



SURPRISE
ARIZONA

FY2022 Budget Overview Revenue

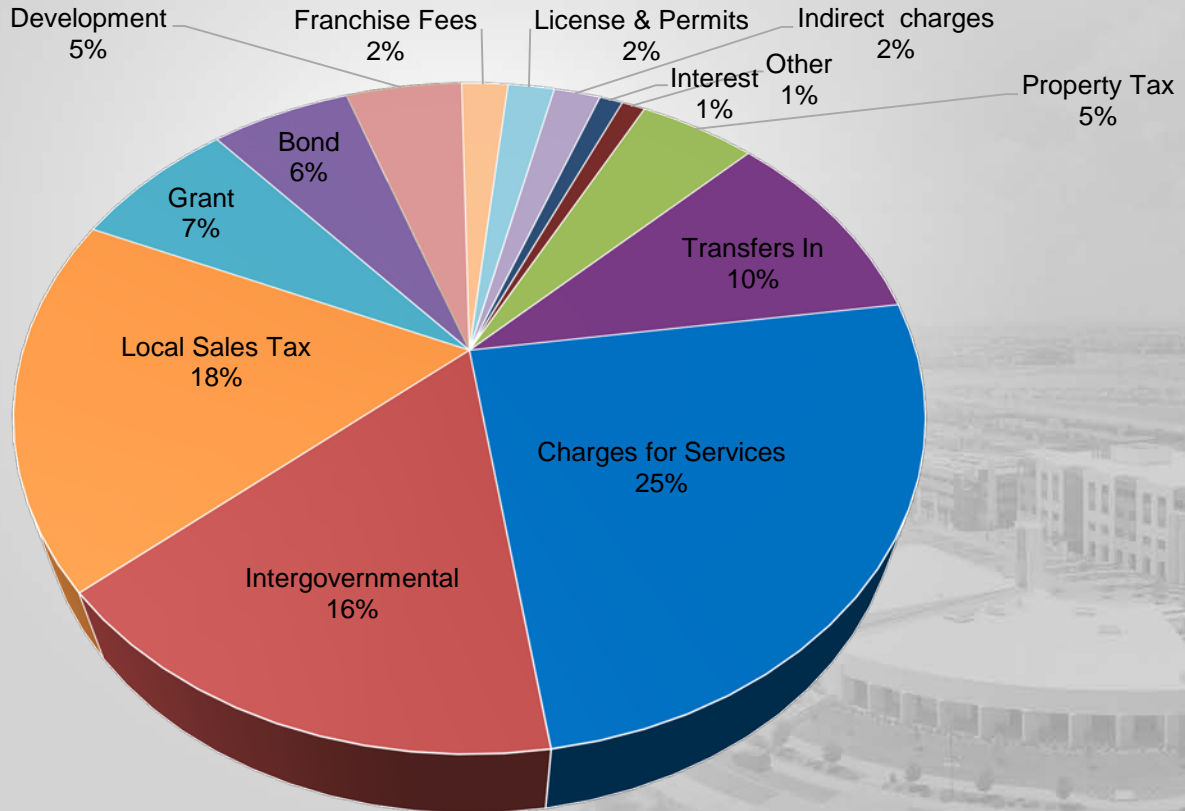
**City Council Work Session
February 16, 2021**

