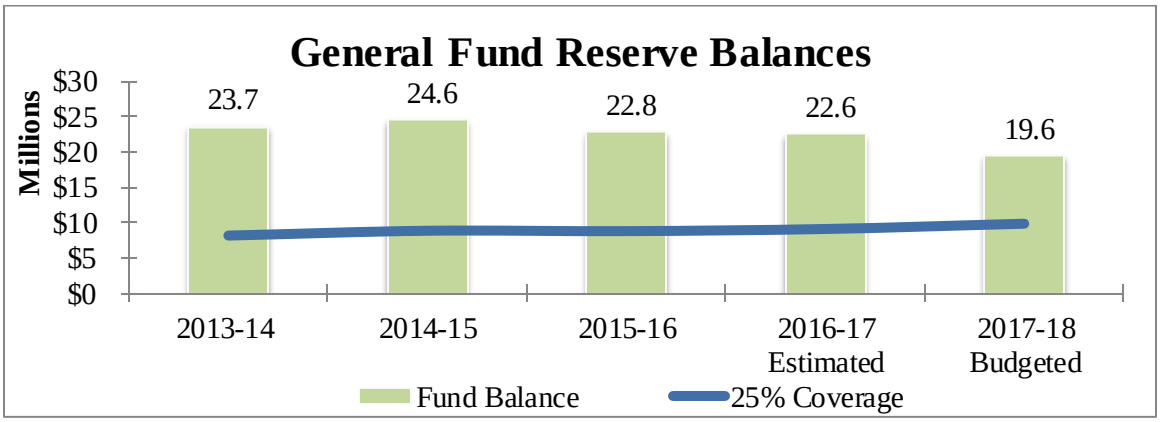
The charts on the following page present the overall General Fund sources and uses of projected resources.


FY2017-2018 General Fund - Sources
Other Agency Revenues, $7.0 , 22%
Sales Tax Revenues, $20.0 , 64%
Licenses, Fees & Permits, $2.0 , 7%
Charges for services, $1.0 , 3%
Fines and forfeiture, $0.7 , 2%
Investment Income, $0.1 , 0%
Miscellaneous revenues, $0.7 , 2%
Grants and contributions, $0.2 , 1%


FY2017-2018 General Fund - Uses
Personnel & benefits , $28.5 , 61%
Contracted services, $6.2 , 13%
Operating supplies & equip, $4.6 , 10%
Capital outlay, $1.1 , 3%
Transfers out, $6.1 , 13%

General Fund Reserve Balances

Fund balance reserves provide the Town with the liquidity to meet current cash needs, the capacity to invest in key initiatives and flexibility in determining how certain items are funded. Recognizing the importance of healthy reserve balances, Town Council adopted a target, minimum reserve balance of 25% of estimated revenues for the budget year. As depicted in the chart below, the Town exceeded the minimum reserve balance in all fiscal years.



The Town has been modestly adding back to General Fund reserve balances since fiscal year 2008-2009 to a recent high of $24.6 million at the end of fiscal year 2014-2015. The fund balance reduction of $1.8M in fiscal year 2015-2016 was expected and most relates to the planned, one-time investment in the gravity portion of the downtown sewer conveyance project Phase I. The estimated dip in reserves for fiscal year 2016-2017 is primarily driven by the General Fund funding certain drainage and other site improvements related to the new police headquarters.

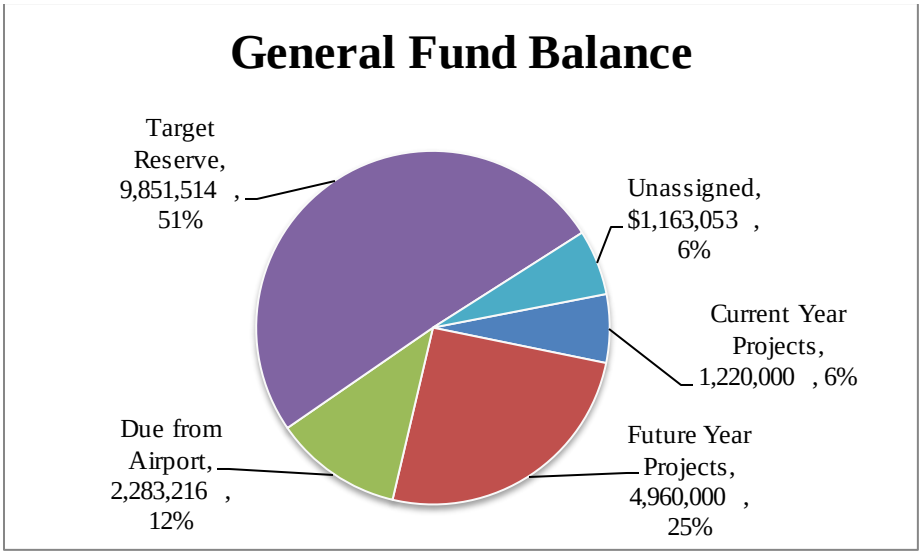
Reserves are, by definition, a one-time resource which can be deployed toward one-time projects and programs. Often the nature of these one-time project uses are beyond the normal operating capital needs of the organization. Other times, the use of reserves may advance an important initiative.

