



Revenue Overview and Forecasting

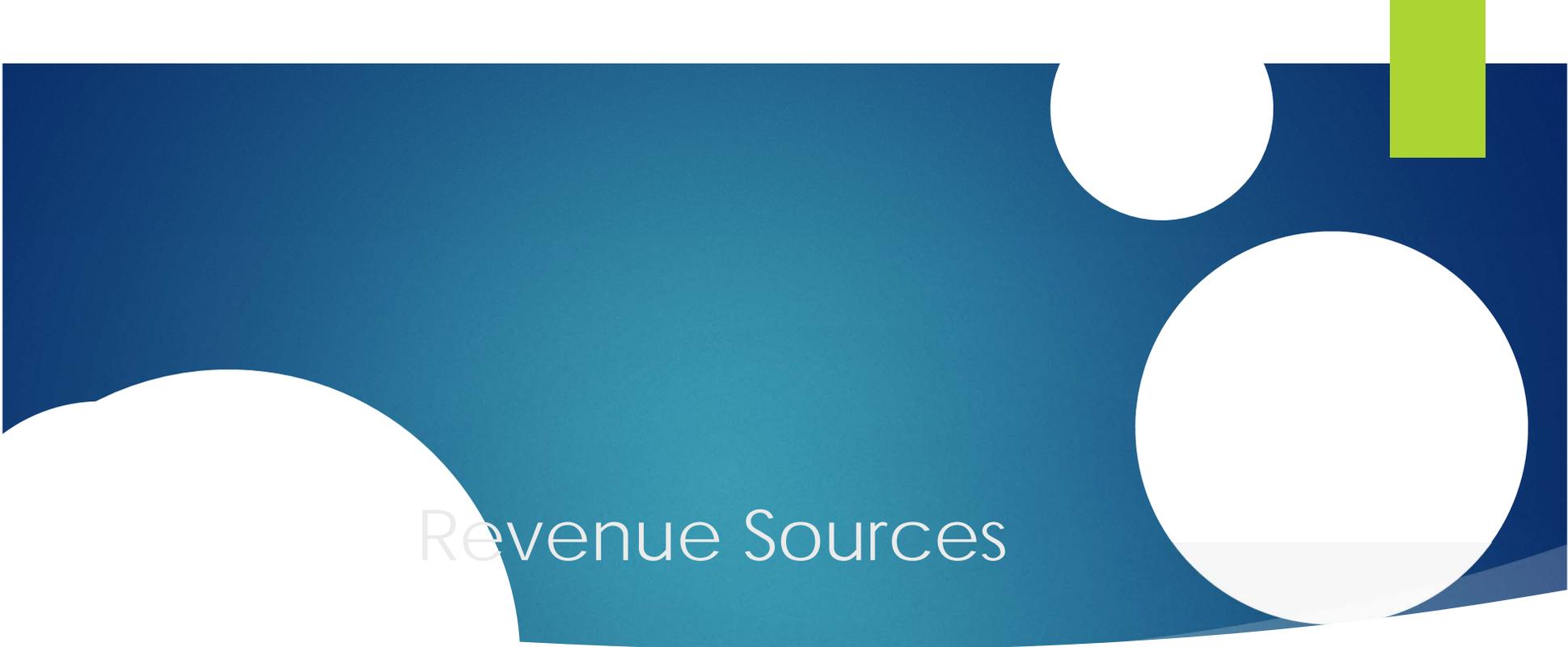
CITY COUNCIL MEETING

FEBRUARY 3, 2020

BUDGET
PROCESS
OVERVIEW

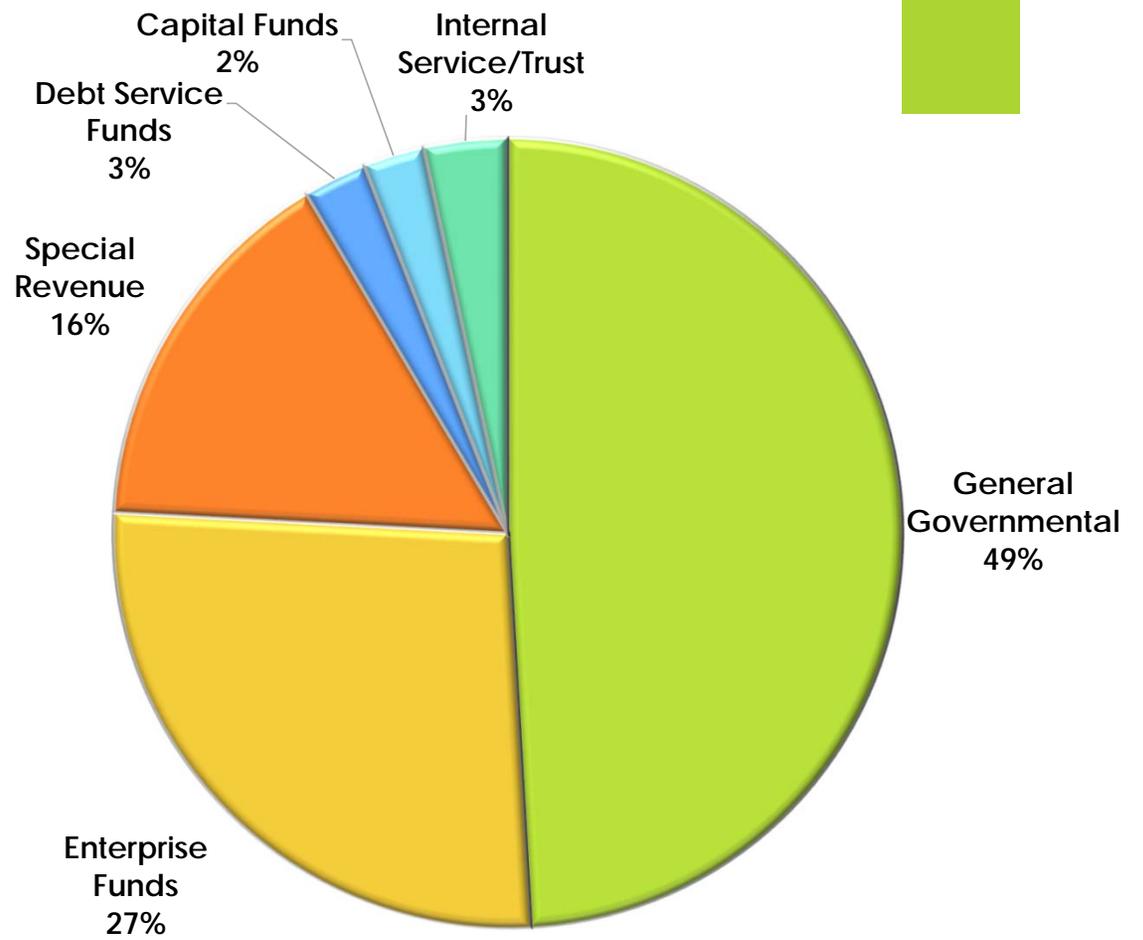
