



CITY OF SURPRISE
Regular City Council Work Session Agenda
16000 N. Civic Center Plaza
Surprise, AZ 85374

Tuesday, February 7, 2017 @ 4:00 PM
COUNCIL CHAMBERS

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- A. Call To Order
- B. Roll Call
- C. Pledge of Allegiance
- D. Call To The Public:

INSTRUCTIONS: In order to address the City Council, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the City Clerk before the meeting begins.

[Download the Call to the Public form](#) (PDF download requires [Adobe Acrobat Reader](#))

[Fill out the Call to the Public form online](#) If submitting form electronically, please submit to City Clerk at least one hour before the meeting start time.

The Call to the Public form is also available at the front counter.

Note: A.R.S. 38-431.01(H)- During this time members of the public may address City Council only on issues within the jurisdiction of the City Council which are not an item on the agenda. At the conclusion of the open call, City Council may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

Approval of items on the Consent Agenda – all items with an asterisk (*) are considered to be routine matters and will be enacted by one motion and one roll call vote to the City Council. There will be no separate discussion on these items unless a Councilmember requests, in which event the item will be removed from the consent agenda and considered in its normal sequence on the agenda.

E. Regular City Council Work Session Agenda:

Regular Agenda Item - Non-Public Hearing:

- | | | |
|----|--|---|
| 1. | District Citywide Discussion and presentation pertaining to the fiscal year 2018 budget. | None
Lindsey
Duncan,
Finance
Director and
Jared
Askelson,
Assistant
Finance
Director |
| 2. | District Citywide Presentation and Discussion of Bell Road and Grand Avenue Temporary Signage. | None
Eric Fitzer,
Community |

F. Executive Session:

For information Purposes; Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, but for only the following purposes:

- discussion or consideration of personnel matters (A.R.S. §38-431.03 (A)(1));
- discussion or consideration of records exempt by law from public inspection (A.R.S. §38-401.03 (A)(2));
- discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03 (A)(3));
- discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid or resolve litigation (A.R.S. §38-431.03 (a)(4));
- discussion or consultation with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03 (A)(5)); or
- discussion, consultation or consideration for international and interstate negotiations or for negotiations by a city or town, or its designated representatives, with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city or town. A.R.S. §38-401.03 (A)(6)).
- discussing or consulting with designated representatives of the city in order to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03 (A)(7)).

Confidentiality Requirements Pursuant to A.R.S. §38-431.03(C)(D): Any person receiving executive session information pursuant to A.R.S. §38-431.02 shall not disclose that information except to the Attorney General or County Attorney by agreement of the City Council, or as otherwise ordered by a court of competent jurisdiction.

The council may vote to hold an executive session for the purpose of obtaining legal advice from the Board's attorney on any matter listed on the agenda pursuant to A.R.S. § 38-431.03(A)(3).

G. Adjournment:

SHERRY ANN AGUILAR, CITY CLERK, MMC

POSTED: February 2, 2017 at 3:40 PM

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.



CITY OF SURPRISE
Regular City Council Work Session

February 7, 2017 @ 4:00:00 PM

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Council Meeting Date:	February 7, 2017	Contact Person:	Lindsey Duncan, Finance Director and Jared Askelson, Assistant Finance Director
Submitting Department:	Finance Dept	District:	Citywide
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Discussion and presentation pertaining to the fiscal year 2018 budget.

Motion:

None, discussion only.

Background:

This is the first in a series of presentations regarding the development of the FY2018 Budget. This presentation will give a general overview of the City's budget and review the calendar for the upcoming process. Emphasis will be placed on the areas of policy making that the City Council has available to impact the FY2018 budget. The presentation will also discuss outside issues that will influence the outcome of the budget process.

Objective Analysis:

The information presented will lead to future discussions around the FY2018 budget and will assist the Mayor and City Council with making informed decisions about future operations.

Policy Compliant:

This presentation is consistent with City and Council policy.

Financial Impact:

The information presented is intended to encourage discussion which may have an impact on future operations.

Budget Impact:

The information presented is intended to encourage discussion which may have an impact on the FY2018 budget.

FTE Impact:

The number of full time equivalents (FTE) is not impacted by this item.

ATTACHMENTS:

Click to download

☐ [Budget Overview Presentation](#)



Budget Overview

City Council Work Session
February 7, 2017

The City Budget Is...

- A process to allocate scarce resources to programs, services, and infrastructure.



