

AGENDA ITEM #: _____

DATE: May 20, 2019

CAR #: 2019-6551



CITY COUNCIL ACTION REPORT

SUBJECT: Adopt the FY2020 Tentative Budget

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

OTHER PRESENTER(S): None

Summary: Staff will present the FY2020 Tentative Budget for adoption by the City Council. Staff will highlight changes from the budget recommended by the City Manager on April 15, 2019 and will also provide the timelines for the projects in the five-year Capital Improvement Program (CIP).

The FY2020 Annual Budget is \$514.2 million for all funds. This budget includes funding for day-to-day operations, the first year of the five-year CIP, debt service, new ongoing and one-time supplementals, and carryovers from the FY2019 budget. The budget adds \$4.9 million in ongoing supplementals, 35.8 new positions, \$8.1 million in one-time supplementals, \$132.4 million in new capital projects funding, and \$167.7 million in carryovers from FY2019.

The changes to the City Manager's Recommended operating budget include removing the supplemental to expand electrical vehicle charging stations to allow adequate time to evaluate the pilot program, adding grass and maintenance to Bullard Wash near the future Civic Square, carryover of the cost allocation and user fee study, and General and restricted Court funds for one-time funding of temporary supervisor position in the Municipal Court. A one-time revenue from a recently announced liability insurance rebate has been added to the General Fund.

The changes to the CIP include reducing carryovers based on one more month of actual spending in FY2019, removing carryover of cost estimating services that are now in the base budget, correcting two street projects that were combined into one (no funding change), reducing the scope of the city hall repairs to the most essential and moving \$300,000 in savings to the Civic Square reserve, and removing the carryover of the Perryville and Indian School traffic signal and using the savings to add the Camelback and Sarival traffic signal based on the timing of related development activity.

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 General Fund portion of the budget is \$150.6 million. Ongoing day-to-day operations of \$90.5 million is 6% above the FY2019 budget. Of this \$5.1 million increase, \$3.9 million is attributable to supplemental budget additions which include 28.7 of the new positions and the balance is from compensation changes and some base budget savings. Of the full-time 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 General funds budget will be \$161.5 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 budget assumes a modest 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 included in this budget, primary property taxes are proposed at the maximum levy consistent with financial policy. The combined property tax rate is \$1.7332 per \$100 of assessed valuation which is slightly below the FY2019 rate of \$1.735 and the maximum per financial policies of \$1.74. 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:

ADOPT RESOLUTION NO. 2019-1925 ADOPTING THE FISCAL YEAR 2019-2020 ESTIMATES OF REVENUES AND EXPENSES FOR THE CITY OF GOODYEAR, INCLUDING ESTIMATED PROPERTY TAX LEVY AND PROPERTY TAX RATES, AS THE TENTATIVE BUDGET FOR FISCAL YEAR BEGINNING JULY 1, 2019 AND ENDING JUNE 30, 2020; SETTING FORTH THE RECEIPTS AND THE AMOUNTS ESTIMATED AS COLLECTIBLE FOR THE PREVIOUS FISCAL YEAR; THE AMOUNT PROPOSED TO BE RAISED BY DIRECT PROPERTY TAXATION FOR THE VARIOUS PURPOSES; GIVING NOTICE OF THE TIME FOR HEARING TAXPAYERS; FOR ADOPTION OF BUDGET AND SETTING THE TAX LEVIES.

Fiscal Impact: This is the first step in adopting the FY2020 budget. Adoption of the tentative budget sets the cap expenditure limitation amount for FY2020 and authorizes expenditure of funds in FY2020.

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. Finally, on April 15, 2019 the City Manager presented a recommended budget for Council consideration and feedback.

Arizona Revised State Statutes require that Arizona municipalities pass a balanced budget and adoption of the tentative budget sets the maximum expenditure cap for the year. With the adoption of the tentative budget, the Council has set its maximum “limits” for expenditure. 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 law requires 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. Based on these statutory timeframes, the deadline for adoption of the final budget becomes June 10, 2019.

Staff Analysis

The FY2020 budget is in compliance with financial policies.

Attachments

Resolution 2019-1925
State Budget Forms
FY2020 Tentative Budget