

The background of the slide features a repeating pattern of US dollar bills, including one-dollar and five-dollar bills, which are slightly faded and overlaid. The bills are oriented in various directions, creating a textured, financial-themed backdrop.

Introduction to City Budgeting & Preliminary Budget Projections

FY 2017-2018

December 5, 2016

Agenda

- Overview of Funds
- Revenue
- Expenditures
- Policies
- Current Year/New Year Projections
 - Comparison
 - How much will we have available to spend in FY 2018?

Introduction to the City's Funds

Governmental

General Fund \$55 M
Taxes, Intergovernmental, Misc.

Special Revenue \$23 M
Dedicated Revenues, Grants, Fees

Capital Projects \$55 M
Transfers, Bonds, Development Fees

Debt Service \$10.3 M
Transfers, Property Taxes, Sales Tax

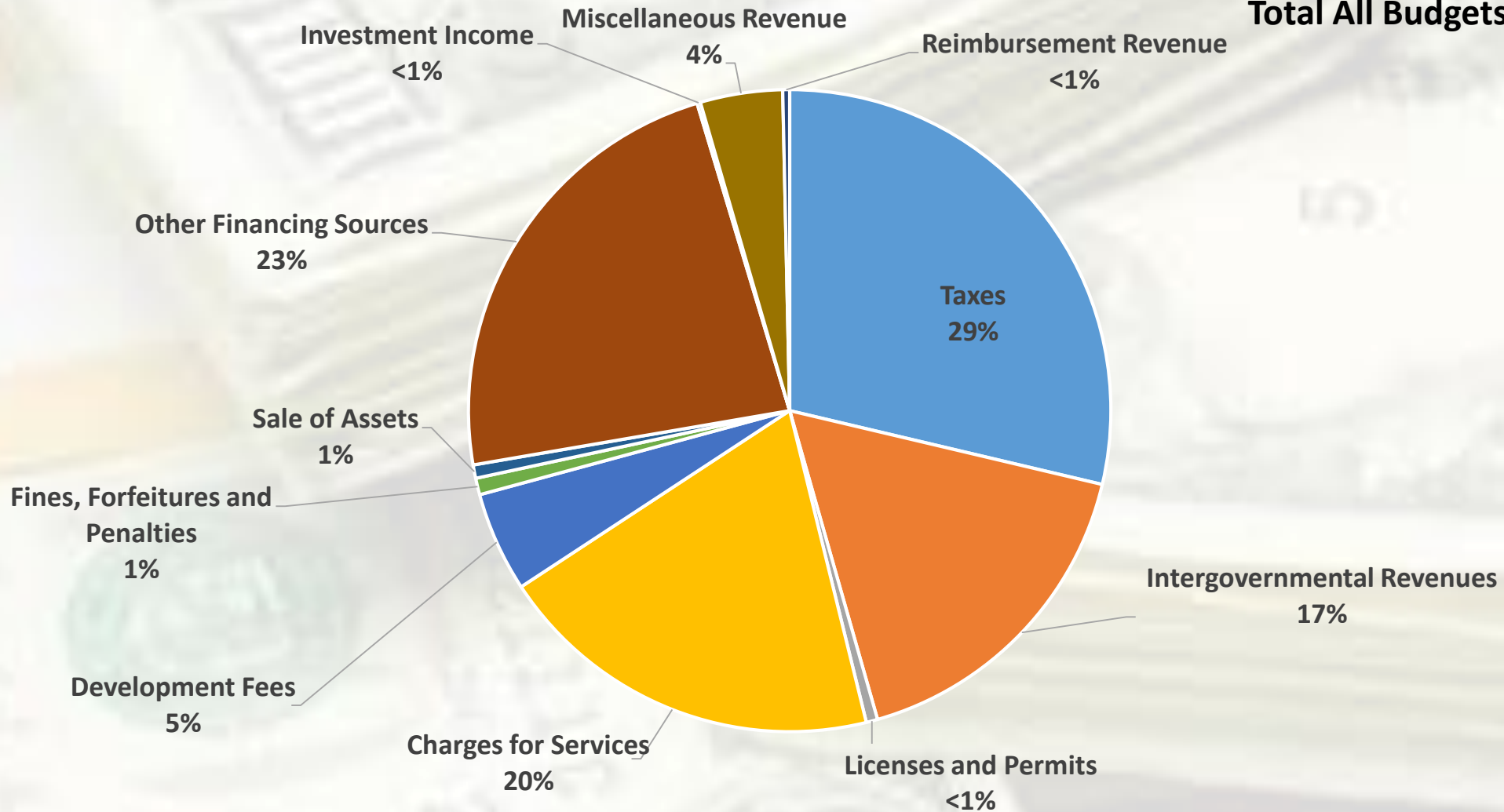
Proprietary

Enterprise \$55.7 M
Charges for Service

Internal Service Funds \$5.1 M

Sources of Revenue – FY 2017 Budget

Total All Budgets \$180,038,112



Major Budget Factors – Local Revenue & Restrictions

- Sources of Revenue

- Sales Tax - \$44.2 Million

- 1.5 cents unrestricted-basic services (police, fire, recreation, libraries, planning)
 - 0.5 cent enhanced police and fire services
 - 0.5 cent infrastructure (water, sewer, streets) and transportation
 - Rental tax risk (\$2 million annually – general fund, public safety, infrastructure)
 - Construction sales tax risk (impact unknown – task force convened)

- Property Tax - \$6 Million

- Primary Levy - unrestricted - \$2.7 million
 - Assessed valuation increases capped at 5% annually
 - Truth-in-Taxation capped at 2% increase annually
 - Secondary Levy – restricted for debt service - \$3.2 million
 - Voter-approved debt
 - Council policy \$2 per \$100 of assessed valuation
 - Currently \$1.70