Budget Framework

■ State Expenditure Limitation

(AZ Const. Article IX, Section 20; A.R.S. 41-563)

- FY2017 limit is \$981,408,916
- FY2017 budget is \$271,901,700

■ State Budget Calendar (A.R.S. 42-17XXX)

- Tentative Budget due by third Monday in July
- Final Budget due at least 14 days before Property Tax Levy
- Property Tax Levy due by third Monday in August
- Fiscal year is from July 1 to June 30
- State Auditor Forms

Budget Framework (cont.)

- Comprehensive Financial Management Policies
 - Balanced Budget
 - Revenue Dedication
 - Reserves
 - Level of Budget Adoption
 - Fund
 - Department
 - Projects
 - Contingency
- Updated by Council action



Budget Framework (cont.)

- Budget Amendment Policies and Procedures
 - Council Authority- Fund and Department, Personnel, Grants, Projects, All Contingency
 - City Manager- Non-CIP, Minor CIP, Between Full & Part Time
 - Chief Financial Officer- Targeted Savings
 - Department Director- Between Divisions
- Updated by Council Action

Budget Framework (cont.)

- Municipal Code

- City manager is the awarding authority for:

“...budgeted line items specifically identifying one-time operational or recurring products or services approved by the city council in review and adoption of the annual budget...”

Section 2-338 (c) (2)



Budget Process

Month	Activity
November	Budget Kick-Off with Staff
November	Departments Meet with Finance
November-January	Departments Enter Budget Requests
February-April	Council Work Sessions
February-April	City Manager's Recommend Budget is Prepared
April	Recommended Budget Issued
May	Tentative Budget Adoption
June	Final Budget Adoption Property Tax Levy

Budget Overview

Sources

\$325.9M

- Expected resources available
 - Revenues, Transfers In, Fund Balance, Borrowing

Uses

\$325.9M

- Planned outflows of resources
 - Operations, Transfers Out, Debt Service, Capital Improvement, Contingency

All figures are from the FY2017 Adopted Budget

Sources

Revenues

\$186.3M

- Income received
 - Taxes
 - Fees & Charges for Services
 - Intergovernmental

Transfers In

\$54.0M

- Contribution of resources from another City fund



Sources

Fund Balance

\$85.6M

- Excess of resources over expenditures

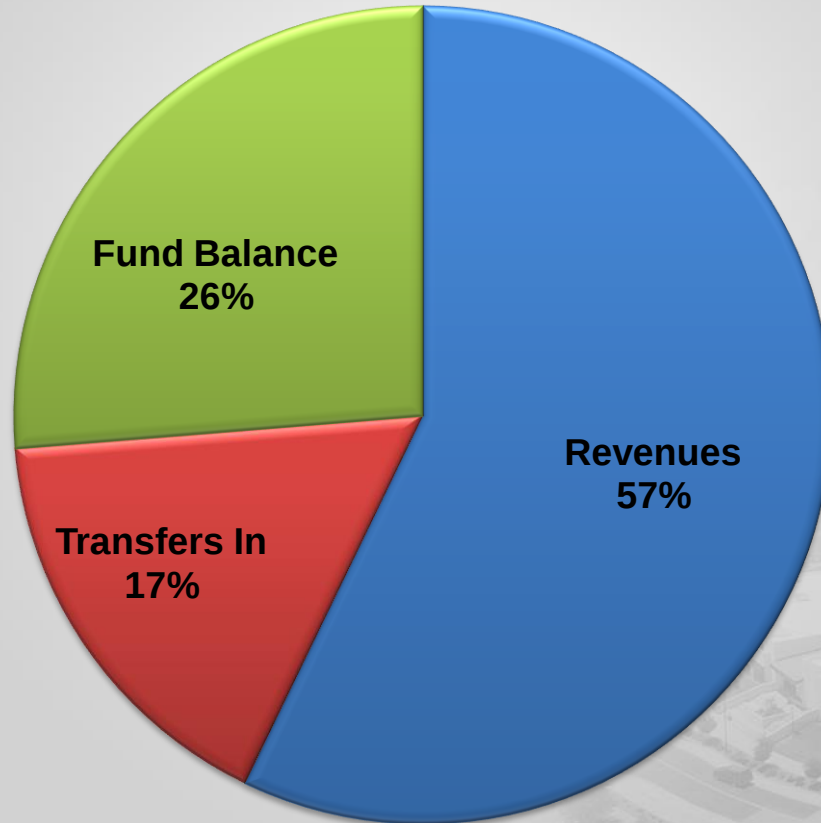
Borrowing

\$ -

- Obtaining loans
- Issuing bonds



FY2017 Sources



Total \$325.9 million

Revenues

- Local Sales Tax \$45.6M
 - Transaction Privilege Tax
 - Retail, Restaurants, Entertainment, Utilities
 - Capital Restrictions for Contracting
 - Council Authority- 120 days



Local Sales Tax

Why does my \$10 purchase cost me \$10.85?