WORK SESSION
JANUARY 21,
2020

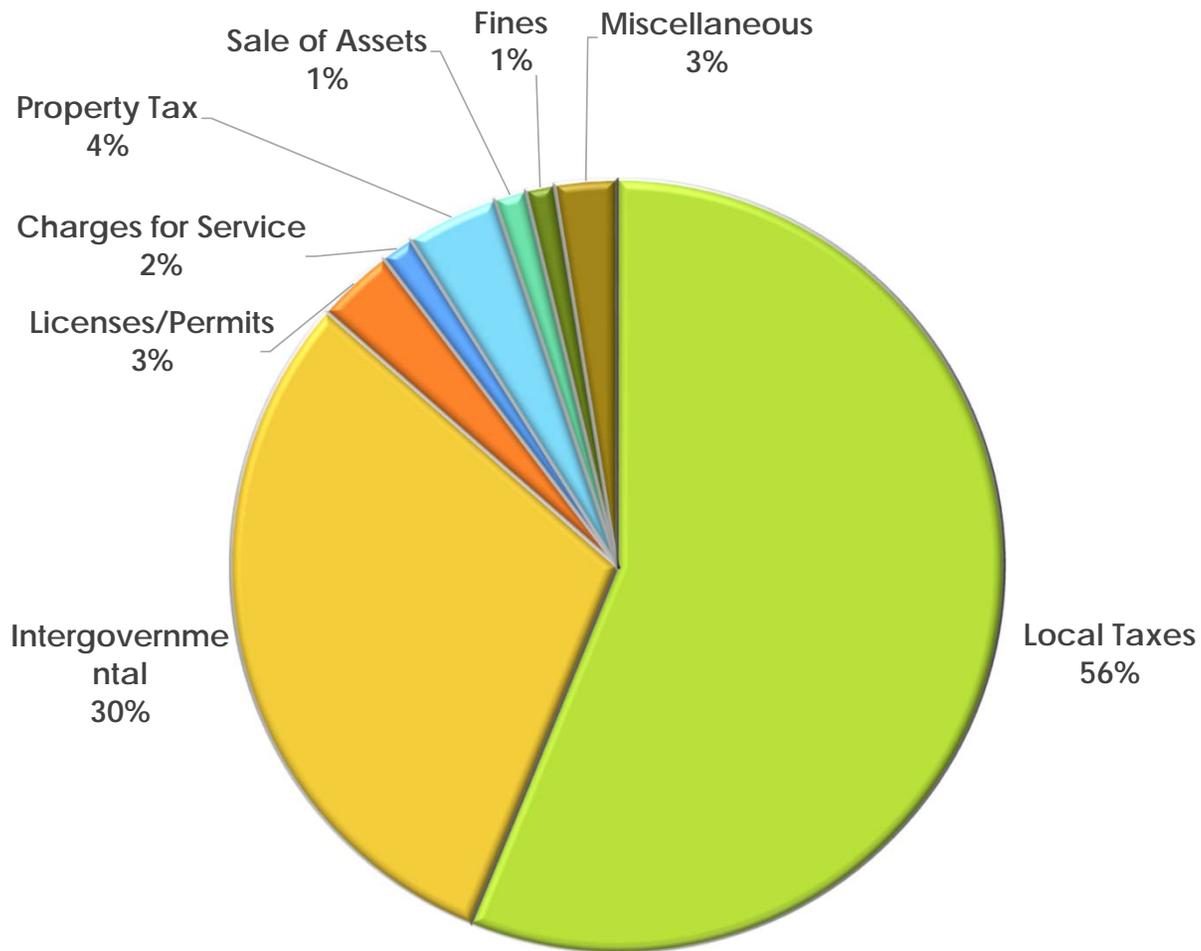
- *Legal authority
- *Budget process/
calendar
- *Financial policies
- *Fund structure



