

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

DATE: July 6, 2020

CAR #: 2020-6898



## CITY COUNCIL ACTION REPORT

**SUBJECT:** Set the Property Tax Levies for Fiscal Year 2020-2021

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

**OTHER PRESENTER(S):** None

**Summary:** Adopt the primary and secondary property tax levies for FY2021.

### **Recommendation:**

ADOPT ORDINANCE NO. 2020-1462 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, 2021.

### **Fiscal Impact:**

The primary and secondary property tax levies are a part of an overall finance strategy that provides funding for the city's budget. The adopted FY2021 Budget totals \$599,405,700 million dollars of which \$17,801,260 is funded by these property tax levies. Adopting these property tax levies is the final step in the process to establish the FY2021 budget

If approved, \$10,608,060 will be generated from the primary property tax levy to support General Fund ongoing operations and \$7,193,200 will be generated from the secondary property tax levy to pay debt service on voter approved General Obligation (G.O.) Bond debt.

## **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 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. On February 3, 3030 in a work session, the City Council received an economic update by Jim Rounds, a local economist, and the five-year General Fund forecast. This was followed by Council adopting the financial policies on February 24, 2020 with the key impact to the FY2021 budget being an increase from \$4.5 million to \$5.1 million for the portion of construction sales tax treated as ongoing revenue.

In March, due to the sudden, unexpected uncertainty in the economy from local and national responses to the worldwide pandemic, the budget adoption schedule was pushed back as far as permissible under state law, county requirements for property tax billing and collection, and city council meeting schedules. 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. That budget provided budget capacity and a large Special General Fund contingency given the high levels of uncertainty.

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. Truth In Taxation requirements were also followed.

A public hearing was held on June 22, 2020 prior to final adoption of the FY2021 budget and for the Truth in Taxation requirements associated with the Primary Property Tax levy. On June 22, the City Council also adopted the Truth In Taxation increase of \$207,437 that is included in the primary property tax levy presented for approval today.

## **Staff Analysis**

The primary property tax levy for FY2021 of \$10,608,060 is expected to create a primary property tax rate of \$1.0330 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 \$7,193,200 is expected to create a secondary property tax rate of \$0.7005 per \$100 of assessed valuation and will be used to fund the principal, interest, and redemption charges on voter-approved general obligation bonds.

The FY2021 overall combined property tax rate of \$1.7335 would equate to a city property tax payment of \$173.35 for a home with an assessed value of \$100,000. For the average residential property with an assessed valuation of \$191,590, the City of Goodyear property tax would be \$332.12 or an increase of \$15.87 or 5% from FY2020. This increase is mainly attributable to appreciation and a very small increase in the combined rate. Of the increase, \$11.72 is related to paying principal and interest on voter approved bonds and the balance will help pay for day-to-day costs of providing services.

## **Attachments**

Ordinance 2020-1462