

City of Goodyear

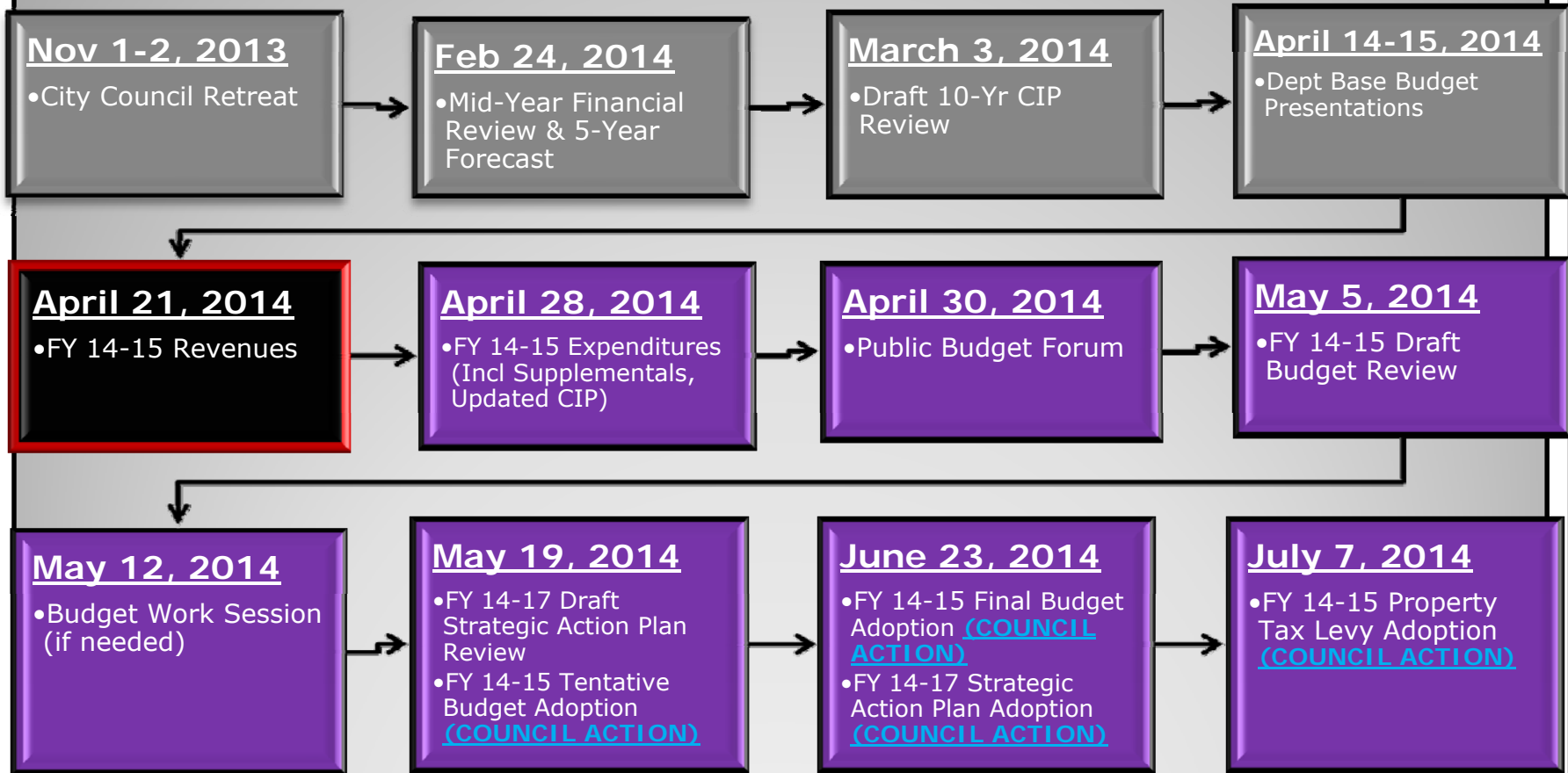
FY 14-15 Budget Development Work Session

Revenue Review



City Council Work Session
April 21, 2014

FY 14-15 Budget Development



Agenda

- Review Budget Policies
- Review FY 14-15 Revenues
 - General Fund
 - Property Tax
 - Enterprise Funds
 - Stadium
- Council Policy Discussion (Utility Funds)
- Next Steps

Budget Policies

Budget/Financial Policies

Operating	Compliance
Ongoing operating cost should be supported by ongoing revenue sources	yes
Revenues from growth or development should be targeted to cost related to development or future improvements	yes
General Fund appropriations should include a reserve contingency account equal to first three months of prior year operating expenses	yes
General Fund appropriations should include a reserve contingency account amount of 10% of annual sales tax revenues	yes
Enterprise Funds should be self-sufficient	
Water/Sewer	yes
Sanitation	yes
Replacement of equipments will be funded through the Depreciation Replacement Reserves	yes
A five year financial forecasting should be developed and include the operating cost of CIP and changes in service demands	yes
Laws and policies on limitations on revenue sources should be addressed in the annual budget process	yes