Revenue Sources

Revenue by Fund Type





December Year to Date Revenue (in millions)

	FY2020 Budget	FY2020 thru Dec	% of Total
Local Taxes	\$44.5	\$23.2	52%
Intergovernmental	23.9	11.6	48%
Licenses/Permits	2.5	1.7	68%
Charges for Service/Fines	2.1	1.6	76%
Property Tax	3.0	1.7	54%
Sale of Assets	1.1	2.0	186%
Miscellaneous	2.1	0.7	36%
Total	\$79.2	\$42.43	54%

"Local Sales Tax"

- Transaction Privilege Tax
- Retail, Restaurants, Entertainment, Utilities, etc.
- Narrowing base
 - Service-based economy
 - Legislative exemptions
- ▶ Avondale rate 2.5%
- ▶ Earmarked uses
 - ▶ 0.5% Public safety
 - ▶ 0.5% Streets, water, sewer, transit
- ▶ Authority: Majority of qualified electors

"Local Sales Tax"

Why does a \$10 purchase cost \$10.88?

Purchase	\$ 10.00
State sales tax	0.56
County sales tax	0.07
City sales tax	0.25
Total	\$ 10.88

Local Sales Tax Forecasting



Looking for trends and anomalies



Monitor actual receipts monthly



Year over year, month over month,
compared to budget



Accounting for changes in the economy



Holiday shopping published in February

State Shared Revenue

Municipal public purpose

- ▶ Sales Tax
- ▶ Income Tax (Urban Revenue Sharing)
- ▶ Vehicle License Tax (VLT)

Street and highway purposes

- ▶ Highway User Revenue Funds (HURF)

- Collected by the state
- Distributed to cities/towns based on population
 - Avondale's share 1.3%
- Narrowing base
 - Service-based economy
 - Fuel-efficiency
 - Legislative exemptions
- Authority: State Legislature

State Shared Revenue Forecasting

Sales Tax, VLT, HURF

- Accounting for changes in the economy
- Figures published by the AZ League of Cities/Towns (March-April)
- Year over year, month over month, compared to budget

Income Tax

- ▶ Based on amount collected two year's prior
- ▶ Amount known in advance of budget
- ▶ Figures published by the AZ League of Cities/Towns (March-April)



Charges for Services/Fines

- ▶ Fees or fines for specific programs
- ▶ Sports programs, building permits, library fines, etc.
- ▶ Set to recover all or part of the costs

- ▶ Authority: City Council
- ▶ Report published on city website
- ▶ 60 day notice before Council action



Charges for Services Forecasting

- ▶ Individually by source based on variables
 - ▶ Permits
 - ▶ Court cases
 - ▶ Recreation participants
- ▶ Accounting for changes in the economy
- ▶ Year over year, month over month, compared to budget

Property taxes

- Amount based on valuation of property
 - Valuation established by county
 - Uncollected amount tied to the property
 - Can be paid with monthly mortgage payment
-
- ▶ Primary used for any general government purpose
 - ▶ Secondary is restricted to repayment of bond principal and interest



Property Tax Details

Primary and Secondary

Authority

- ▶ Voter approval for initial authorization
- ▶ Council adoption annually for levy amount and rate
 - ▶ Primary restricted to 2% increase over prior year maximum levy amount
 - ▶ Combined total restricted to \$2.00 per city policy

Truth-in-Taxation

- ▶ Related to primary
- ▶ Calculated on the levy amount not the rate
- ▶ Public notice x2 for levy increase
 - ▶ Notice in newspaper, press release
 - ▶ Precise language
- ▶ Public hearing
- ▶ 60 day notice before Council action

Property Tax Details

Primary Capacity

At maximum levy amount for FY2020

Secondary Capacity

Approx. \$0.35 rate

Approx. \$1.5M levy amount

Equates to roughly \$15M in bonds

Outstanding G.O. Bond authority

Streets: \$9.25M

Public Safety: \$5.5M

General Government: \$7.5M

Utilities: \$12.0M



SCHOOLS
75%

CITY
12%

COUNTY
9%

OTHER
4%

Property Taxes in Arizona

General Sources

Sale of Assets

- Proceeds from sale of city buildings, land, etc.
- Used for one time purpose
- Authority: City Council

Fund Balance

- Money in the bank at the beginning of the year
- Used for one time purposes

Council Work Sessions

Month	Activity
January 21	Process Overview
February 3	Revenue Discussion
February 18	General Fund(s)
March 2	Capital Funds
March 23	Enterprise Funds
April 6	Recommended Budget



Questions/Comments?