Revenue Overview

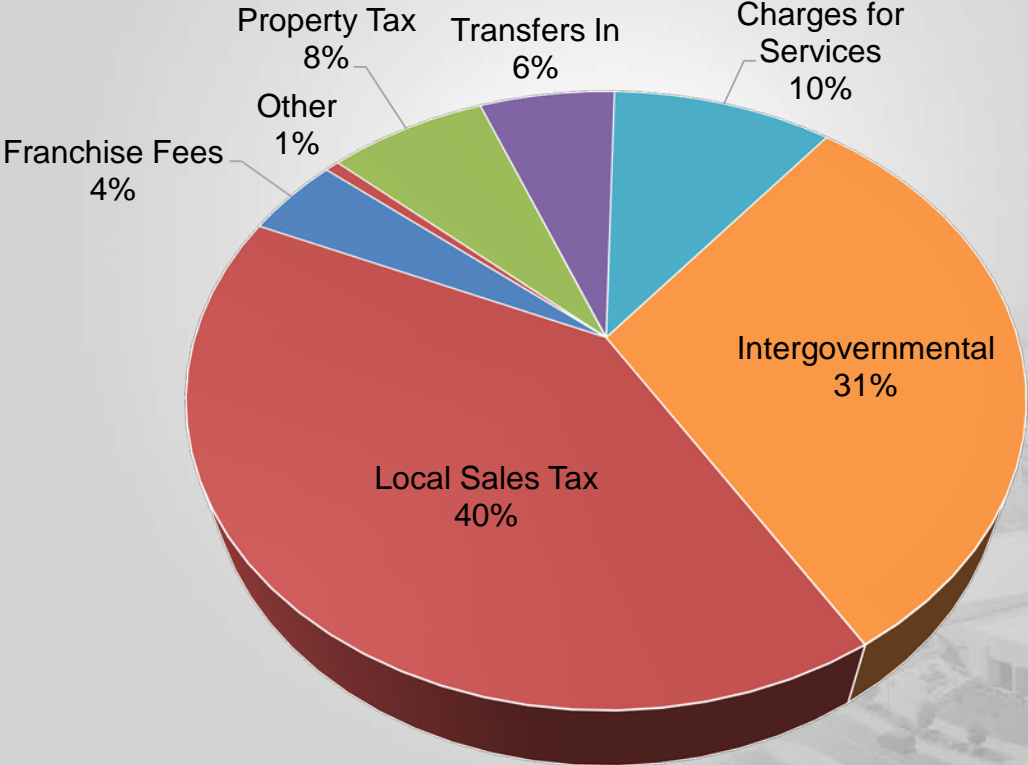
- Governmental
 - Sales Tax
 - Intergovernmental
 - Property Tax
 - Charges for Services
 - Franchise Fees
 - Transfers In
 - Development Impact Fees
 - Grants
 - Interest
- Enterprise
 - Charges for Services
 - Development Impact Fees
 - Interest