Purchase	\$ 10.00
State sales tax	0.56
County sales tax	0.07
Surprise sales tax	0.22
Total	\$ 10.85

Revenues

- Intergovernmental Revenue \$40.6M
 - State-shared Sales Tax, Income Tax, Vehicle License Tax
 - Divided up to cities based on population
 - Subject to change by the State Legislature
 - Grants
 - Federal, State, County, Other



Revenues

■ Charges for Services

\$85.2M

- Fees for specific programs
 - Recreation, building permits
- Set to recover all or part of the costs
- Council authority-60 days
 - Water/Sewer-90 days



Revenues

- Property taxes \$9.6M
 - Amount based on valuation of property
 - Uncollected amount tied to the property
 - Can be included as a part of home mortgage
 - Levy amounts and rates adopted annually by Council



Revenues

- Property taxes (cont.)

- Primary

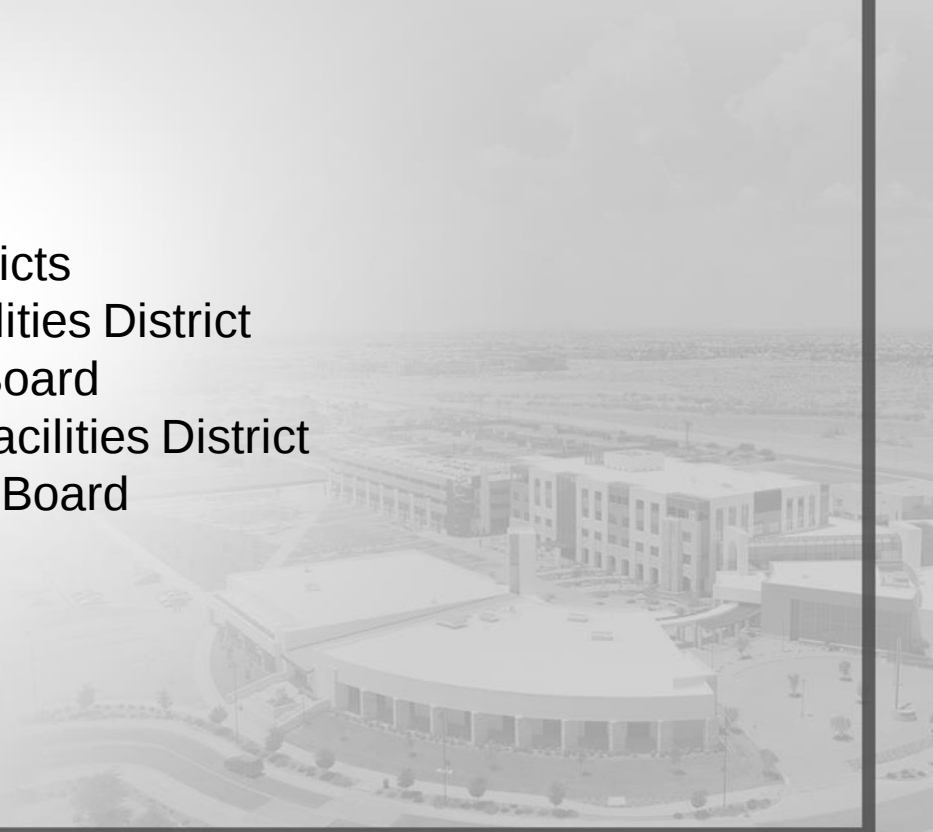
- Used for operations
 - Council authority up to state maximum
 - \$2.2M below max

- Secondary

- Used to pay debt service on general obligation (G.O.) bonds
 - Council authorizes an election
 - Election sets amount and use of G.O. bonds

