

**CITY OF GOODYEAR  
COUNCIL ACTION REPORT (CAR)**

**SUBJECT: Set the property tax levies for  
Fiscal Year 2017-2018.**

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

**CASE NUMBER:** N/A

**OTHER PRESENTER:** N/A

**PROPOSED ACTION:**

ADOPT ORDINANCE NO. 17-1360 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, 2018.

**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 FY18 final budget on June 26, 2017.

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

***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 FY18 of \$8,655,906 will create a primary property tax rate of \$1.1344 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. This levy amount is consistent with Council adopted financial policy to maximize the primary property tax.

The secondary property tax levy of \$4,581,780 will create a secondary property tax rate of \$0.6005 per \$100 of assessed valuation and will be used to fund the principal, interest, and

redemption charges on voter-approved general obligation bonds. Assumed in this levy is the issuance of \$25 million in new General Obligation bonds for projects including the recreation campus, a replacement fire station, and \$7.5 million for the surface water project which will benefit the entire city by providing direct access to CAP water.

The total property tax levy of \$13,237,686 is estimated to create a combined property tax rate of \$1.7349 per \$100 of assessed valuation. This combined property tax rate is within the Council adopted financial policy to maintain a rate at or below \$1.74 when issuing new secondary property tax bonds. Below is a chart with a recent history of the city's property tax levies.

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

	FY14	FY15	FY16	FY17	FY18
Combined Tax Rate*	\$1.9000	\$1.87000	\$1.87000	\$1.8623	\$1.7349
Primary levy	\$ 7,012,561	\$ 7,431,367	\$ 7,807,747	\$ 8,240,777	\$ 8,655,906
Secondary levy	\$ 4,135,351	\$ 4,527,418	\$ 4,738,940	\$ 4,991,799	\$ 4,581,780
Total levy	\$ 11,147,912	\$ 11,958,785	\$ 12,546,687	\$ 13,174,867	\$ 13,237,686

\*Per \$100 of assessed valuation.

The proposed FY18 overall combined property tax rate of \$1.7349 would equate to a total city property tax payment of \$346.98 for a home with an assessed value of \$200,000. The FY18 combined levy is still below the peak levy in FY09.

#### ***FY18 Budget Development Discussion and Previous Actions:***

Arizona Revised State Statutes require that Arizona municipalities adopt a tentative budget to set the maximum expenditure cap for the year. With the adoption of the tentative budget, the Council sets its maximum "limits" for expenditure, but these limits may be reduced upon final adoption.

Council was updated on the FY17 Beginning Balance during the December 19, 2016 Council work session. The increase in that beginning balance becomes the first input of one-time resources for the FY18 budget. At the February 6, 2017 work session, staff presented the General Fund Five Year Forecast & Initial Revenue estimates for FY17 and FY18. These sessions provided information on FY18 ongoing and one-time resources for the General Fund and a sense of budget capacity. At the March 20, 2016 work session, staff presented the CIP & Supplemental Funding Requests and provided initial recommendations and categorizations of items for funding consideration. At the April 10, 2017 work session, staff presented the Enterprise Funds-Draft FY18 Budgets and 10-Year CIP. At the April 17, 2017 work session, staff presented the Budget Process Overview and General Fund FY18 Draft Budget and CIP

Projects. At the May 22, 2017 Council meeting, staff presented and the City Council approved the Tentative \$320.3 million FY18 Budget and revisions to Financial Policies that included the maximization of the Primary Property Tax Levy at two percent (2%) above the prior year. Council passed the \$319.8 million FY18 Final Budget Adoption and approved the \$170,157 Truth and Taxation increase for the Primary Property Tax Levy at the June 26, 2017 Council Meeting.

A summary of the approved Tentative budget, the Truth in Taxation calculation and notices, and information on the required public hearing for FY18 budget adoption were also published in the Southwest Valley Republic twice during June consistent with requirements of state law. Other requirements for access to this information including a Truth in Taxation press release were also satisfied.

The property tax levies are scheduled to be set July 10, 2017.

Although there is no specific date set by state law for adoption of the final budget, there are time constraints on the budget process. State Statutes require that multiple public notices be published once the tentative budget has been adopted. Additionally, state law requires that specific periods of time must pass before a tax levy can be adopted. Thus, the deadline for adoption of the final budget becomes the first Monday in August.

#### **STAFF ANALYSIS:**

Finance Department staff prepared the FY18 property tax levies to be in compliance with state law and city policies. They are in support of the proposed action.

#### **FISCAL ANALYSIS:**

If approved, \$8,655,906 will be generated from the primary property tax levy and \$4,581,780 will be generated from the secondary property tax levy (a total combined property tax levy of \$13,237,686).

#### **RECOMMENDATION:**

Adopt the Fiscal year 2017-2018 (FY18) property tax levies.

#### **ATTACHMENTS:**

Ordinance No. 17-1360