FY21 Citywide Revenues



FY21 General Fund Sources



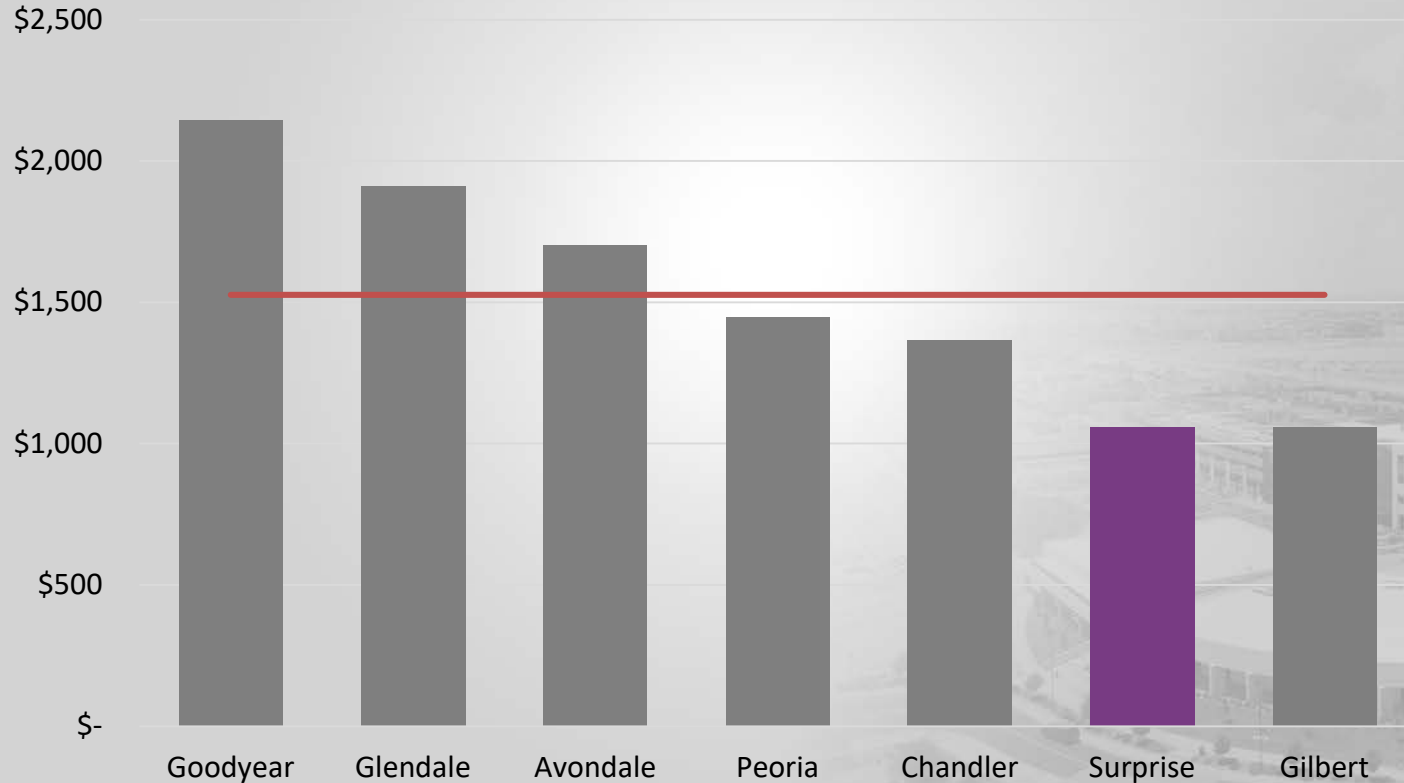
Sales Tax/Transaction Privilege Tax (TPT)

- Arizona TPT is a tax on a vendor for the privilege of doing business in the state
- Various business activities can be subject to transaction privilege tax
- City Council Authority - Rates and categories

Sales Tax/Transaction Privilege Tax (TPT)

Sales Tax Category	Sales Tax Rate %						
	Surprise	Peoria	Goodyear	Avondale	Chandler	Gilbert	Glendale
Retail Sales	2.2	1.8	2.5	2.5	1.5	1.5	2.9
Amusements	2.2	2.8	2.5	2.5	1.5	1.5	2.9
Commercial Rental, Leasing, & Licensing for Use	2.2	1.8	2.5	2.5	1.5	1.5	2.9
Residential Rental, Leasing & Licensing for Use	2.2	1.8	2.5	2.5	1.5	1.5	2.2
Communications	2.2	1.8	2.5	2.5	2.75	1.5	6.1
Utilities	2.2	3.3	2.5	2.5	2.75	1.5	2.9
Use Tax	2.2	1.8	2.5	1.5	1.5	-	2.9
Contracting	3.7	1.8	3.5	2.5	1.5	1.5	2.9
Hotel/Motel	4.52	3.8	2.5	2.5	2.9	2.8	5.0
Restaurant and Bars-	3.2	2.8	4.0	2.5	1.8	1.5	3.9
Food for Home Consumption-	-	1.6	2.0	2.5	1.5	1.5	2.5

SALES TAX PER HOUSEHOLD RATIO RETAIL, RESTAURANT, HOTEL, FOOD, ETC.



