

AGENDA ITEM #: _____

DATE: April 15, 2019

CAR #: 2019-6546ws



CITY COUNCIL ACTION REPORT

SUBJECT: City Manager's Recommended FY2020 Annual Budget and FY2020-2024 Capital Improvement Program

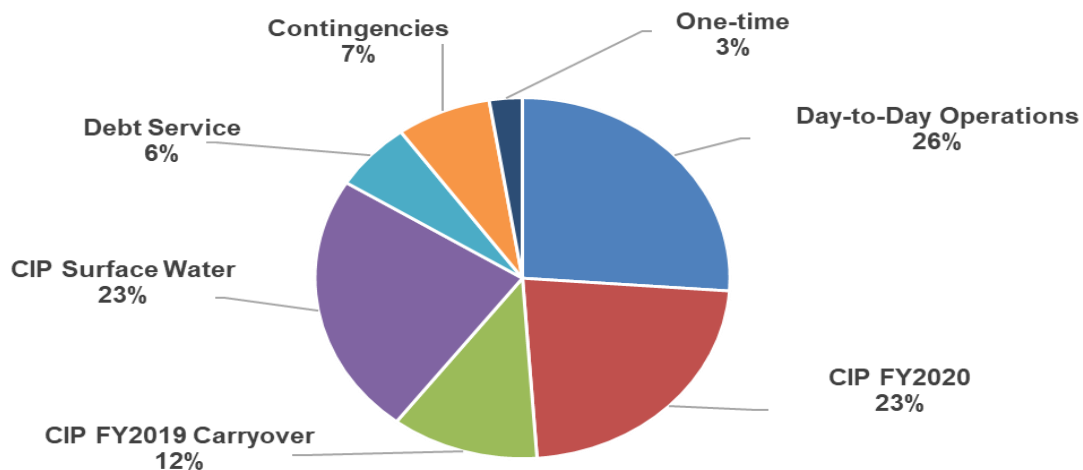
STAFF PRESENTER(S): Lauri Wingenroth, Finance Manager-Budget and Research

OTHER PRESENTER(S): None

Summary: Staff will present, answer questions, and receive input from the City Council on the FY2020 City Manager's Recommended Budget and five-year FY2020-2024 Capital Improvement Program (CIP). Council discussion and feedback will be used to make any required modifications prior to presenting the Tentative Budget and preparing required publications for final adoption of the FY2020 budget.

The City Manager's Recommended Budget for FY2020 is \$516.0 million, including estimated FY2019 carryovers. As presented the recommended budget adds \$4.8 million in ongoing supplementals, 36.3 new positions, \$8.0 million in one-time supplementals, \$132.2 million in new capital projects funding, and \$171.1 million in carryovers from FY2019. Although the overall FY2020 budget reflects an increase of 15.3% over the adopted FY2019 budget, the ongoing day-to-day budget increases by less than 5% over FY2019.

