

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

DATE: July 11, 2016

COAC #: 16-5864

**CITY OF GOODYEAR  
CITY COUNCIL ACTION FORM**

**SUBJECT: ADOPT ORD 16-1334  
SETTING THE PROPERTY TAX  
LEVIES FOR FY17.**

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

**CASE NUMBER:** N/A

**OTHER PRESENTER:** N/A

**RECOMMENDATION:**

ADOPT ORDINANCE NO. 16-1334 LEVYING UPON THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE CITY OF GOODYEAR, SUBJECT TO PRIMARY AND SECONDARY TAXATION A CERTAIN SUM UPON EACH ONE HUNDRED DOLLARS (\$100.00) OF VALUATION SUFFICIENT TO RAISE THE AMOUNTS ESTIMATED TO BE REQUIRED IN THE ANNUAL BUDGET FOR THE PURPOSE OF PAYING FOR VARIOUS EXPENSES; TO RAISE THE AMOUNT ESTIMATED TO BE RECEIVED FROM OTHER SOURCES OF REVENUES; PROVIDING FUNDS FOR VARIOUS BOND REDEMPTIONS, FOR THE PURPOSE OF PAYING PRINCIPAL AND INTEREST UPON BONDED INDEBTEDNESS; ALL FOR FISCAL YEAR ENDING THE 30TH DAY OF JUNE, 2017.

**PURPOSE:**

Adoption of the fiscal year 2016-17 (FY17) property tax levies.

**BACKGROUND AND PREVIOUS ACTIONS:**

Arizona state law requires that cities adopt their property tax levy on or before the third Monday in August each year. In addition, state law requires a period of 14 days between adoption of the final budget and adoption of the tax levy. The City Council adopted the FY17 final budget on June 27, 2016.

The primary and secondary property tax levies are a part of an overall finance strategy that provides funding for the city's budget.

**PREVIOUS ACTIONS AND DISCUSSION:**

***Property Tax Levies and Rates 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 levy. The primary property tax levy may be imposed by the city to fund general government operations. The second tier is an "unlimited" tax levy, known as the secondary property tax levy, which may only be used by the city to retire the principal and interest or redemption charges on voter-approved general obligation bonds.

The primary property tax levy for FY17 of \$8,240,777 will create a primary property tax rate of \$1.1598 per \$100 of assessed valuation. As a part of the general fund revenue, the primary property tax levy supports general fund activities, including police and fire protection, operations and maintenance, and many other general governmental functions.

The secondary property tax levy of \$4,991,799 will create a secondary property tax rate of \$0.7025 per \$100 of assessed valuation and will be used to fund the principal, interest, and redemption charges on voter-approved general obligation bonds.

The total property tax levy of \$13,174,867 is estimated to create a combined property tax rate of \$1.8623 per \$100 of assessed valuation. Below is a chart with a recent history of the city's property tax levies.

#### **Five Year History of City Property Tax Levies**

	FY13 1.7750 rate	FY14 1.9000 rate	FY15 1.8700 rate	FY16 1.8700 rate	FY17 1.8623 rate
Primary levy	\$ 6,693,094	\$ 7,012,561	\$ 7,431,367	\$ 7,807,747	\$ 8,240,777
Secondary levy	\$ 4,018,436	\$ 4,135,351	\$ 4,527,418	\$ 4,738,940	\$ 4,991,799
Total levy	\$ 10,711,530	\$ 11,147,912	\$ 11,958,785	\$ 12,546,687	\$ 13,174,867

The proposed FY17 overall combined property tax rate of \$1.8623 would equate to a total city property tax payment of \$338.38 for a median assessed home valued at \$181,700. In FY09, prior to the economic recession impacting property values, the median homeowner in Goodyear paid a total of \$417.60 in city property taxes.

#### ***FY17 Budget Development Discussion and Previous Actions:***

Arizona Revised State Statutes require that Arizona municipalities pass a balanced budget. Adoption of the tentative budget, which sets the maximum expenditure cap for the year, is one of the first steps in this process. Goodyear's tentative budget was adopted at a regular meeting of the City Council on May 23, 2016. With the adoption of the tentative budget, the Council set its maximum limits for expenditure, but these limits may be reduced upon final adoption. Modification between the tentative budget and final budget may be made, but are generally accounting in nature.

In addition, as required by state law, the total final budget of \$254 million does not exceed the \$254 million adopted tentative budget. With the budget, the city seeks to exercise strong fiscal management policies that provide the highest community benefit in the most efficient manner.

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 held on May 23, 2016. Final Budget adoption was held on June 27, 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
June 27, 2016	Final Budget Adoption, Truth in Taxation increase approval

### **CURRENT POLICY:**

Arizona state law requires that cities adopt their property tax levy on or before the third Monday in August each year. In addition, state law requires a period of 14 days between adoption of the final budget and adoption of the tax levy. The City Council adopted the FY17 final budget on June 27, 2016.

The primary and secondary property tax levies are a part of an overall finance strategy that provides funding for the city's budget.

### **STAFF ANALYSIS:**

The Finance staff and Executive Budget Committee have reviewed the FY17 property tax levies 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, \$8,240,777 will be generated from the primary property tax levy and \$4,991,799 will be generated from the secondary property tax levy (a total combined property tax levy of \$13,174,867).

**ATTACHMENTS:**

1. Ordinance 16-1334