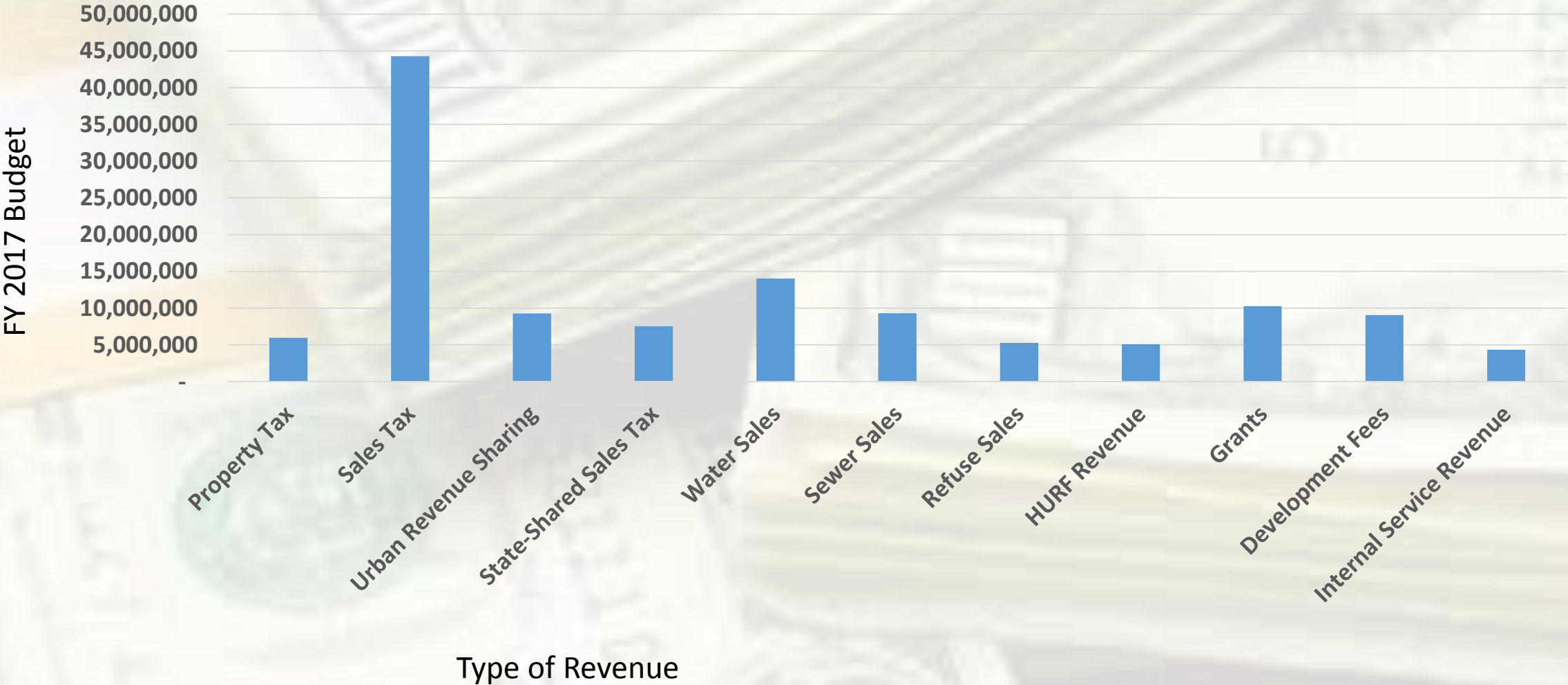
- Impact Fees - \$9 Million

- New growth only/Infrastructure Improvements Plan

Major Budget Factors – Revenue and Restrictions

- State-Shared Revenue
 - Sales Tax
 - \$7.3 million annually
 - General fund revenue – provides basic services (police, fire, human resources, finance)
 - Income Tax
 - \$9.2 million annually
 - General fund revenue – provides basic services (police, fire, human resources, finance)
- Subject to economic fluctuations
 - One-time vs ongoing
 - Adjusted each year for total revenue and relative population
 - 2 risks
 - Other cities growing faster
 - Shrinking pot of money during recessionary periods