Revenues

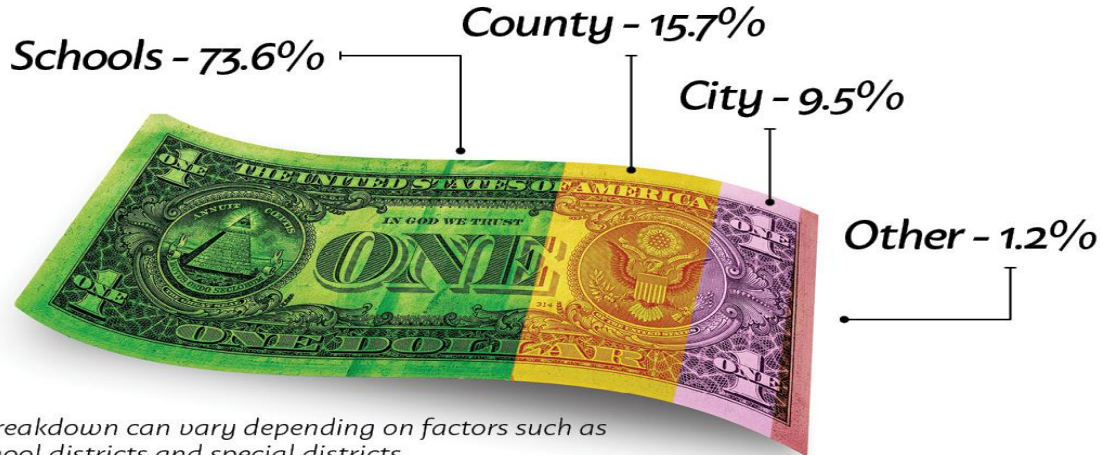
- Property taxes (cont.)
 - Special Districts
 - Streetlight Improvement Districts
 - Marley Park Community Facilities District
 - Council acts as District Board
 - Saguaro Acres Community Facilities District
 - Residents act as District Board



Property Tax Distribution Sample

- City of Surprise (COS) collects approximately 9.5% of total

Surprise has a current primary property tax rate of \$0.7591 per \$100 of assessed property valuation. Most of that primary property tax goes to entities other than the city of Surprise. Here's the breakdown*:

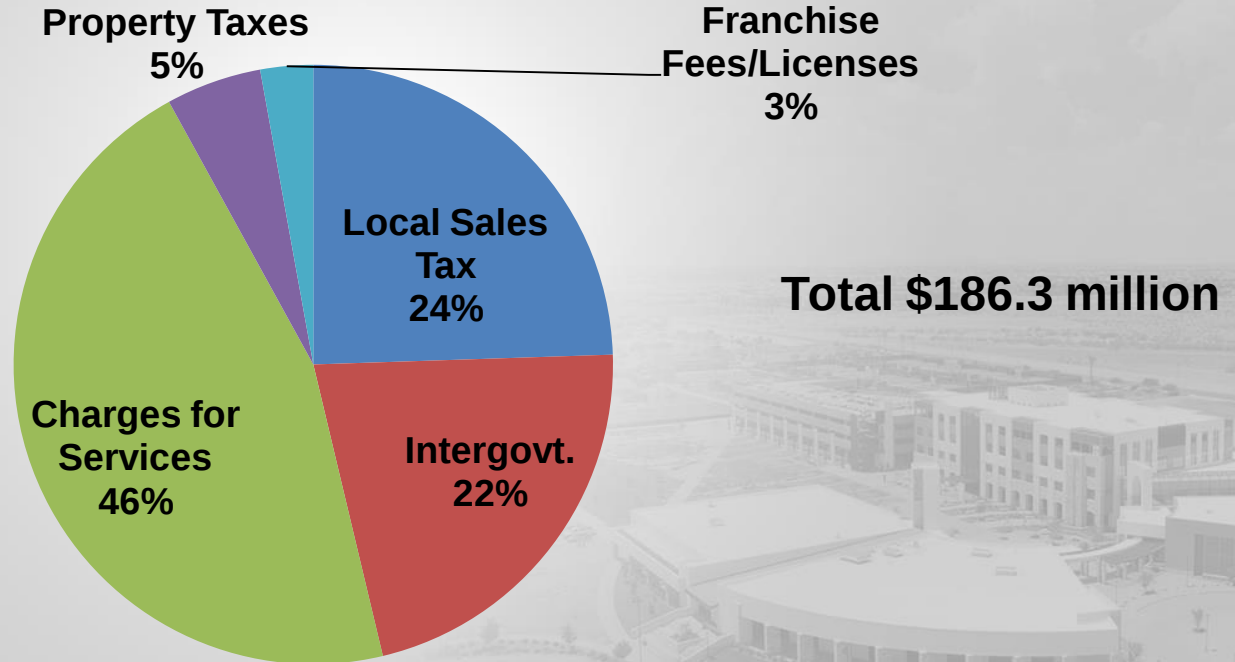


**Breakdown can vary depending on factors such as school districts and special districts.*

Revenues

- Franchise Fees/Licenses \$5.3M
 - Fee to conduct utility business within the City
 - Cox Communications
 - Southwest Gas
 - Arizona Public Service
 - EPCOR
 - Council authorizes agreement with a utility
 - Business Licenses
 - Council authority-60 days