Budget/Financial Policies

Debt Management	Compliance
Short term borrowing or lease-purchase should be considered for financing major operating equipment when it is determined to be in the best interest of the city	yes
Annual short term debt payments should not exceed 5% annual revenue or 20% of total annual debt	yes
Maintain PIC debt coverage ratio of 1.50 – 1.00 of pledged excise tax revenue to debt payment	yes
Maintain and sell new G.O. Bonds only when a combined property tax rate of \$1.60 can be achieved	yes
Annual levy calculations should be at the maximum amount allowed for City's primary property tax	yes
Maintain bond rating of at least Baa1c from rating agencies	yes
Enterprise Funds should finance water and sewer bond sales	yes
Bonds should not be financed by General Funds unless necessary and shall not exceed 10% of current three years operating revenues, excluding Construction Sales Tax	yes

Budget/Financial Policies

Budget Policies	Compliance
Total fund appropriation changes must be approved by the City Council	yes
Use of contingency appropriation must be approved by the City Council	yes
Procedures for appropriation transfers and delegation of budget responsibility will be set by the City Manager	yes
Monthly status report reviewed by City Manager and presented to City Council	yes
Annually update strategic financial plan to ensure viability and compliance with state statutes	yes
Annual budget for Community Relations funding will not increase larger than the percent growth in retail sales tax from the prior two calendar years	yes



Budget/Financial Policies

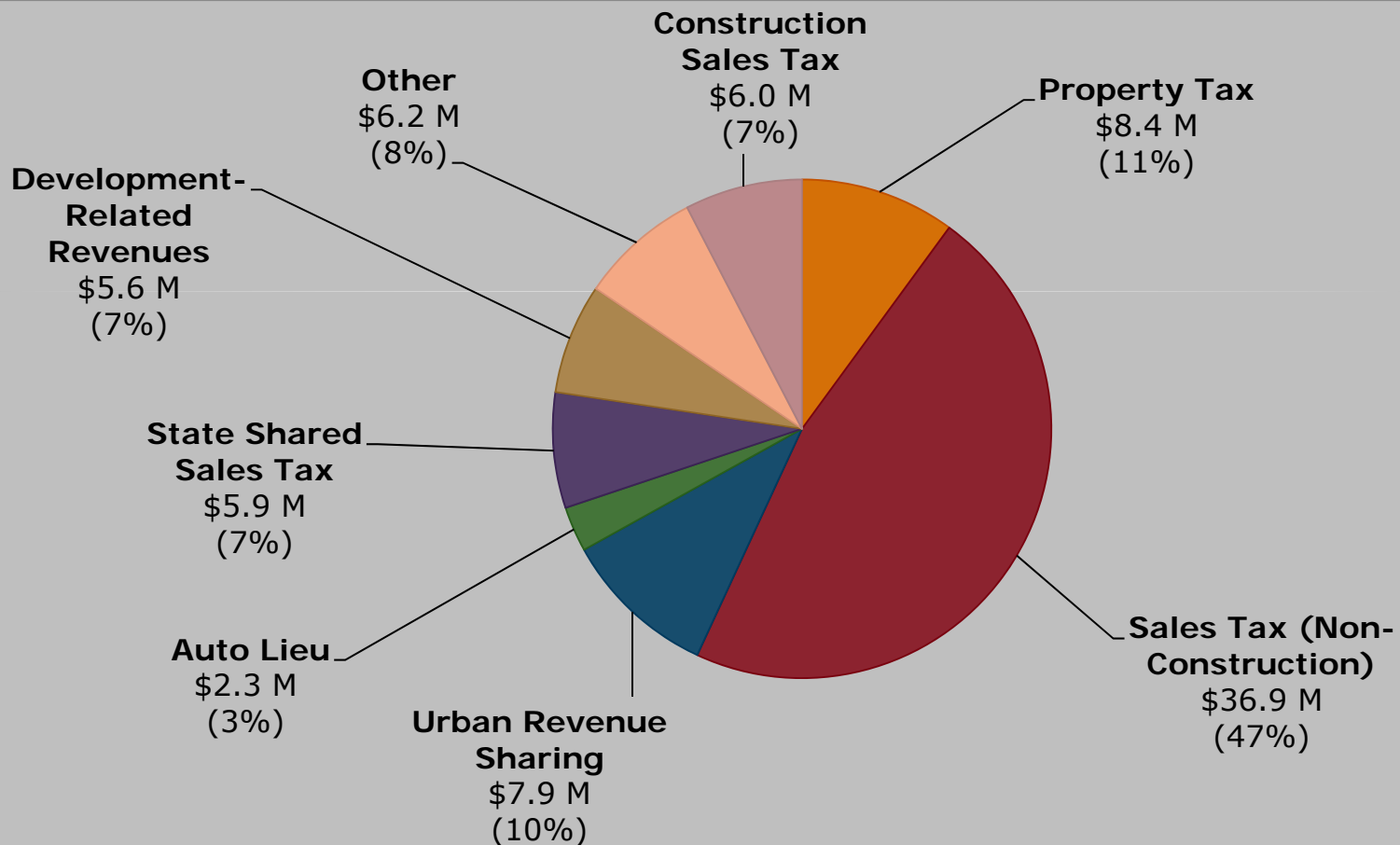
Revenue Policies	Compliance
A diversified and stable revenue system will be maintained to ensure fiscal health	yes
User Fees for all operations will be examined every 3-5 years	yes
Development Fees for Capital expenditures related to new development will be reviewed every 3-5 years	yes
Cost analysis should be performed for all services to determine if fees collected are covering cost of service	yes
Capital Budget Policies	Compliance
A long range capital improvement plan (CIP) should be prepared and updated each year	yes
All departments should estimate the operating impacts of the CIP over the next 3-5 year planning period	yes
Amendments to capital appropriations fall under the same guidelines as the operating budget with one exception; and project change exceeding \$75,000 should be approved by the City Council	yes