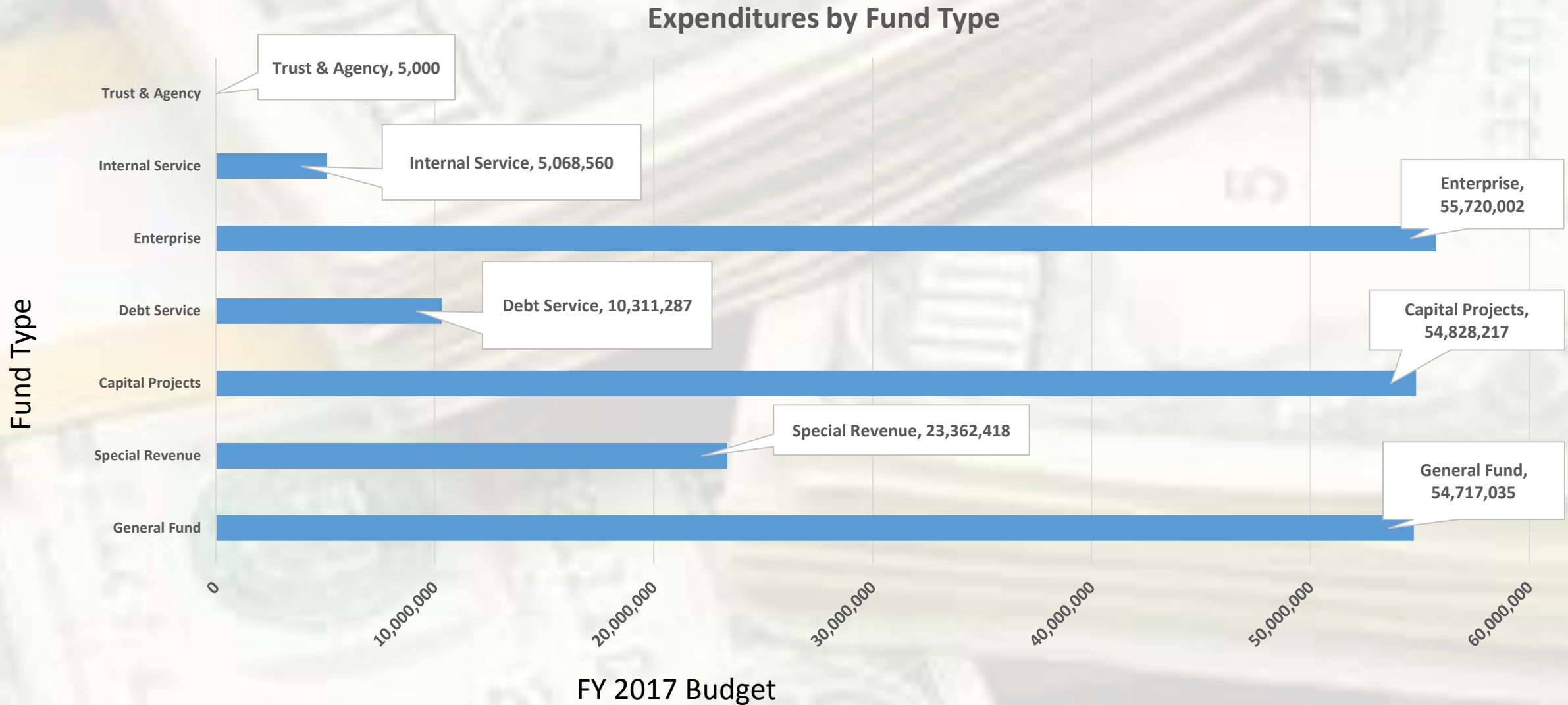
Major Individual Revenues