FY2017 Revenues



Uses

Operations \$156.4 M

- Day-to-day operating and maintenance costs

Transfers Out \$54.0 M

- Contribution of resources to another fund where they are expended

Debt Service \$7.9 M

- Payment of principal, interest, and related service charges on obligations resulting from the issuance of bonds or other loans

Uses

Capital Improvements	\$53.0 M
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■ Capital Improvement Plan Projects	\$33.0M
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■ At least \$100,000, 3+ year useful life	
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■ Asset Replacement	\$ 6.2M
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■ Vehicle Replacement	\$ 9.3M
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■ Pavement Preservation	\$ 4.5M
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Uses

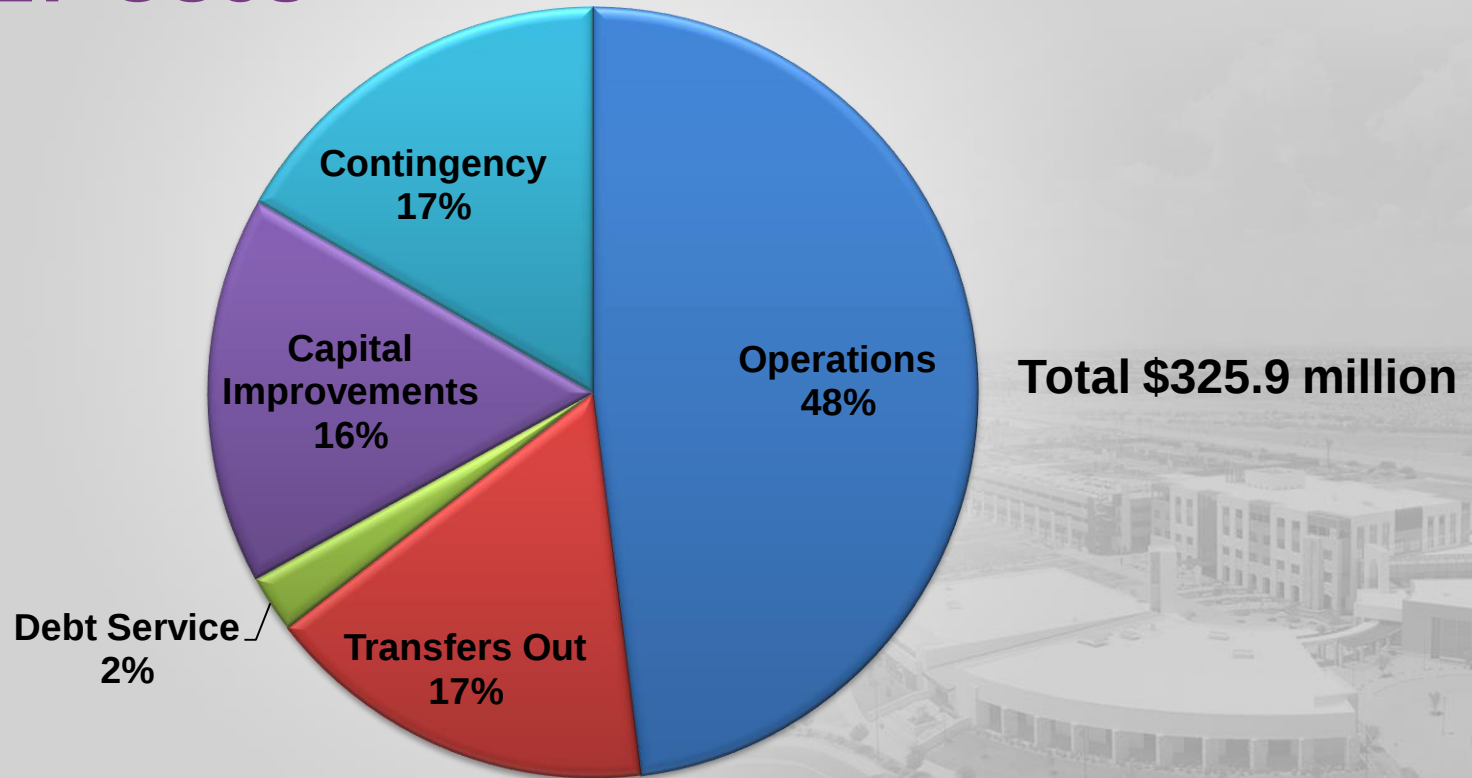
Contingency

\$54.6 M

- Budget authority that has not been allocated to any specific purpose
- Budget authority moved to other use categories
- May only be utilized with Council approval

