

**MINUTES OF THE GILBERT PUBLIC WORKS ADVISORY BOARD, IN REGULAR MEETING OF MONDAY, FEBRUARY 12, 2024, AT 3:00 PM, MUNICIPAL BUILDING I, HERITAGE ROOM 300, GILBERT, ARIZONA**

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**MEMBERS PRESENT:** Chair Fariya Sharif, Members David Barazoto, Greg Froehlich, Karen Goldwasser, Eric McLeskey, Jason Robinson, and Matt Carpenter

**MEMBERS ABSENT:** Vice Chair Sam Elliott and Member Jason Gilmore

**STAFF PRESENT:** Assistant Public Works Directors Eric Braun and Giao Pham, Assistant Town Manager Leah Rhineheimer, Town Engineer Susanna Struble, Interim Assistant Town Engineer – CIP Ryan Blair, Management and Budget Director Kelly Pfof, and Administrative Assistant Tonya Holmes

**GUESTS PRESENT:** Council Liaison Yung Koprowski

**ADMINISTRATIVE ITEMS**

**1. Call to Order**

Chair Fariya Sharif called the meeting to order at 3:03 p.m.

**2. Roll Call**

Administrative Assistant Tonya Holmes called roll and declared a quorum present.

**AGENDA ITEMS**

**3. Approve December 4, 2023 Minutes**

A MOTION was made by Member Carpenter, seconded by Member McLeskey, to approve the December 4, 2023 meeting minutes. Motion passed unanimously.

#### 4. Update on Rate Increase

Assistant Public Works Director Eric Braun provided a rate increase update to the Public Works Advisory Board. At the November 28, 2023 Town Council meeting, two rate increase recommendations were presented; Council adopted a notice of intent to raise rates with the gradual funded option. Staff then began the Public Outreach Campaign, with a public presentation at the Municipal Center. Staff received good feedback from that open forum along with a desire from some homeowners' associations (HOA's) for an earlier notice of rate increases, due to their budgeting timeline. Other feedback received was regarding residents on fixed income or low income. Since this Board raised the concern on this topic and had a direction early on, Staff was able to get a proactive start on some ideas for an assistance program and what it may look like. Just last week, Staff asked the Town Council for contingency funding for a program to assist these customers, which was approved by Council with a 7-0 vote.

Assistant Director Braun thanked all Board Members for their assistance and stated the Public Works Advisory Board was instrumental in helping Staff craft their outreach and messaging in a way the community understood.

A Board Member asked if there was still a plan to do the Municipal Bond. Assistant Director Braun advised that this chosen option does include a bond to fund the Capital Improvement Plan in a couple of years. The Town's plan is to wait to sell that bond, until it is absolutely needed. For the next couple of years, we will still have a little bit of cash reserves. The Board also requested information on the primary and secondary tax bills. Assistant Director Braun advised that the next presentation would be from Gilbert's Management and Budget Director Kelly Pfof, who will provide information on that. He also provided more understanding by suggesting Board Members look at our utilities as separate "businesses". For each of those "businesses" to be self-sustaining, they must be paid for through rate revenue. He provided an example; if you did a tax on sales or a property tax, those have nothing to do with the "business" of a water utility. He stated that we cannot take revenue from one place and use it to support another, and this is also frowned upon by bond rating entities. Each of our utilities has its own bond rating. Deputy Town Manager Leah Rhineheimer added that the town has adopted financial policies that govern the way we want to collect revenue and incur debt, because the Town has been so fiscally prudent, we have achieved an AAA bond rating. Management and Budget Director Kelly Pfof also explained that the Town has a couple of safety mechanisms in place and the market will look at our coverage ratios, financial statements, management policies and practices. We also have the protection of our Municipal Property Corporation (MPC) Board, which is a citizen Board, briefed every year on projects and finances. Those Board Members and the Town Council would have to

agree to issue a bond. If either the MPC or the Council does not agree, the bond cannot move forward.

## **5. Presentation from Budget**

Management and Budget Director Kelly Pfof shared a presentation that displayed Gilbert's fiscal responsibility, including savings of \$38M since 2012 by refinancing debt to take advantage of interest rates, a \$37M reduction in debt since 2012 due to early payments and \$8M savings since FY18 using zero-based budgeting. Examples of the many different funds were shown to display different "checking accounts" within the budget, including the Water fund, General fund, Streets fund, Capital funds, and Wastewater fund.

Director Pfof advised that system development fees must be in their own interest-bearing account and that those funds are used for capital projects. A Board Member inquired as to what happens when the city is built out. Director Pfof explained that at buildout, we would not have any system development fees so those funds would close, and balances will be spent on appropriate infrastructure.

Director Pfof also provided information on the Town's Health Trust Fund, which is self-funded for our medical and dental coverage. Rather than paying a third-party insurer that would take the profits for their shareholders, the Town pays claims directly and charges premiums to staff. She also shared that Gilbert does not use property tax to fund its general operations. Our operations are funded in part by local sales tax, State shared sales tax income, Development Services along with some other General Fund Revenues. The presentation also showed a comparison of Gilbert with neighboring Cities' sales taxes & percentage, as well as a comparison for Property Tax.

Director Pfof then explained the budget timeline, which begins in mid-September and goes through June. This process includes Budget Kick-Off, Input and Zero-Based Review, Analyst Review, Executive Team Deliberations, Financial Retreat, Town Manager Review, Budget 1:1 with Council and Budget Study Sessions followed by Council Adopting Preliminary Budget and Final Budget. This year's Financial Retreat for Council is coming up in March.