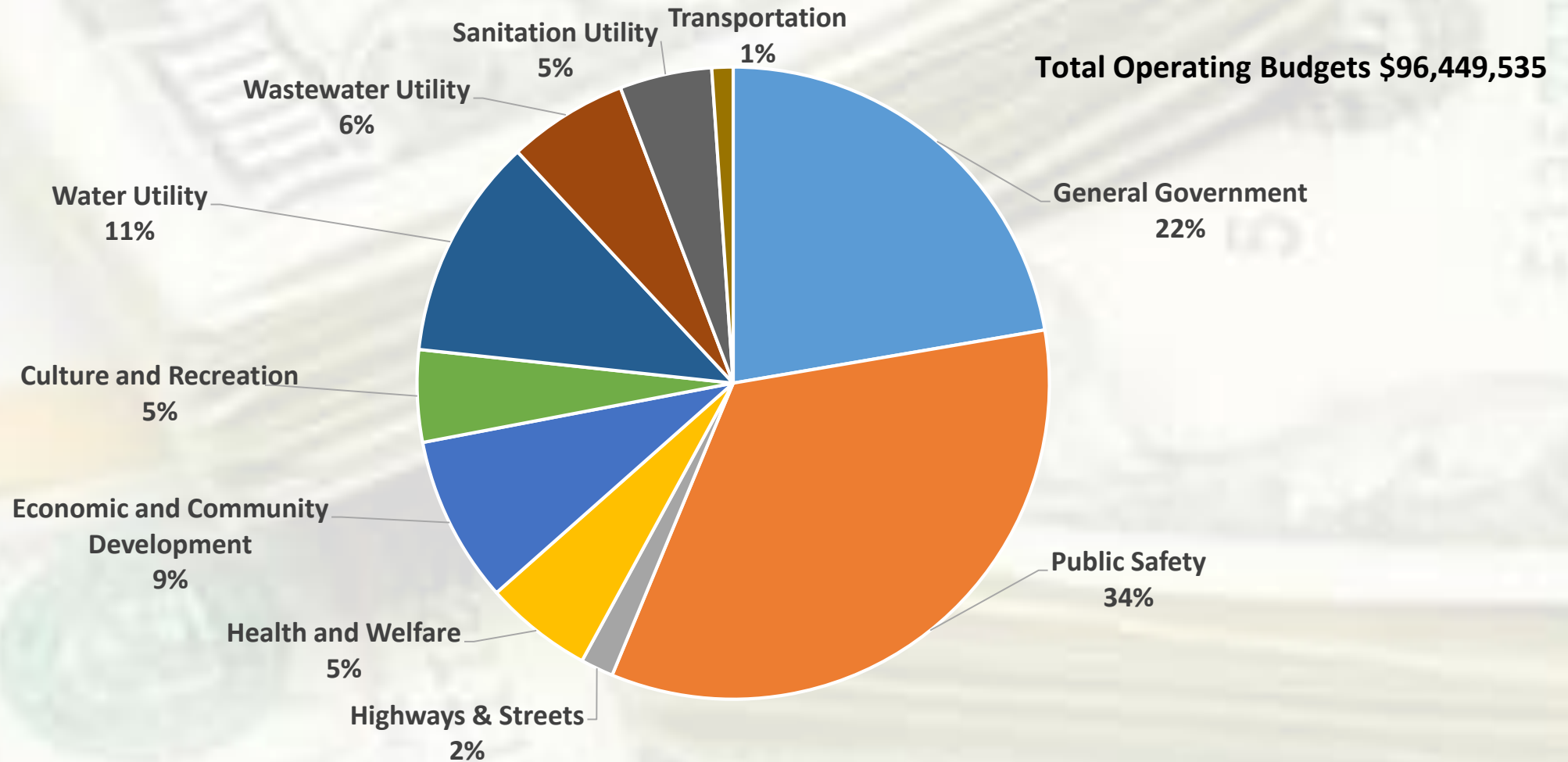
Major Budget Factors - (How we Ensure Stability)