- Backed by fund balance \$42.1M
 - Held for future, planned purpose
- Backed by unforeseen revenue \$12.5M
 - Budget authority located in the Grants Fund

FY2017 Uses



Operations

Personnel

\$87.5M

- City employee associated costs
- Salaries, wages, benefits, pensions

Supplies

\$10.8M

- Expendable, tangible items <\$10,000
- Radios, fuel, chemicals, books



Operations

Services

\$57.4M

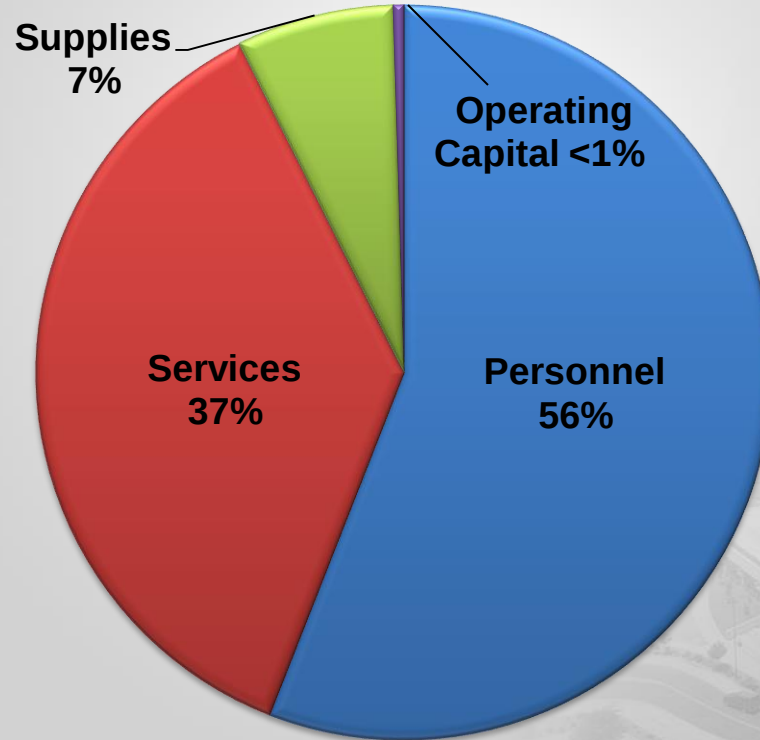
- Fees paid to outside entities
- Specialized skills, infrequent need, practical
- Utilities, equipment rental, audit, jail

Capital

\$ 0.7M

- Tangible items
 - Cost of \$10K or greater
 - Life of more than 2 years
 - A betterment or improvement
- Operating equipment—IT, Parks, Utilities

Operations by Category



Total: \$156.4 million

Fund Accounting

- **Restricted Funds**
 - Can only be used for specific purposes
 - Highway User Revenue—streets only
- **Enterprise Funds**
 - Run like a business
 - Solid Waste, Water, Sewer utilities
 - Will reimburse other funds for services provided
- **Capital Project Fund**
 - Resources that provide for acquisition or construction of capital projects, asset and vehicle replacement, pavement

Fund Accounting (cont.)

■ Internal Service Funds

- Account for financing goods or services provided department or agency to other departments
- Health Insurance, Risk Management, Workers Compensation