General Fund Revenues

Revenue Assumptions

- Property Tax
 - Primary: 6% (actual from Assessor's Office)
- Non-Construction Sales Tax
 - 4% growth
- Construction Sales Tax
 - Held Steady from FY 13-14
- Development-Related Revenue
 - Mid-Point between FY 13-14 budget and projected actual
 - Consistent with trends

Projected FY 14-15 General Fund Revenue



Total FY 14-15 General Fund Revenue: \$79.2 M

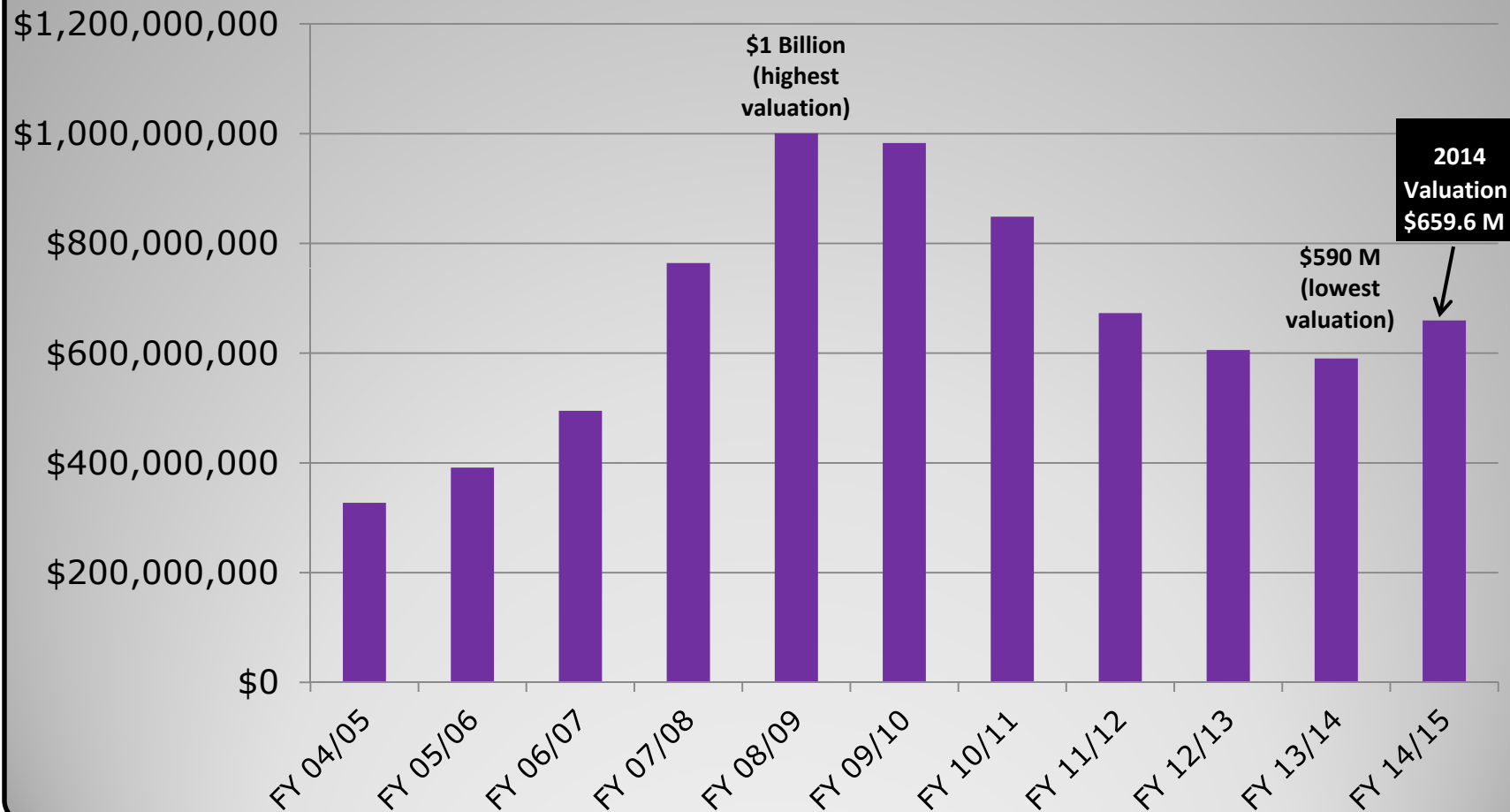


General Fund Revenue

General Fund Revenue Categories (Ongoing)	Budget FY 13-14	Estimate FY 13-14	Projected FY 14-15
Property Tax	\$ 7,912,561	\$ 7,812,408	\$ 8,381,367
Sales Tax (Non-Construction)	\$34,045,555	\$ 35,782,861	\$36,893,406
Urban Revenue Sharing	\$ 7,282,401	\$ 7,282,416	\$ 7,901,479
Auto Lieu	\$ 2,175,814	\$ 2,147,609	\$ 2,308,065
State Shared Sales Tax	\$ 5,640,254	\$ 5,652,378	\$ 5,898,143
Development-Related Revenues (Plan Review, Permit, Inspection Fees)	\$ 4,710,000	\$ 6,520,427	\$ 5,631,148
Other (i.e., Court Fines, Fire Mutual Aid revenue, Recreation & Aquatics, etc)	\$ 5,458,167	\$ 6,484,507	\$ 6,202,454
Subtotal: Ongoing General Fund	\$67,224,752	\$ 71,682,607	\$73,216,061
General Fund Revenue Categories (One-Time)	Budget FY 13-14	Estimate FY 13-14	Projected FY 14-15
