

AGENDA ITEM #: _____

DATE: June 22, 2020

CAR #: 2020-6896



CITY COUNCIL ACTION REPORT

SUBJECT: Public Hearing for FY2021 Truth In Taxation and Final Budget Adoption and Approve Truth in Taxation Increase

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

OTHER PRESENTER(S): None

Summary:

The City Council will hold a public hearing to receive a staff report and public comment on the increase in the primary property tax levy and the budget to be adopted for FY2021.

State law requires a number of steps to adopt the annual budget and property tax levy. A two percent (2%) annual increase is allowable for the primary property levy, however additional steps including advertisements, press release, and this public hearing are required to adopt the increase. Maximizing the primary property tax levy to capture the two percent growth is part of an overall financial strategy and adopted policy that encourages City's stable and diverse revenue sources.

The FY2021 primary property tax at the maximum levy is a planned revenue supporting general fund ongoing operations and maintenance activities including police and fire protection, parks and recreation, development services and other general government functions.

No changes from the June 8, 2020 tentative budget are included in the final budget or primary property tax levy.

Recommendation:

1. Conduct a public hearing on the proposed increase of \$207,437 in the primary property tax levy and Resolution No. 2020-2036 which adopts the final estimates by the city of Goodyear for the fiscal year beginning July 1, 2020 and ending June 30, 2021.
 - a. Open public hearing
 - b. Staff presentation
 - c. Receive public comments
 - d. Close public hearing

2. Approve the Truth In Taxation increase of \$207,437 for fiscal year 2020-2021 (FY2021) by a roll call vote.

Fiscal Impact:

The FY2021 Budget totals \$599,405,700. It is balanced for the General Fund and within resources for Asset Management, Enterprise, Special Revenue, Capital, and Debt Service funds. The use of utility revenue, impact fee and excise tax, and/or property tax supported bond funding is anticipated for capital projects and to provide upfront financing for impact fee projects that must be constructed prior to the full revenue stream.

The primary property tax levy, including the \$207,437 increase to capture the permitted 2% growth in the levy, is used in the balanced FY2021 General Fund budget.

Background and Previous Actions

The FY2021 budget process began in the late summer with departments submitting their initial list of new capital project requests as part of a 3-step Capital Improvement Project program (CIP) budget process that stretched through January. In October, departments began preparing base budget estimates and updating existing CIP project costs and timelines if needed and by December had also submitted supplemental budget addition requests. All of these estimates and requests are reviewed by Budget and Research and with the executive team. In the case of capital projects; Engineering Project Management, Information Technology, and Procurement were involved in reviews. The represented labor negotiation process began in the winter and progressed throughout March.

In early January, the Council provided insight into initial budget priorities in discussions at a retreat. As a result, some new capital project and/or supplemental requests were added into the process by departments to address the raised priorities. Revenue policy was also a topic at that session with no planned changes to financial policies or tax rates.

On February 3, 2020 in a work session, the City Council received an economic update by Jim Rounds, a local economist, and the five-year General Fund forecast. At that time, the ten-year horizon for Goodyear was positive and essentially seen as recession proof due to ongoing growth and strength in Goodyear and the west valley, as well as our economic development efforts and focuses.

On February 24, 2020, the City Council approved the financial and public safety pension policies as well as changes to the budget transfer policy. The key change in the financial policies was to increase from \$4.5 million to \$5.1 million, the portion of construction sales tax treated as ongoing revenue. Added to the financial policies was the current practice that City Council approve all changes in the citywide position count. The public safety funding policies remained unchanged, but state statute (law) requires annual Council approval including acceptance of the unfunded liabilities. The budget transfer policy is a pre-approval of certain mid-year budget transfers that

cross lines of appropriation. A change added all budget transfers to reconcile carryover budgets to the proper total project budget to the policy.

With this direction, city management developed a preliminary budget. The executive team met on March 17, 2020 to review what had been the outcome of several meetings to develop a funded, balanced annual budget and five-year capital improvement program. However, on Wednesday, March 11th the World Health Organization declared a global pandemic and on Thursday, March 12th Major League Baseball canceled Spring Training. On March 16th the President announced a plan to social distance for 15 days.

The executive team immediately developed a new framework for making budget recommendations and Budget and Research began working on new revenue estimates. The budget adoption calendar was also pushed back as far as possible.

The City Manager presented a recommended budget on May 5, 2020 which focused on continuing existing programs and services, fair compensation for employees, meeting obligations, opening new capital facilities, and continuing the capital improvement program.

Council adopted the Tentative Budget on June 8, 2020 and a summary of the approved tentative budget was published in the Southwest Valley Republic on June 12, and June 17, 2020 consistent with requirements of state law. Further, state required budget forms are posted on the website, where it must remain for five years, and is also available at the library and City Clerk Office.

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. These notices and actions are referred to as Truth In Taxation and appeared in the Southwest Valley Republic (a local newspaper of general circulation) on June 5, and June 12, 2020 and in a press release also on June 5th.

Staff Analysis

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). Council adopted Financial Policies call for levying the maximum allowable primary property tax including this two percent increase to support the ongoing General Fund operations.

Because the City proposes to maximize the primary property tax levy by including that two percent increase over the previous year's maximum allowable primary levy, the Truth In Taxation notification steps outlined above were required. Of the planned primary property tax levy, \$207,437 is the 2% growth that is above the Truth In Taxation levy limit of \$10,400,623. The total primary property tax levy will be \$10,608,060.

Final action to set the primary and secondary property taxes for the City of Goodyear is scheduled for July 6, 2020, during a regular meeting of the City Council.

Attachments

Truth In Taxation hearing notice of tax increase

Truth In Taxation press release

Truth In Taxation analysis