Council Member Koprowski asked Director Pfof to explain budget amounts versus carry-over funds. Director Pfof explained how Gilbert budgets the full amount for Capital Improvement Projects up front so they can begin contracts. Projects typically take longer than that year to complete, therefore having carry-forward dollars.

Director Pfof then presented on benchmarking. The Gilbert Benchmark Report looks at communities that are similar to Gilbert, not just in the valley but all over the country. We also participate in the Valley Benchmark Communities. Member McLeskey asked how we select cities to compare ourselves to for benchmarking. Director Pfof shared that subject matter experts in different areas like traffic or streetlights choose cities we have good comparisons to.

Director Pfof advised that Gilbert has received the Government Finance Officers Association (GFOA) Award for 24<sup>th</sup> consecutive years and that Gilbert is one of approximately 50 communities that has a Bond rating of AAA, which is the highest rating. This is similar to having perfect credit, allowing the best interest rate.

Member Goldwasser thanked Director Pfof for putting the budget information together in a way she and other community members can understand more clearly.

Councilmember Koprowski noted that some challenges were presented in the last budget study session, around needs with Fire, PD and Parks, in that those needs exceeded our current revenue. Gilbert holds Public Meetings to discuss items such as this, for decisions we need to make to take things further into the future.

Assistant Public Works Director Giao Pham added how helpful Director Pfof and her team have always been in educating Staff in budget options for maintaining lines of service. Staff often jokingly refer to the budget process as the “Hunger Games”, however, we have seen instances where some departments will cut back their base budget to give extra funding to other departments with more critical needs.

## **6. CIP 101: High level overview of CIP process**

Interim Assistant Town Engineer for Capital Improvement Projects Ryan Blair presented on the Town’s Capital Improvement Process, stating that the Capital Improvement Plan is a tool used by the Town to ensure decisions on capital projects and funding are made wisely and are well planned and sustainable. The three elements our Capital Improvement Project Team strives to achieve are Prosperous Community, Strong Economy, and Exceptionally Build Environment.

Engineer Blair explained the Basics of a Capital Improvement Plan, consisting of Multi Year Planning, a Capital Project List, Funding Sources and Operations & Maintenance Impacts. Capital Projects are typically over \$100K in expense, do not have a continuous expense, have special financing and have at least a 10-year lifespan with multi-year implementation. Gilbert’s Capital Improvement Project Categories include Streets, Traffic Control, Storm Water, Parks & Recreation,

Municipal Facilities, Redevelopment, Water and Wastewater. These projects are developed using Project Identification, Project Evaluation & Programming, and Project Implementation.

Engineer Blair also explained the details involving Evaluation, Scoping and Cost Analysis, as well as how each Capital Improvement Project timeline is reviewed and updated annually. He presented information on Gilbert's 10-year Capital Improvement Project plan for FY24 through FY34, which includes 421 projects at \$4.88B. Gilbert's current FY24 CIP plan includes 216 projects at \$1.36B. He shared that a few of our current projects are ST0540 – Ocotillo Rd Bridge, TS1940 – Fiber Optic Strategic Buildout, RD2190 – Vaughn Ventilator, PR1337 – Parks and Recreation Master Plan, WW1090, WW1100, WW1110 – Neely WTP Rehabilitation, WA1589 – NWTP Upgrades & Reconstruction, MF2490 – Advocacy Center and SW0120 – Storm Water Master Plan.

Engineer Blair continued his presentation with an overview of Vendor Procurement for Construction Delivery Methods and Professional Services, which is regulated by AZ Title 34.

Member Froehlich asked about the adjustments needed throughout projects due to inflation and other unpredictable items. Engineer Blair explained that the Capital Improvement Project Team uses Value Engineering, as well as bringing a third party in for cost estimating on some of the bigger projects.

Councilmember Koprowski also provided information regarding Capital Improvement Project contingency funding that can be approved by Council. She also noted that when Gilbert adopts the budget for a project, we make sure we include all of the funds needed to complete it. Some neighboring municipalities only adopt the initial amount needed for that particular year. Chair Fariya asked if we re-forecast each year. Town Engineer Struble advised that we do, and that the 515 different projects in progress were all looked at and re-forecasted.

## **COMMUNICATIONS**

### **7. Report from Staff**

No report from Staff

### **8. Report from Board Members**

Member Goldwasser relayed some feedback on the recent Community Needs Survey that Staff will relay to our Intergovernmental Relations Team. She also stated that even she has trouble understanding what can be recycled and what cannot,

and the community may have confusion too. Assistant Director Pham advised that Public Works is looking into working with the Office of Digital Government to create a platform that makes sense and messages our residents.

**9. Report from Council Liaison**

No report from Council Liaison

**10. Report from Chair**

Chair Fariya Sharif handed out hard copies of the “Request for Future Agenda Item Form” to Board Members.

**11. Future Agenda Items**

Assistant Director Pham advised that Staff will soon be scheduling other lines of service tours to give Board Members a better understanding of all Public Works divisions and services.

Councilmember Koprowski advised that we will also be providing this Board with a presentation on Circular Economy that will provide more factors on recycling at a Statewide level. She asked Board Members to send any good examples they may see from other cities regarding recycling messaging over to Administrative Assistant Tonya Holmes to be shared with our Outreach Specialists.

**CONCLUSION**

**12. ADJOURN**

Chair Sharif adjourned the meeting at 4:53 p.m.

**ATTEST:**

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Fariya Sharif, Chair

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Giao Pham, Staff Liaison