- Ongoing Sources
 - Stable
 - Reliable
 - Recurring
- One-Time
 - Cyclical
 - Volatile
- 100% of contracting sales tax considered one-time
- 75% of building/development revenue considered one-time
- 75% of interest income considered one-time
- 40% of retail items over \$5,000 considered one-time

Expenditures – Where Does the City Spend its Money?



Operating Budgets by Function



How do we decide to issue debt or pay cash?

- Policy: Long-term debt shall not be issued to finance ongoing operations
- Policy: Total property tax levy will not exceed \$2 per \$100 of AV
 - Current rate is \$1.70
 - 10 cents in tax increase = \$350,000 revenue
 - Current assessed valuation = \$350 million
- Revenue bonds will be issued whenever appropriate
- General obligation bonds are limited by State Constitution
- Voter approval is required
- Cash-flow analysis
 - Large building improvements
 - City Hall
 - Public Safety Facility – Southern Avondale
 - Community Facilities
 - Western Avenue Detention Center

Policies and Guiding Principles

- Investment Policy
- Fund Balance Policy
- Net Position Policy
- Tax Rate Policy
- One-time vs Ongoing Principle
- Structural Balance Policy/Best Practice
 - Budgeted expenditures do not exceed estimated revenues

The background of the slide is a close-up, slightly blurred image of several US dollar bills. The bills are arranged in a way that they overlap, with some showing the number '5' and others showing the number '20'. The colors are muted, appearing in shades of green and grey. The text 'Questions and Discussion' is centered over this background.

Questions and Discussion

Economic Indicators

- 2016 - October

- National

- CPI Month 0.4%
- CPI Annual 1.6%
- Unemployment rate 4.9%
- Job change = 161,000