■ Debt Service Funds

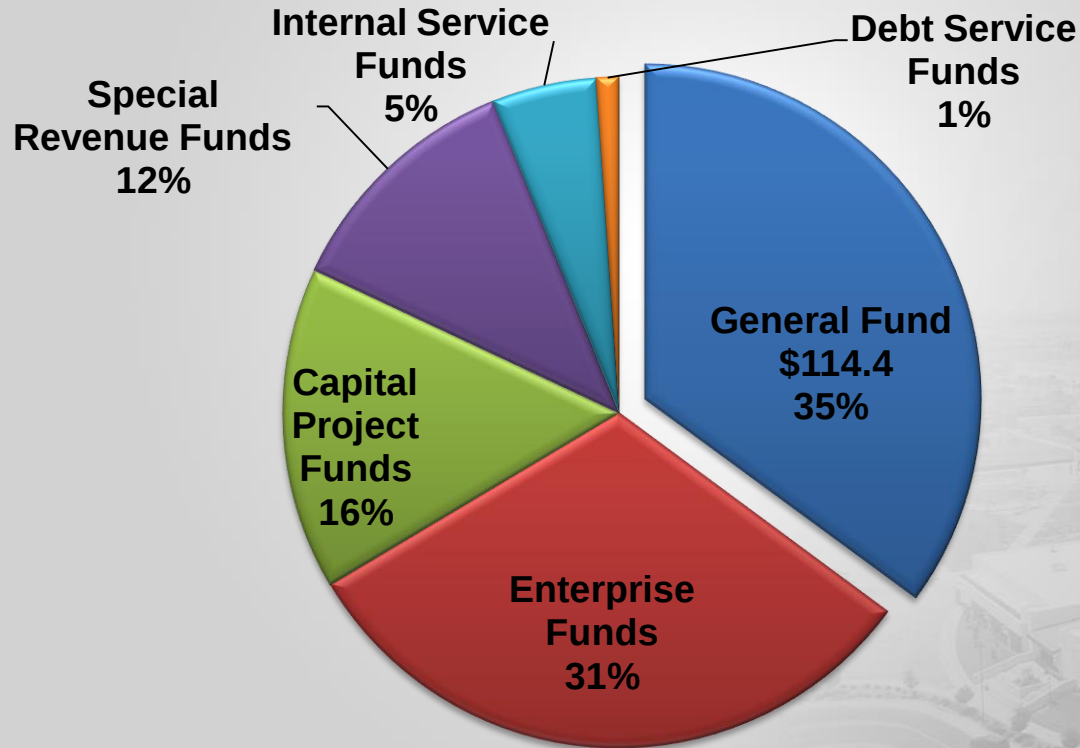
- Payment of general long-term debt principal and interest