Construction Sales Tax	\$ 6,000,000	\$ 8,717,943	\$ 6,000,000
TOTAL ALL GF REVENUES	\$73,224,752	\$ 80,400,550	\$79,216,061 <i>+8.1% from FY 14 budget</i>

Property Tax Revenues

City of Goodyear Assessed Value



Property Tax Levy

	FY 14	FY 15	Policy Correlation
Primary Property Tax Levy <i>(Supports General Government Operations & Maintenance)</i>	\$7,012,561	\$7,431,367	2% increase (Truth in Taxation), plus new growth <ul style="list-style-type: none"> • \$145,444 TNT • \$273,362 new growth
Secondary Property Tax Levy <i>(Used to Pay General Obligation Bond Debt Service)</i>	\$4,135,351	\$4,527,130	Floating Rate to support debt service requirements on previously-issued bonds
TOTAL	\$11.1m	\$11.9m	



Property Tax Levy Historical Data

	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Total Tax Levy	\$14,890,154	\$11,630,269	\$10,714,635	\$10,711,530	\$11,147,913	\$11,958,497
% Change	4.59%	-21.89%	-7.87%	-0.03%	4.07%	7.27%
City Property Tax Rate	1.6000	1.4233	1.6000	1.7750	1.9000	1.8700
Median Goodyear home value	\$208,800	\$152,700	\$133,600	\$124,100	\$119,800	\$142,200
Impact on median Goodyear home	\$334.08	\$217.34	\$213.76	\$220.28	\$227.62	\$265.91

