

AGENDA ITEM # \_\_\_\_\_

DATE: June 22, 2015

COAC NUMBER: 15-5604

**CITY OF GOODYEAR  
CITY COUNCIL ACTION FORM**

**SUBJECT:** Public hearing for Truth in Taxation (TNT) and FY16 final budget.

**STAFF PRESENTER:** Lauri Wingenroth, Budget and Research Manager  
**COMPANY CONTACT:**

**RECOMMENDATION:**

1. Conduct a public hearing on the proposed increase of \$152,845 in the primary property tax levy and Resolution 15-1706 which adopts the final estimates by the City of Goodyear for the fiscal year beginning July 1, 2015 and ending June 30, 2016.
  - a. Open public hearing
  - b. Staff presentation
  - c. Receive public comments
  - d. Close public hearing
2. Approve the Truth in Taxation (TNT) increase of \$152,845 for fiscal year 2015-16 (FY16) by a roll call vote.

**PURPOSE:**

Adoption of the Truth in Taxation increase of \$152,845.

**BACKGROUND AND COMMUNITY BENEFIT:**

In accordance with Arizona Revised Statute (A.R.S.) § 42-17107, when the municipal primary property tax levy, excluding any increases due to the value of new construction, is greater than the amount levied in the previous year, actions must be taken to inform residents.

As part of that requirement, this public hearing will be regarding the proposed levy increase of \$152,845 in the primary property tax levy above the Truth in Taxation levy limit of \$7,654,902. Any taxpayer may appear and be heard in favor of or against any proposed expenditure or property tax levy. Final action to set the primary and secondary property taxes for the City of Goodyear is scheduled for July 6, 2015, during a regular meeting of the City Council.

Maximizing the primary property tax levy is part of an overall financial strategy that encourages the maximization of the City's stable revenue source. The combination of the primary and secondary tax rate is not to exceed \$1.8700 per \$100 of assessed valuation.

## **PREVIOUS ACTIONS AND DISCUSSION:**

### ***Truth in Taxation and Property Tax Discussion:***

As specified by the Arizona State Constitution and State law, the City of Goodyear has a two-tiered property tax system. The first tier is a “limited” tax and is known as the primary property tax. The primary property tax may be imposed by the City to fund general government operations. The second tier is an “unlimited” tax, known as the secondary property tax, which may only be used by the City to retire the principal and interest or redemption charges on voter-approved general obligation bonds.

As a part of the general government operations, the FY16 primary property tax levy will be used to support general fund activities, including police and fire protection, operations and maintenance, and many other general government functions. The Truth in Taxation legislation is applicable only to the primary or “limited” portion of the two-tiered property tax system and there is specific legal limit on how much the City can levy on the primary property tax.

The primary tax levy is limited to an annual increase of two percent over the previous year’s maximum allowable primary levy, plus an increased dollar amount attributable to a net gain in property not taxed in the previous year (i.e. new construction value).

If the City proposes to increase the primary property tax levy by anywhere up to two percent over the previous year’s maximum allowable primary levy, certain legal requirements must be met to notify property taxpayers. The City has met with these requirements to date, by completing this Council report and holding the Truth in Taxation public hearing, distributing a Truth in Taxation press release, and publishing the “Truth in Taxation Hearing Notice of Tax Increase” in compliance with the publication requirements set for in A.R.S. § 42-17107 (A)(1).

Related to compliance with the Truth in Taxation legal requirements, the City-issued press release was distributed on June 5, 2015 and June 12, 2015 with information regarding the Truth in Taxation public hearing. Additionally, the City’s public hearing advertisements were published in the Southwest Valley Republic (a local newspaper of general circulation) on the indicated dates:

Friday, June 5, 2015	Truth in Taxation public hearing notice (Required 14 to 20 days prior to the public hearing)
Friday, June 12, 2015	Truth in Taxation public hearing notice (Required 7 to 10 days prior to the public hearing)

Following the legally required Truth in Taxation public hearing, the Council will be asked to consider adoption of the City’s FY16 final budget. Additionally, at the July 6, 2015 Council meeting, final action is scheduled to set the primary and secondary property taxes for the City of Goodyear.

With rising property values and new construction, staff anticipates that we will be able to continue gradually reducing the City’s property tax rate over the next few years while still meeting our debt service needs until we once again reach the \$1.6000 rate.

***FY16 Budget Development Discussion:***

The city holds several work sessions as part of the budget development process. An initial, high level five-year revenue preview was discussed with the Council at the October 27, 2014 work session. On February 23, 2015, a presentation was made on the five-year General Fund financial forecast, which validated the status of the assumptions that the October discussion was based upon, as well as confirmed the five-year forecast. March 16, 2015, the Council reviewed tax policy and one-time general fund requests including capital improvement projects for FY16.

Current operational budgets and the programs and services that are supported were reviewed with the Council April 6 and 7, 2015 to provide the starting point for discussions on specific revenues and expenditure recommendations for next fiscal year. Additionally, the recommended FY16 operating budget asset management program was presented at the April 13, 2015 Council work session.

Work sessions focusing on specific one-year revenues for FY16, recommendations for FY16 expenditures, and for Council to provide consensus direction on any further evaluation or adjustments to the recommended operating and capital project expenditures in preparation for the draft budget review presentation were held on April 20 and 27, 2015. Compensation, benefits packages, retirement costs, and the 10-Year Capital Improvement Program were discussed.

On May 4, 2015 a high-level overview work session was held for the Council to provide consensus direction on any further evaluation or adjustments to the draft FY16 budget prior to the adoption of the tentative budget.

The FY16 tentative budget was adopted at the May 18, 2015 regular Council meeting.

Previous FY16 budget development discussions with the Council include:

October 27, 2014	Five-year revenue forecasts, FY16 budget calendar
February 23, 2015	Five-year General Fund financial forecast
March 16, 2015	Overview of tax policy, one-time general fund requests
April 6-7, 2015	FY15 department base budget reviews
April 13, 2015	Asset management program
April 20, 2015	Revenues and expenditures
April 27, 2015	Revenues and expenditures (continued)
May 4, 2015	Draft budget review
May 18, 2015	Tentative budget adoption

The property tax levies are scheduled to be adopted July 6, 2015.

**FISCAL ANALYSIS:**

If approved, \$152,845 will be available for the FY16 financial plan. If rejected, the proposed FY16 financial plan will be reduced by \$152,845.

**ATTACHMENTS:**

1. Property Taxes and Truth in Taxation analysis

2. Truth in Taxation hearing notice of tax increase
3. Truth in Taxation press release