The following projects and initiatives are being considered in the 2017-2018 fiscal year budget. The chart below also includes estimated future year costs which must also be considered when determining to fund projects through reserves.

	Under Consideration	
Project Name	FY2017	FY2018
Adonis Road Extension	$200,000	$2,000,000
Adonis Subdivision, Reconstruction	220,000	2,000,000
Splash Pad, Crossroads at Silverbell Park	335,000	500,000

Honea Heights Pocket Park	235,000	-
Ora Mae Pool Renovation	-	220,000
Master Drainage Study, NW Marana	230,000	-
Adonis Road Extension	625,000	240,000
Total	$1,220,000	$4,960,000

Note 3: Amount for sewer conveyance project excludes projected carry over from the 2016-2017 budget. Actual carry over and amount budgeted may change based upon project spend during the remainder of current fiscal year. Total General Fund contribution approximates the gravity portion of project which is non-impact fee financed.



The chart and table below depict the possible impact on reserves should all projects under consideration move forward in the amounts originally requested.

Fund Balance at 6/30/16	$22,842,783
Carry over	3,365,000
Current Year Projects	1,220,000
Future Year Projects	4,960,000
Due from Airport	2,283,216
Target Reserve	9,851,514
Unassigned	$1,163,053

Bed Tax Fund

The Bed Tax Fund accounts for the discriminatory portion of the transient lodging (bed tax) rate which exceeds the Town's regular tax rate on other businesses. This portion must be used exclusively for the promotion of tourism as required by A.R.S. § 9-500.06(C).

Summary of Bed Tax Fund
Recommended Budget
Fiscal Year 2018

Revenues	FY2017 Budget	FY2018 Recommended	$ Change	% Change
Sales tax revenues	$ 937,884	$ 989,558	51,674	5.5%
Total Revenue	***937,884***	***989,558***	***51,674***	***5.5%***
Expenditures				
Personnel & benefits	94,327	120,835	26,508	28.1%
Contracted services	739,322	761,723	22,401	3.0%
Operating supplies & equip	107,000	107,000	-	0.0%
Capital outlay	0	0	-	0.0%
Total Expenditures	***$ 940,649***	***$ 989,558***	***48,909***	***4.9%***
Over/(Under)	***$ (2,765)***	***$ -***	***2,765***	***-100.0%***
Change in fund balance	***(2,765)***	***-***	***2,765***	***-100.0%***

The following describes major changes between fiscal years:

- Sales tax revenues – The anticipated bed tax revenue increase of 5.5% is consistent with the continued increased trend in average occupancy and overage rates. Revenues will continue to advance the Town's tourism initiatives including the new Discover Marana website.

- Personnel and benefits – The changes in personnel costs include the addition of approximately 0.5 FTE to assist the Tourism and Discover Marana web and other outreach efforts.

Highway User Revenue Fund

The Highway User Revenue Fund (HURF) accounts for our portion of state shared taxes on the sale of gasoline, sale of diesel fuels and other transportation related fees. A state constitutional restriction on the use of the highway user revenues requires that these funds be used solely for street and highway purposes within the public right-of-way. This shared gas tax is the primary source of revenue used for the maintenance of our transportation system.

Summary of Highway User Revenue Fund
Recommended Budget
Fiscal Year 2018

Revenues	FY2017 Budget	FY2018 Recommended	$ Change	% Change
Intergovernmental revenues	$ 3,093,263	$ 3,189,863	96,600	3.1%
Investment income	7,500	7,500	-	0.0%
Total Revenue	***3,100,763***	***3,197,363***	***96,600***	***3.1%***
Expenditures				
Personnel & benefits	355,308	-	(355,308)	-100.0%
Contracted services	2,479,582	2,706,628	227,046	9.2%
Operating supplies & equip	192,430	212,635	20,205	10.5%
Capital outlay	839,857	278,100	(561,757)	-66.9%
Total Expenditures	***$ 3,867,177***	***$ 3,197,363***	***(669,814)***	***-20.9%***
Over/(Under)	***$ (766,414)***	***$ -***	***766,414***	***-100.0%***
Other Sources and (Uses)				
Transfers out	-	-	-	0.0%
Total Sources and (Uses)	***-***	***-***	***-***	***0.0%***
Change in fund balance	***(766,414)***	***-***	***766,414***	***-100.0%***

The following describes major changes between fiscal years:

- Intergovernmental revenues –The HURF shared revenue estimate (intergovernmental revenues) is based on HB2483 – Municipal population estimates bill which passed in the 2016 legislative session. This bill utilizes the annual Federal Census population estimate as the basis for allocating state shared revenues to the various cities and towns. The intergovernmental revenue estimate shown here is based upon a preliminary Federal Census population estimate provided to the League of Arizona Cities and Towns. The final Federal

population estimate and shared revenue numbers will be provided to cities and towns by mid-May. *Therefore, the revenue estimate presented in the summary above could change significantly if the Federal Census estimates used for the final shared revenue allocation are materially different than the population estimates used in the above estimate.*

- Personnel and benefits – The variance of 100% or approximately $355K in costs reflects the second half of salaries which were shifted back to the General Fund in an effort to increase the availability of maintenance dollars.

- Capital outlay – The majority of the change is due to the replacement purchase of a semi-tractor trailer truck used to move large equipment like the road grader and front loader around portions of our community which in fiscal year 2016-2017.

Enterprise Funds

Water Operating Fund

The primary revenues for the Water Operating Fund are for charges for water delivered and sold to customers outside of the organization. As such, it is set up and operates as a stand-alone enterprise fund.

Summary of Water Operating Fund
Recommended Budget
Fiscal Year 2018

Revenues	FY2017 Budget	FY2018 Recommended	$ Change	% Change
Intergovernmental	$ -	$ 60,000	60,000	0.0%
Licenses, fees and permits	25,000	25,000	-	0.0%
Charges for services	4,311,258	4,958,829	647,571	15.0%
Investment income	5,000	5,000	-	0.0%
Miscellaneous	-	28,000	28,000	0.0%
Total Revenue	***4,341,258***	***5,076,829***	***735,571***	***16.9%***
Expenditures				
Personnel & benefits	1,821,711	1,917,654	95,943	5.3%
Contracted services	1,015,213	1,377,152	361,939	35.7%
Operating supplies & equip	1,201,181	1,486,694	285,513	23.8%
Capital outlay	99,000	144,000	45,000	45.5%
Debt service	426,654	373,830	(52,824)	-12.4%
Total Expenditures	***$ 4,563,759***	***$ 5,299,330***	***735,571***	***13.9%***
Over/(Under)	***$ (222,501)***	***$ (222,501)***	-	***0.0%***
Other Sources and (Uses)				
Transfers in	222,501	222,501	-	0.0%
Total Sources and (Uses)	***222,501***	***222,501***	-	***0.0%***
Change in fund balance	-	-	-	***0.0%***

The following describes major changes between fiscal years:

- Charges for services – Water revenues are anticipated to increase by approximately 15.0% in fiscal year 2017-2018. This is primarily due to a combination of account growth (new customers) and water rate and fee increases

previously approved by Council which have or will be implemented in the new fiscal year.

- Contracted services – The major change between fiscal years is primarily due to the addition of a water tank and reservoir preventative maintenance program. This is new program is intended to take a proactive stance in the inspection and maintenance of the tanks and reservoirs. It also includes a major electrical update at an existing well site.

- Operating supplies and equipment – The majority of the budget change between fiscal years is attributable to increased water purchase costs and an increase in the administrative charge that the water utility pays the General Fund for central services (human resources, legal, finance, etc.).

Wastewater Operating

The primary revenues for the Wastewater Operating Fund are for customer charges to treat sewer flows to the north Marana Water Reclamation Facility. The primary customers are outside of the organization. As such, it is set up and operates as a stand-alone enterprise fund.

Summary of Wastewater Operating Fund
Recommended Budget
Fiscal Year 2018

Revenues	FY2017 Budget	FY2018 Recommended	$ Change	% Change
Licenses, fees and permits	$ 3,000	$ 3,000	-	0.0%
Charges for services	1,156,696	1,303,764	147,068	12.7%
Total Revenue	***1,159,696***	***1,306,764***	***147,068***	***12.7%***
Expenditures				
Personnel & benefits	369,422	381,182	11,760	3.2%
Contracted services	659,864	685,532	25,668	3.9%
Operating supplies & equip	130,410	183,550	53,140	40.7%
Capital outlay	-	56,500	56,500	0.0%
Debt service	1,807,725	1,809,525	1,800	0.0%
Total Expenditures	***$ 2,967,421***	***$ 3,116,289***	***148,868***	***4.8%***
Over/(Under)	***$ (1,807,725)***	***$ (1,809,525)***	***(1,800)***	***0.0%***
Other Sources and (Uses)				
Transfers in	1,807,725	1,809,525	1,800	0.0%
Transfers out	-	-	-	0.0%
Total Sources and (Uses)	***1,807,725***	***1,809,525***	***1,800***	***0.0%***
Change in fund balance	***-***	***-***	***-***	***0.0%***

The following describes major changes between fiscal years:

- Charges for services – Wastewater revenues are anticipated to increase by approximately 12.7% in fiscal year 2017-2018. This is primarily due to a combination of account growth (new customers) within existing areas and projected new customers in Saguaro Bloom once both the gravity and force main sewer lines are connected to the development.