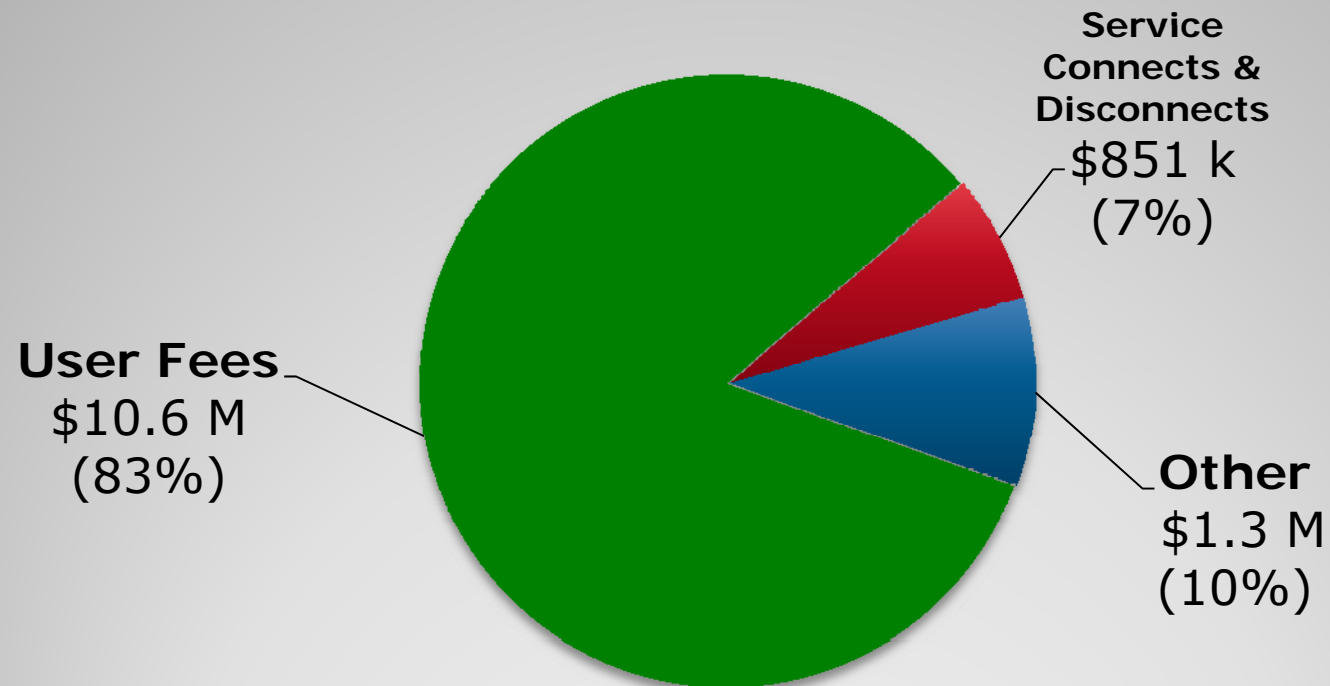


Enterprise Fund Revenues

Assumptions

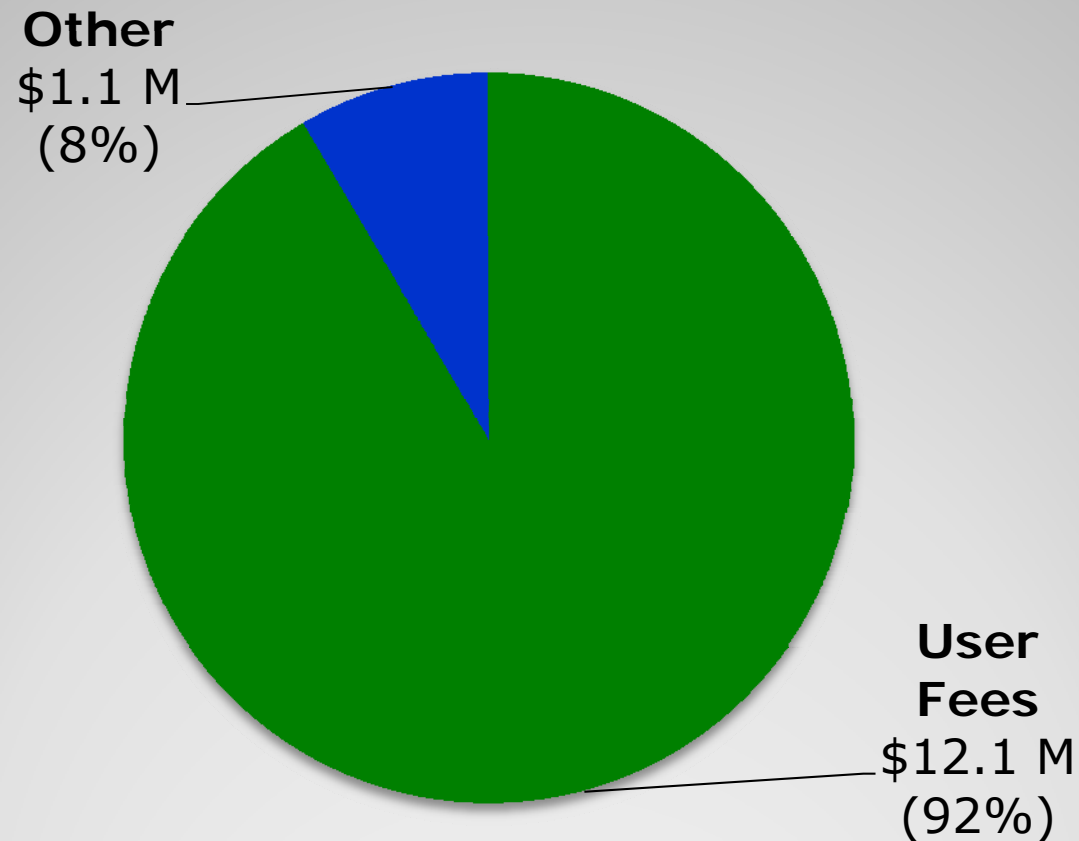
- Water/Wastewater
 - Current Rate Structure
 - 3.5 % growth
- Sanitation
 - 4% growth
- Stadium
 - Revenues Steady
- Highway User Revenue Fund
 - State Revenues Provided