■ General Fund

- Can be used for any purpose

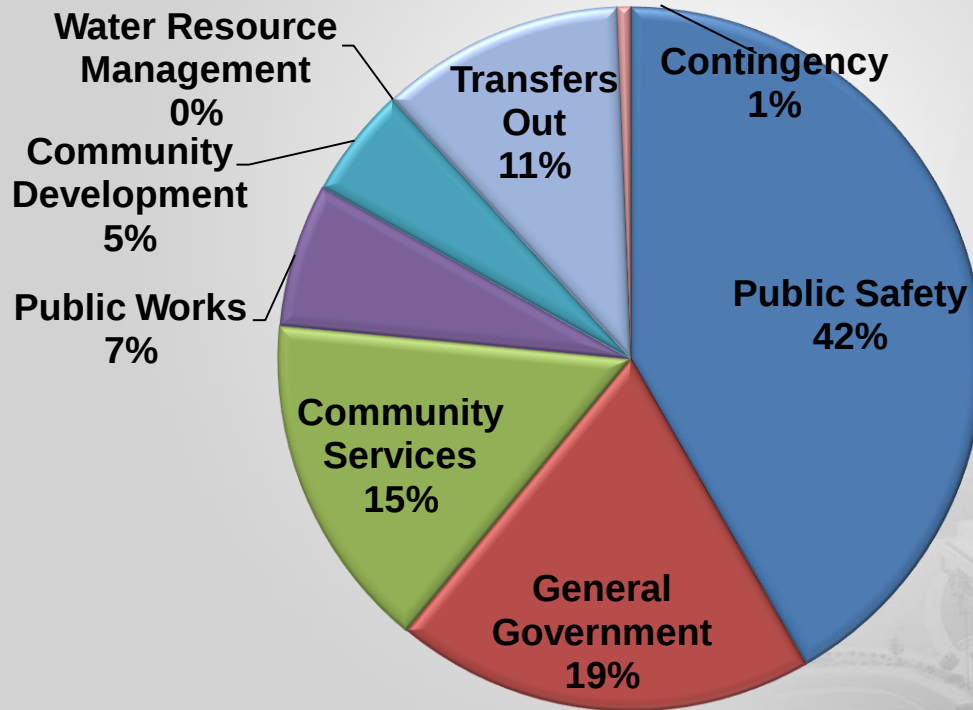


FY2017 Uses by Fund



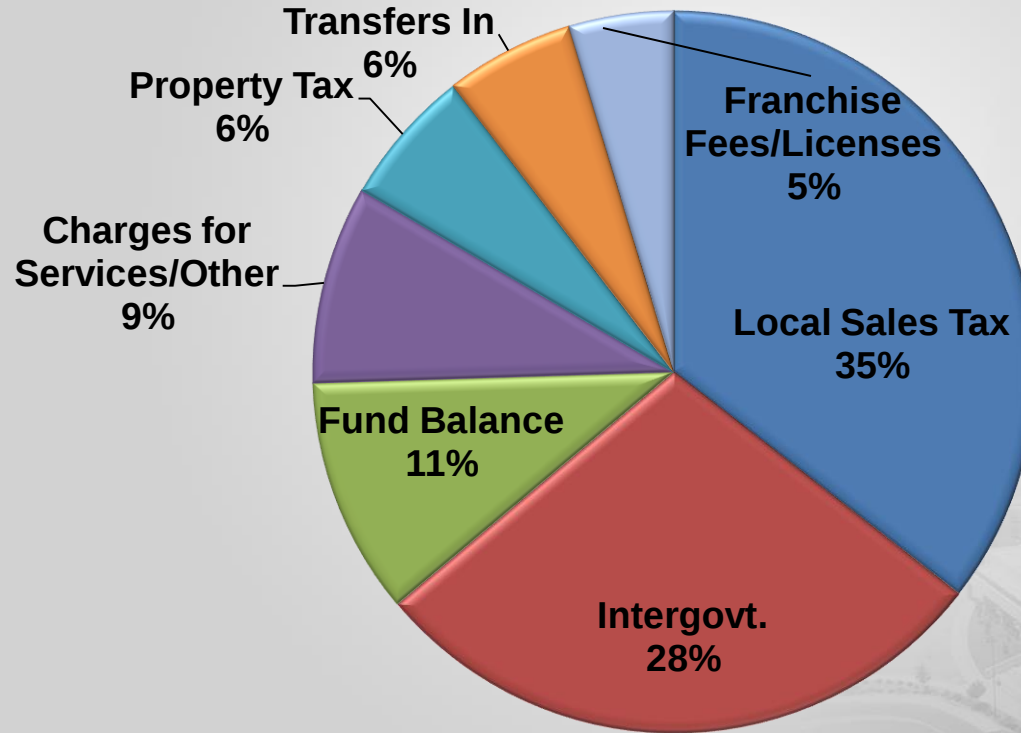
Total \$325.9 million

General Fund Budget by Service Category



Total \$114.4 million

FY2017 General Fund Sources



Total: \$114.4 million

Ongoing and One Time

- One Time Sources and Uses
 - Inconsistent, volatile
 - Event-oriented
 - Contracting Sales Tax, Capital projects
 - Fund Balance, Contingency
- Ongoing Sources and Uses
 - Consistent, relatively stable
 - Planned to occur into the future
 - Local Sales Tax, Personnel costs



Known Pressures

- Public safety retirement
- SAFER Grant
- COPS Grant
- Public safety dispatching
- Targeted savings
- Cost increases
- Workload increases
- Workers Compensation savings



Tools available to Council

- Comprehensive Financial Management Policies
 - Revenue dedications, reserves
- Budget Amendment Policies
 - Carry forward
- Rates
 - Sales Tax 120 days
 - Property Tax June
 - Charges for Services 60 days (90 days Water/Sewer)
 - Franchise Fees No agreements

Tools available to Council (cont.)

- Budget Adoption
 - Fund, Department, Projects, Contingency
- Procurements greater than \$50K
 - Adopt with budget
- Contingency
 - Backed by fund balance
 - Backed by unforeseen revenue



Upcoming Calendar

- Work Sessions through March 21
 - Revenues and reserves
 - Enterprise utilities, Highway User Revenue
 - Capital Improvements, Assets, Vehicles, Pavement

- City Manager's Recommended Budget April 18
- Tentative Budget adoption May 2
- Final Budget adoption June 6
- Property Tax Levy adoption June 6



SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You



CITY OF SURPRISE
Regular City Council Work Session

February 7, 2017 @ 4:00:00 PM

Back Print

Council Meeting Date:	February 7, 2017	Contact Person:	Eric Fitzer, Community Development
Submitting Department:		District:	Citywide
Staff Recommendations:	None		

Consent	Regular	Public Hearing	Report/Discussion
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Agenda Wording:

Presentation and Discussion of Bell Road and Grand Avenue Temporary Signage.

Motion:

None.

Background:

Objective Analysis:

Policy Compliant:

Financial Impact:

Budget Impact:

FTE Impact:

ATTACHMENTS:

Click to download

No Attachments Available