- Operating supplies and equipment – The major change between fiscal years is primarily due to the anticipated increases in electrical usage during the fiscal year.

- Debt service – The fiscal year budget included projected debt service on the portions of the 2013 Series bonds issued to acquire the plant, complete required initial improvements and reimburse the General Fund. The debt repayment has been structured to be paid from current and future impact fees, as included within the respective plans. The debt service for the 2017 Series bonds attributable to the WRF expansion to 1.5MGD will be as soon as the final debt services schedules become available.

Airport Operating Fund

The primary revenues for the Airport Operating Fund are for customer charges for facility or ground lease revenues, open tie-down permits and fueling fees for planes at the airport. The primary services are to customers outside of the organization. As such, it is set up and operates as a stand-alone enterprise fund.

Summary of Airport Operating Fund
Recommended Budget
Fiscal Year 2018

Revenues	FY2017 Budget	FY2018 Recommended	$ Change	% Change
Licenses, fees and permits	$ 244,000	$ 249,000	5,000	2.0%
Miscellaneous	14,000	18,000	4,000	28.6%
Total Revenue	***258,000***	***267,000***	***9,000***	***3.5%***
Expenditures				
Personnel & benefits	252,932	278,796	25,864	10.2%
Contracted services	129,401	150,394	20,993	16.2%
Operating supplies & equip	73,200	76,400	3,200	4.4%
Capital outlay	25,568	-	(25,568)	-100.0%
Total Expenditures	***$ 481,101***	***$ 505,590***	***24,489***	***4.8%***
Over/(Under)	***$ (223,101)***	***$ (238,590)***	***(15,489)***	***6.9%***
Other Sources and (Uses)				
Transfers in	223,101	238,590	15,489	6.9%
Transfers out	-	-	-	0.0%
Total Sources and (Uses)	***223,101***	***238,590***	***15,489***	***6.9%***
Change in fund balance	***-***	***-***	***-***	***0.0%***

The following describes major changes between fiscal years:

- Contracted services – The major change between fiscal years is primarily due to the anticipated need for airport facility maintenance projects including security gate motor replacements, generators and a required fire pump rebuild.

- U – The budgeted transfer for fiscal year 2017-2018 represents what may likely be an ongoing, operating subsidy from the General Fund. In fact, over the years,

these operating deficiencies have accumulated to balance of approximately $2.3M which the airport owes the General Fund. In The airport does not generate revenues adequate to support the needs of an airport with significantly aged infrastructure. Additional airport planning is underway in an effort to improve its ability to generate adequate revenues.

Summary of Positions

The largest portion of the Town's operating budget reflects its investment in personnel and related benefits. Our employees provide the core services that the citizens require and those costs comprise the largest operating cost within the General Fund at approximately 61% of the operating budget. The strategic plan along with the economic recovery plan will continue to guide the allocation of resources in future years. This fiscal year 2018 budget recommends the addition of 8.0 full time equivalent (FTE) positions. The following tables present an overall, multi-year summary of FTE and a detailed listing of recommended changes for fiscal year 2018.

Multi-year FTE Position Change Summary

	FY2015	FY2016	FY2017	FY2018
Budgeted FTE	328.58	338.73	348.63	356.63
Position change from previous year	9.25	10.15	9.90	8.00
Percentage change from previous year	3%	3%	3%	2%

Detailed Listing of Recommended Full Time Equivalent (FTE) Position Changes for FY2018

Position	FTE	Department	Funding Source
Customer Service Clerk	1.00	Communications & Marketing	General Fund/ Bed Tax Fund
Document Clerk	1.00	Engineering	General Fund
Police Officer	2.00	Police	General Fund
Senior Maintenance Associate	1.00	Public Works	General Fund
Fleet Tech I	1.00	Public Works	General Fund
Water Operator III	1.00	Water	Water Fund
Wastewater Reclamation Operator II	1.00	Wastewater	Water Fund
Total FTE Changes	8.00		

Detailed Listing of Recommended Short Term Temporary (STT)/Term Limited Temporary (TLT) Position Changes for FY2017

Position	STT/ TLT	Department	Funding Source
Technology Support Specialist II (TLT)	(1.00)	Police	Grant Fund
Total STT/TLT Changes	(1.00)		

Acknowledgements

I would like to thank our department heads, senior management team, finance, human resources and legal staff for their efforts in submitting their recommendations incorporated within this recommended budget for fiscal year 2017-2018.

Respectfully,



Gilbert Davidson,
Town Manger