FY 14-15 Water Revenue Fund



Total FY 14-15 Water Fund Revenue: \$12.7 M

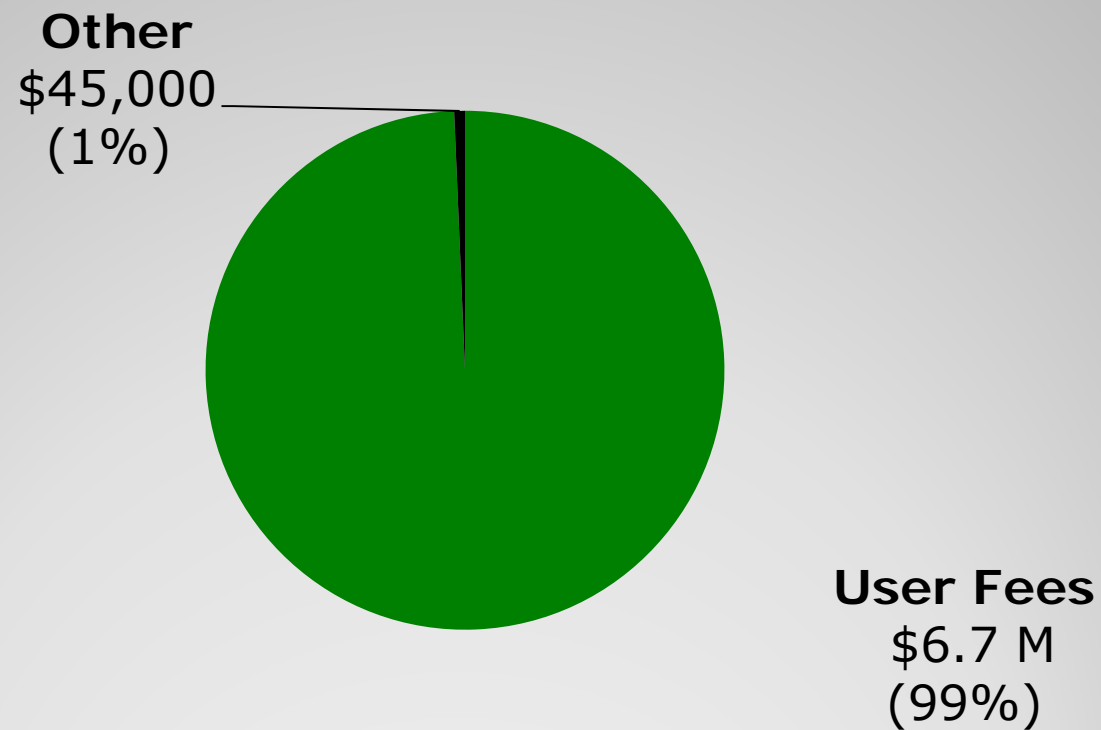
FY 14-15 Wastewater Revenue Fund



Total FY 14-15 Water Fund Revenue: \$13.2 M

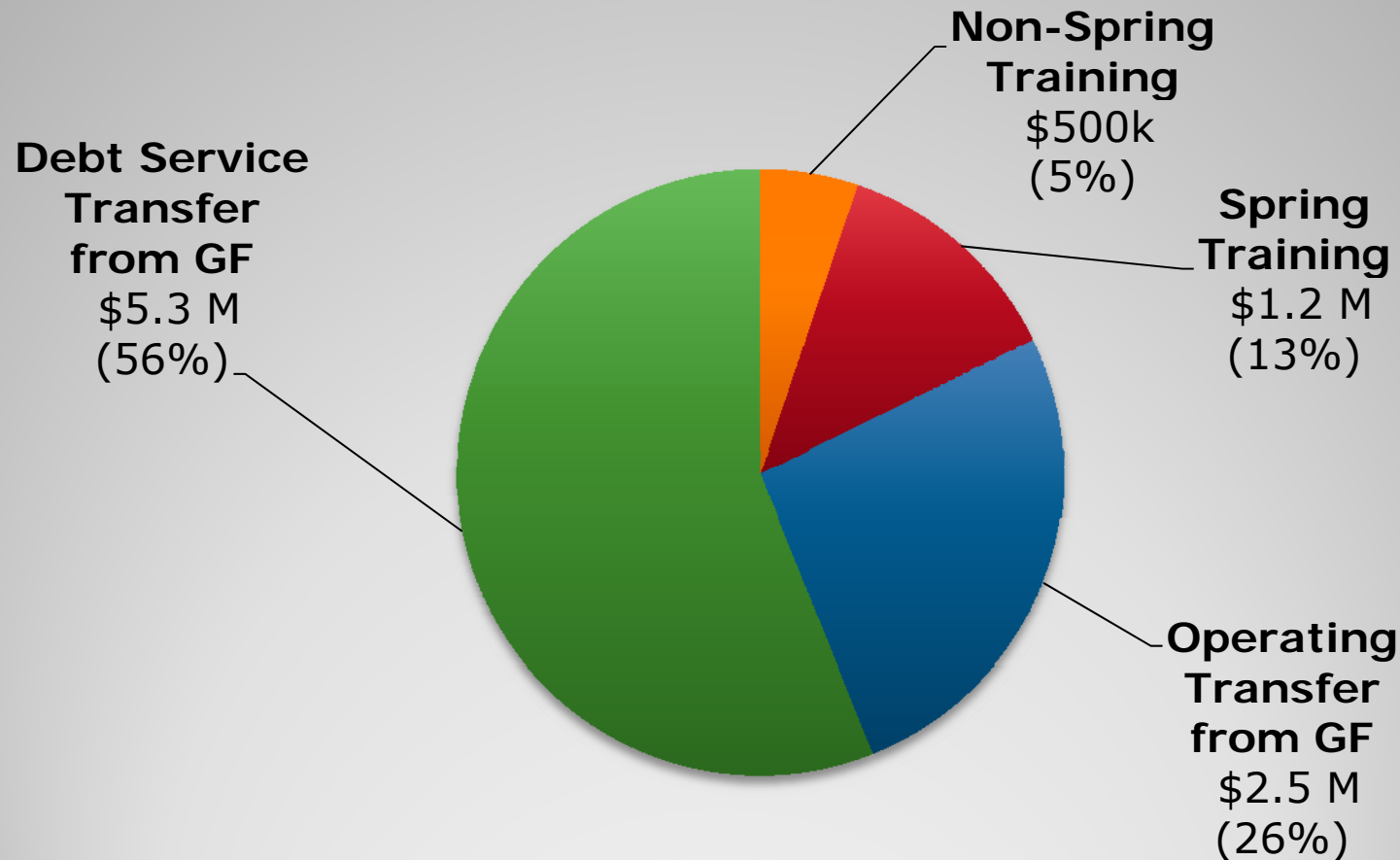


FY 14-15 Sanitation Fund



Total FY 14-15 Sanitation Fund Revenue: \$6.7 M

FY 14-15 Stadium Fund

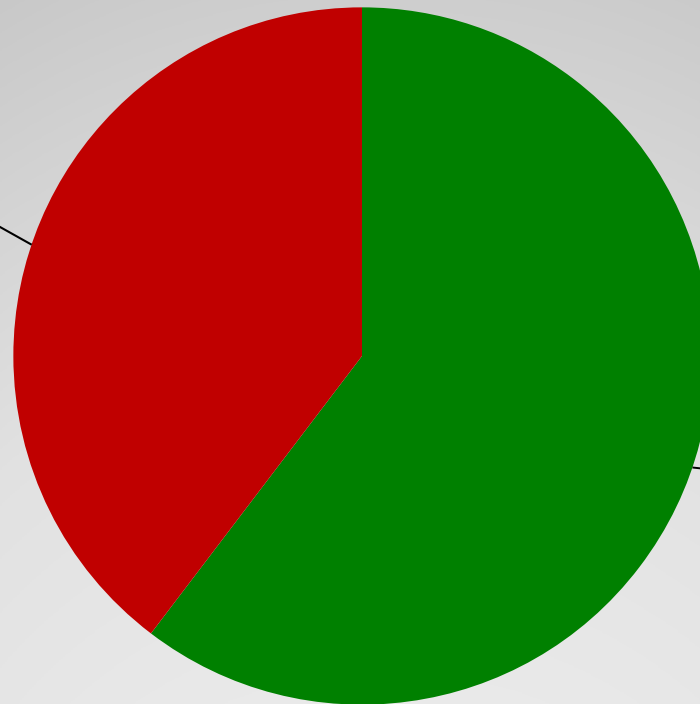


Total FY 14-15 Stadium Fund Revenue: \$9.6 M



FY 14-15 Highway User Revenue Fund (HURF)

Transfer
from
General
Fund
\$2.4 M
(39%)



State
Shared
Revenue
\$3.7 M
(61%)



Total FY 14-15 HURF Revenue: \$6.1 M

Policy Considerations

Water/Wastewater: Policy Direction

Water and Wastewater Costs Increasing

- Inflation
- General increases in the cost of service – chemicals, electricity, insurance, etc.
- Capital Improvement Plan needed to repair and replace water and wastewater infrastructure
- Acquisition of new water resources

Water and Wastewater Rates in the 21st Century

- Average utility has been increasing rates 5-6% per year
- AWWA expects water and wastewater rates to triple in the next 15 years
- 30-40% of utilities have rates in place that do not cover their costs

Analysis of 2015 Adjustment

- Consultants performed a revenue-based analysis
 - Addresses operating expenses only
 - Increases water rates only (no increases to wastewater rates)
- An overall 5% increase to water and wastewater revenue
- Effective January 1, 2015

**CITY OF GOODYEAR
PROPOSED RATE PLAN**

	Current	Effective January 1, 2015
WATER RATES		

Base Charge - Per Month

5/8" & 3/4"	\$ 10.23	\$ 11.24
1"	14.14	15.54
1 1/2"	22.86	25.12
2"	37.01	40.67

Volume Charge/1,000 Gallons

Residential

-	6,000	1.18	1.30
6,001	12,000	2.36	2.59
12,001	30,000	3.54	3.89
30,001	Above	5.69	6.25