- Arizona

- Unemployment rate 5.2%
- Job change = 28,000

- 2015 - October

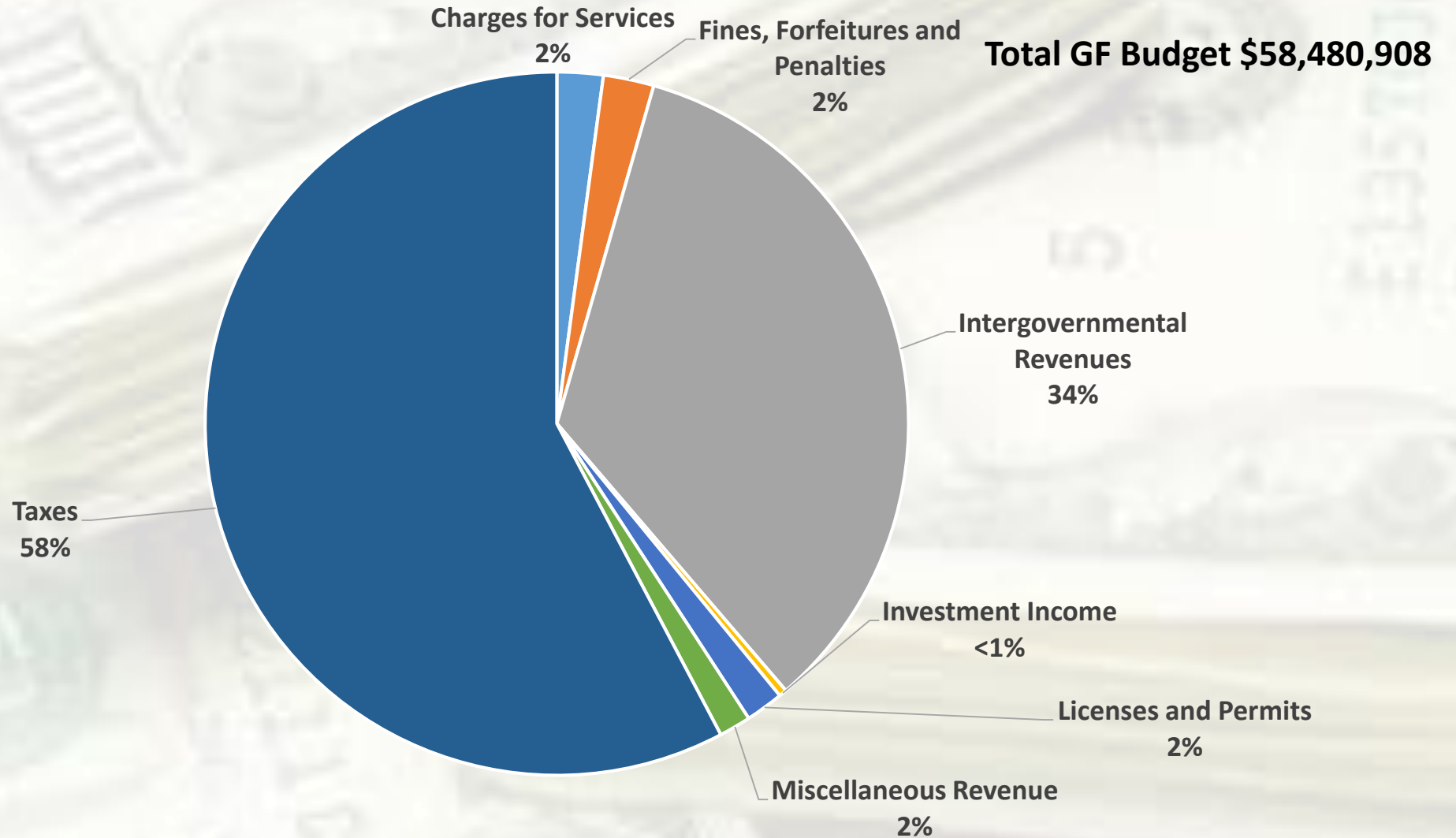
- National

- CPI Month 0.2%
- CPI Annual 0.1%
- Unemployment rate 5.0%
- Job change = 298,000

