

AGENDA ITEM #: _____

DATE: June 27, 2016

COAC #: 16-5835

**CITY OF GOODYEAR
CITY COUNCIL ACTION FORM**

**SUBJECT: Public Hearing for Truth in
Taxation (TNT) and FY17 Final Budget**

STAFF PRESENTER: Lauri Wingenroth,
Budget and Research Manager

CASE NUMBER: N/A

OTHER PRESENTER: N/A

RECOMMENDATION:

1. Conduct a public hearing on the proposed increase of \$161,291 in the primary property tax levy and Resolution No. 16-1765 which adopts the final estimates by the city of Goodyear for the fiscal year beginning July 1, 2016 and ending June 30, 2017.
 - a. Open public hearing
 - b. Staff presentation
 - c. Receive public comments
 - d. Close public hearing
2. Approve the Truth in Taxation (TNT) increase of \$161,291 for fiscal year 2016-17 (FY17) by a roll call vote.

PURPOSE:

Adoption of the Truth in Taxation increase of \$161,291.

BACKGROUND AND PREVIOUS ACTIONS:

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 \$161,291 in the primary property tax levy above the Truth in Taxation levy limit of \$7,807,747. 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 11, 2016, 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 \$1.8623 per \$100 of assessed valuation.

Related to compliance with the Truth in Taxation legal requirements, the City-issued press release was distributed on June 10, 2016 and June 17, 2016 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 10, 2016	Truth in Taxation public hearing notice (Required 14 to 20 days prior to the public hearing)
Friday, June 17, 2016	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 FY17 final budget. Additionally, at the July 11, 2016 Council meeting, final action is scheduled to set the primary and secondary property taxes for the City of Goodyear.

FY17 Budget Development Discussion:

The city holds several work sessions as part of the budget development process. An initial, high level Capital Improvement Program (CIP) preview was discussed with the Council at the November 16, 2015 Council retreat. At the January 4, 2016 retreat, a presentation was made on the budget calendar and tax policy. On February 22, 2016, a presentation was made on the five-year General Fund, Sanitation Fund and key Capital Funds financial forecasts. On March 14, 2016, the Council reviewed the CIP projects requested by departments and provided further direction and initial recommendations. On April 18 and 25, 2016 work sessions were held for the Council to discuss and provide consensus direction on the FY17 Draft Annual Budget and Draft FY17 10-year CIP prior to the adoption of the tentative budget scheduled for May 23, 2016.

Previous FY17 budget development discussions with the Council include:

November 16, 2015	Capital Improvement Program
January 4, 2016	Budget Calendar and Tax Policy
February 22, 2016	Operating and Capital Funds Five-Year Forecast
March 14, 2016	CIP Projects Overview
April 18, 2016	Draft Budget Overview
April 25, 2016	Draft Budget Overview Continued
May 23, 2016	Tentative Budget Adoption

The property tax levies are scheduled to be adopted July 11, 2016.

CURRENT POLICY:

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 FY17 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).

STAFF ANALYSIS:

The Finance staff and Executive Budget Committee have reviewed the proposed Truth in Taxation and FY17 Final Budget and find that they are in compliance with state law and city policies. They are in support of the proposed action.

FISCAL ANALYSIS:

If approved, \$161,291 will be available for the FY17 financial plan. If rejected, the proposed FY17 financial plan will be reduced by \$161,291.

ATTACHMENTS:

1. Property Taxes and Truth in Taxation analysis
2. Truth in Taxation hearing notice of tax increase
3. Truth in Taxation press release