Non-Residential

-	40,000	3.00	3.30
40,001	100,000	4.80	5.28
100,001	Above	6.24	6.86

School

-	40,000	3.00	3.30
40,001	100,000	4.80	5.28
100,001	Above	6.24	6.86

Irrigation

-	80,000	4.50	4.95
80,001	Above	5.18	5.69



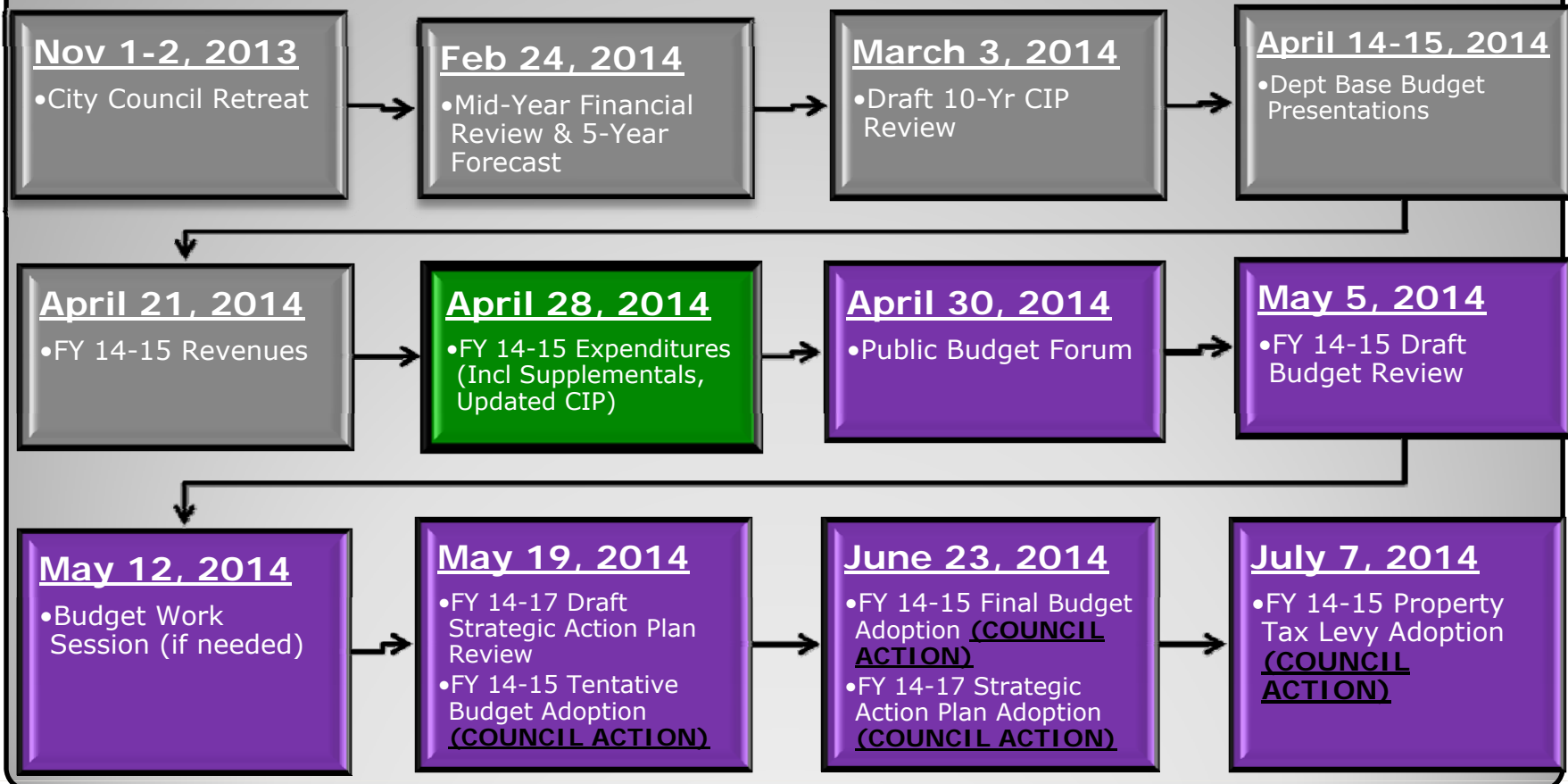
Impacts of Proposed Rate Adjustment

- Because the proposed rate adjustment is limited only water, the percentage impact will vary based on usage levels
 - As more water is used, the water portion of the monthly bill becomes a greater percentage of the total
 - Examples of impacts on monthly charges at right

Gallons used		Current	Effective January 1, 2015	
Residential - 3/4" meter				
<u>Water</u>	<u>Wastewater</u>			
5,000	5,000	\$ 66.15	\$ 67.75	
Increase			1.60	2.4%
8,000	8,000	89.39	91.57	
Increase			2.18	2.4%
20,000	8,000	127.15	133.07	
Increase			5.92	4.7%
30,000	8,000	162.55	171.97	
Increase			9.42	5.8%
Non-Residential - 2" meter				
25,000	25,000	334.09	345.18	
Increase			11.09	3.3%
50,000	50,000	571.59	591.89	
Increase			20.30	3.6%
500,000	500,000	5,908.59	6,199.75	
Increase			291.16	4.9%
1,000,000	1,000,000	11,918.59	12,518.63	
Increase			600.04	5.0%

FY 14-15 Budget Development

Next Session



Thank You

www.goodyearaz.gov/transparency