City Manager's Recommended FY2020 - \$516 Million Budget

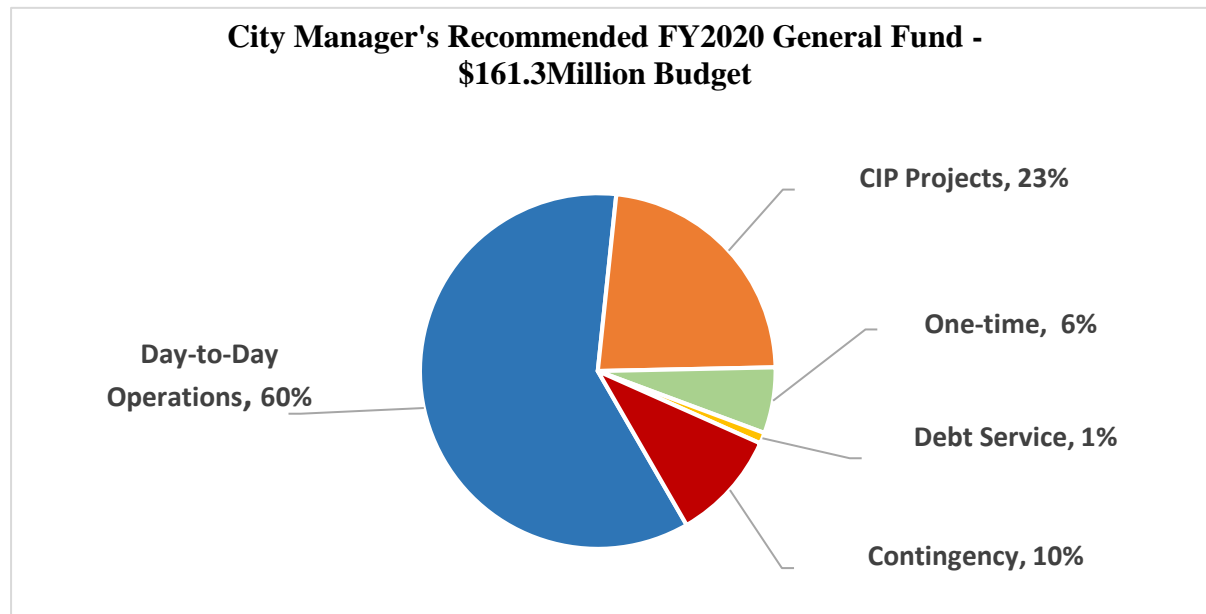


Keeping the entire organization ready to support ongoing growth and development activity, modernizing and maintaining existing infrastructure and systems, providing for public safety and community services and facilities, attracting and retaining a skilled workforce, and meeting our obligations are the focus areas for the supplemental budget additions and capital projects recommendations.

Capital projects included in the FY2020 budget include full funding for the ongoing surface water project, construction of Fire Stations 181 and 186, and the recreation campus with a community park, aquatic facility, and recreation center. Major projects in FY2021-2024 include the city's participation in the Civic Square at Estrella Falls (home to the future city hall), a direct potable reuse pilot project, replacing waterlines in Historic Goodyear, two new warranted traffic signals per year, expansion of the Police Operations facility, and construction of Fire Station 188 in West Goodyear.

The proposed General Fund ongoing day-to-day operating budget of \$90.4 million will be 5.9% above the FY2019 budget. Most of this \$5.0 million increase, \$3.6 million is attributable to supplemental budget additions which include 29.3 of the new positions. Of the position additions, six (6) are sworn police and five (5) are support positions within Police and Fire, seven (7) are directly working with the development community, and the balance are to provide administrative and maintenance capacity in areas experiencing the effects of this growing community and organization.

The total proposed General Fund budget will be \$161.3 million including day-to-day operations, capital projects, the 'rainy day' contingency of 15% of ongoing revenues, and asset management funds for replacements of existing assets.



Local population growth and development continue to grow, generating both ongoing and one-time revenues for the city. Local ongoing sales taxes are up 7% from the prior year through

eight (8) months of FY2019; the proposed budget assumes a modest 4.5% growth in these revenues. Assessed valuation growth for new properties more than doubled our projections and existing properties assessed valuation reflects 6.5% appreciation. This phenomenal growth supports both the ongoing General Fund and the city's ability to pursue critical voter approved general obligation bonding for capital projects. No sales tax rate changes are proposed in this budget, primary property taxes are proposed at the maximum levy consistent with financial policy, and the secondary property tax levy is set so that combined the total property tax rate remains under \$1.74 per \$100 of assessed valuation. FY2020 marks the first year that the combined property tax levy and the market-based assessed valuations exceed those of the peak in FY2010.

Rate increases adopted in the five-year rate plan are assumed for January 2020 for water and wastewater, and there are no rate changes proposed for solid waste services. These enterprise funds now also include a 15% of operating revenues 'rainy day' contingency appropriation as required by our financial policies.

Recommendation:

This item is for information, discussion, and input to guide the City Manager to prepare for the first of the formal steps of budget adoption. Tentative Budget adoption on May 20, 2019 is that first step. Tentative adoption is preceded and followed by Truth In Taxation and/or state required budget publications, then Final budget adoption and hearing on June 10, 2019, and Property Tax Levy adoption on June 24, 2019.

Fiscal Impact: This is an informational step in building the FY2020 budget. As proposed this budget is in compliance with Council adopted financial policies that provide for fiscal conservatism, flexibility, and adherence to legal requirements and professional practices. No sales tax rate or solid waste fee changes are proposed. Property tax levies and rates are within legal limits for the levy and the combined rate is below the maximum established in the adopted financial policies. The water and wastewater funds include the January 2020 rates increases approved in the current five-year rate plan.

Background and Previous Actions

The FY2020 budget process and priorities as well as revenue policies and classification were topics during the Council retreat held in October 2018. The Council received the FY2018 annual financial report with FY2019 beginning balances on December 17, 2018. The increase in the beginning balance was explained and was the first input into one-time resources for developing the FY2020 budget. The five-year General Fund forecast and initial FY2020 revenue and expenditure estimates were presented to City Council in a Work Session on January 14, 2019. A review of progress on the five-year Capital Project Improvement program was presented on February 25, 2019 where funding and financing policies and practices were discussed. Financial policies were revised for feedback received and the revisions adopted on March 4, 2019.

Staff Analysis

The proposed budget is in compliance with financial policies. The General Fund ongoing resources exceed the proposed ongoing uses by \$0.3 million which indicates capacity to take on more ongoing costs than the budget proposes. As presented, the recommended budget allocates this amount to one-time purposes.

Further, the operating cost set-aside, which is used to step the General Fund budget into future capital project operating costs by using ongoing revenues equal to the set-aside for one time purpose, is at \$3.6 million.

Attachments

FY2020 City Manager's Recommended Budget