- Arizona

- Unemployment rate 6.1%
- Job change = 33,800

FY 2017 General Fund Budgeted Revenue

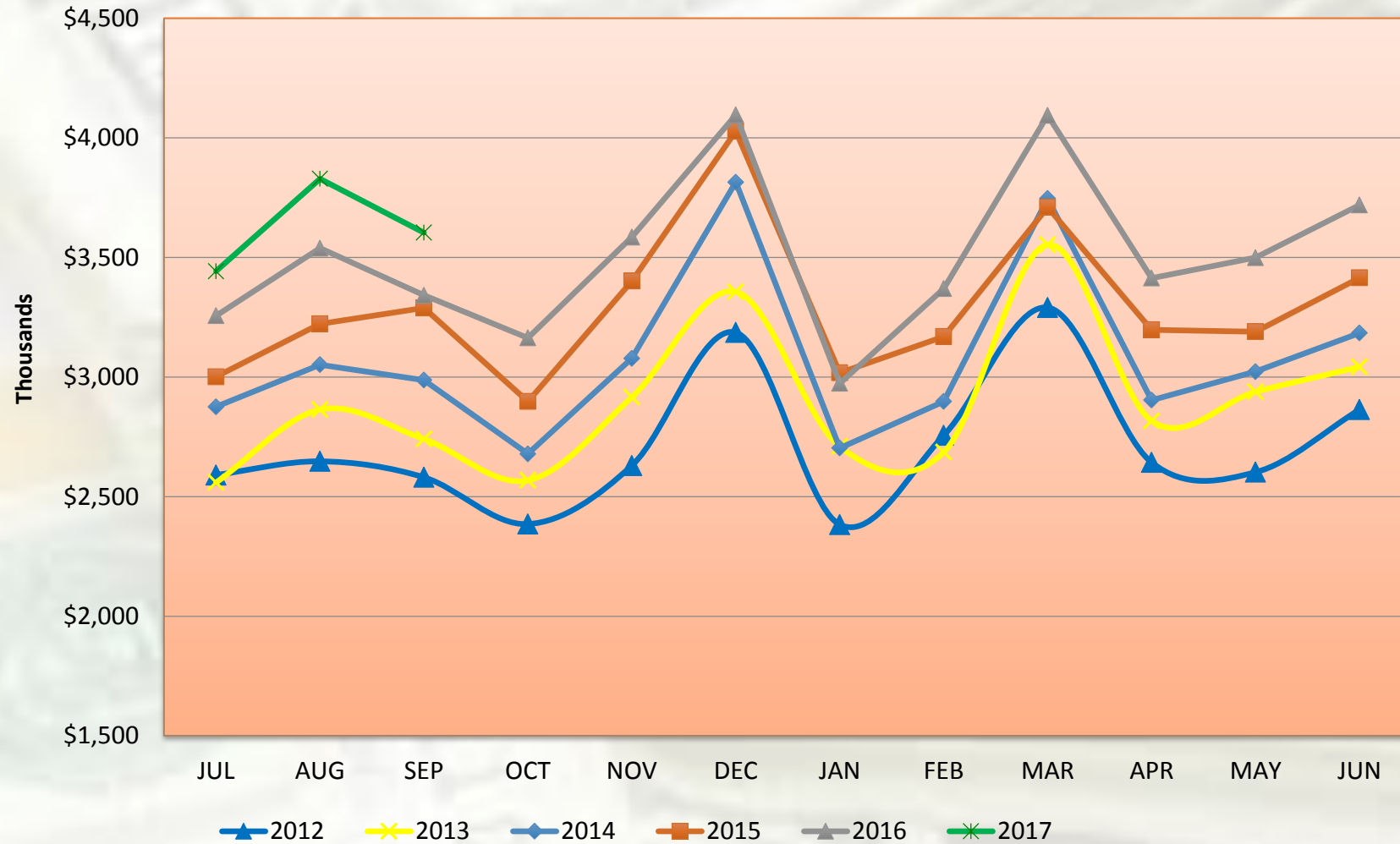


FY 2017-2018 Budget Assumptions

- 4.3% Increase in Local Sales Taxes
 - Additional for Construction Sales Tax
- 0% Increase in Primary Property Tax Levy
- 3% Increase in State-Shared Sales Tax
- 2% Increase in State-Shared Income Tax
- Increases in other revenues
 - Historic performance
 - Market conditions
 - Projections

City Sales Tax

Fiscal Year Monthly



General Fund Projected Revenues

	FY2017 Budget	FY2018 Projected
Local Taxes	33,755,820	35,697,762
State Shared	20,038,758	21,240,430
Charges for Services	1,060,000	1,098,020
<u>All Other</u>	<u>3,626,270</u>	<u>4,723,100</u>
Total	58,480,908	62,759,312

General Fund Projections - Budgetary Surplus/(Deficit)

	Ongoing	One Time
Resources		
<u>Estimated Revenue</u>	<u>51,347,020</u>	<u>11,412,292</u>
Total Resources	51,347,020	11,412,292
Expenditures		
Base Budget FY 2016-2017	49,590,434	
Public Safety Increases	550,000	
One-Time Supplementals		4,215,240
One-Time Contingency		3,000,000
One-Time Transfers		4,538,520
One-Time Other		1,133,970
<u>Net of Carryover</u>		<u>(1,333,970)</u>
Total Expenditures	50,140,434	11,553,760
Balance of Available Revenue	1,206,586	(141,468)

The background of the image is a close-up, slightly blurred view of several stacks of US dollar bills. The bills are arranged in a way that creates a sense of depth and texture. The colors are muted, with a soft green and yellow palette. The word "Questions?" is centered in the middle of the image in a bold, black, sans-serif font.

Questions?