Intergovernmental

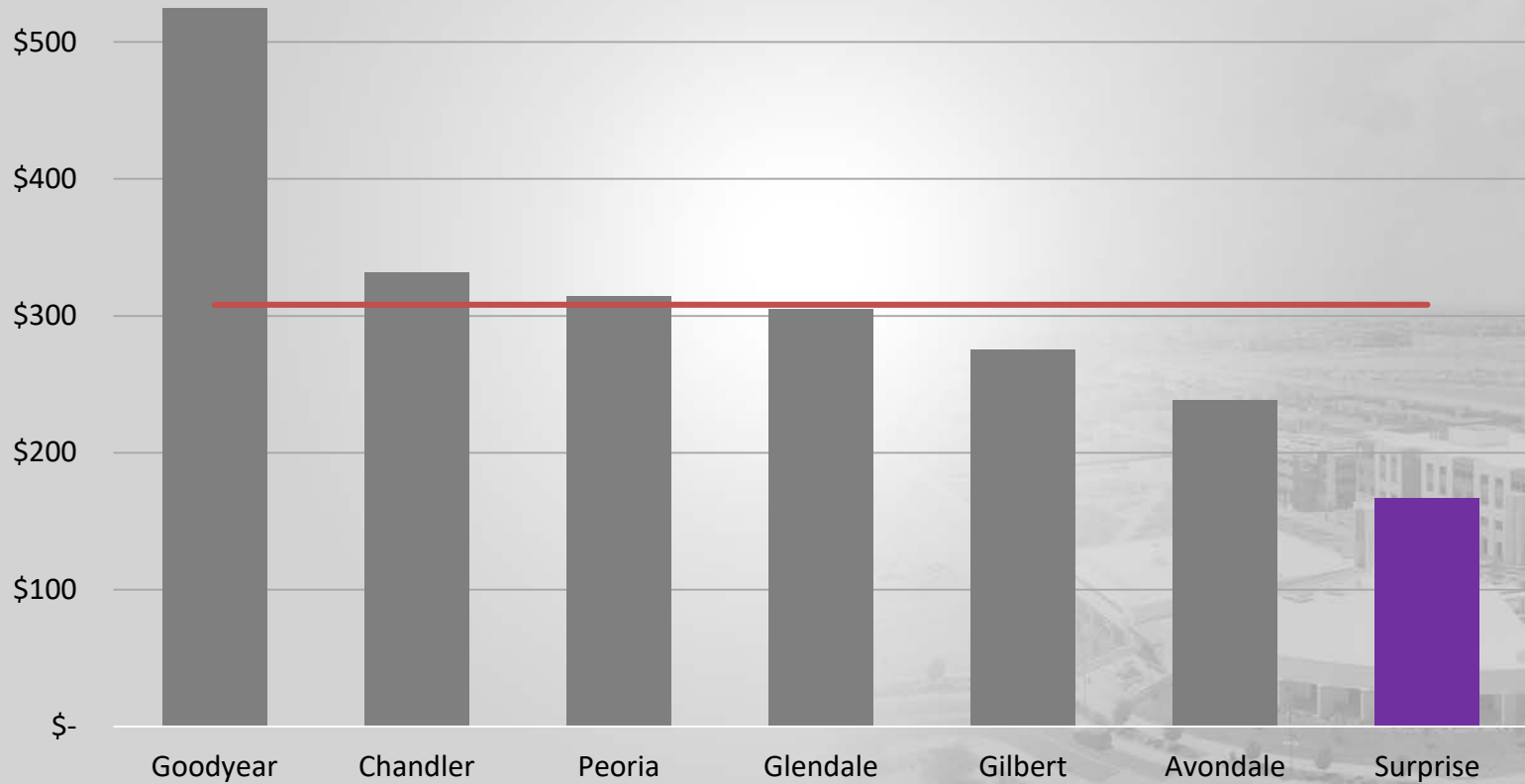
Federal, State, and other governmental sources

- Arizona State Shared Revenues
 - Based on population
 - Subject to change by the State Legislature
 - Timing delay – Dependent on State Budget
- State Shared Sales Tax
- State Shared Income Tax
- Vehicle License Tax (VLT)
- Highway User Revenue Fund (HURF)

Property Tax

- Primary Property Tax - A limited tax levy used for general government operations
- Secondary Property Tax - Voter approved tax levy limited to pay General Obligation (GO) bonds.
 - Based on valuation of property
 - Uncollected amount tied to the property
 - Levy amounts and rates adopted annually by Council

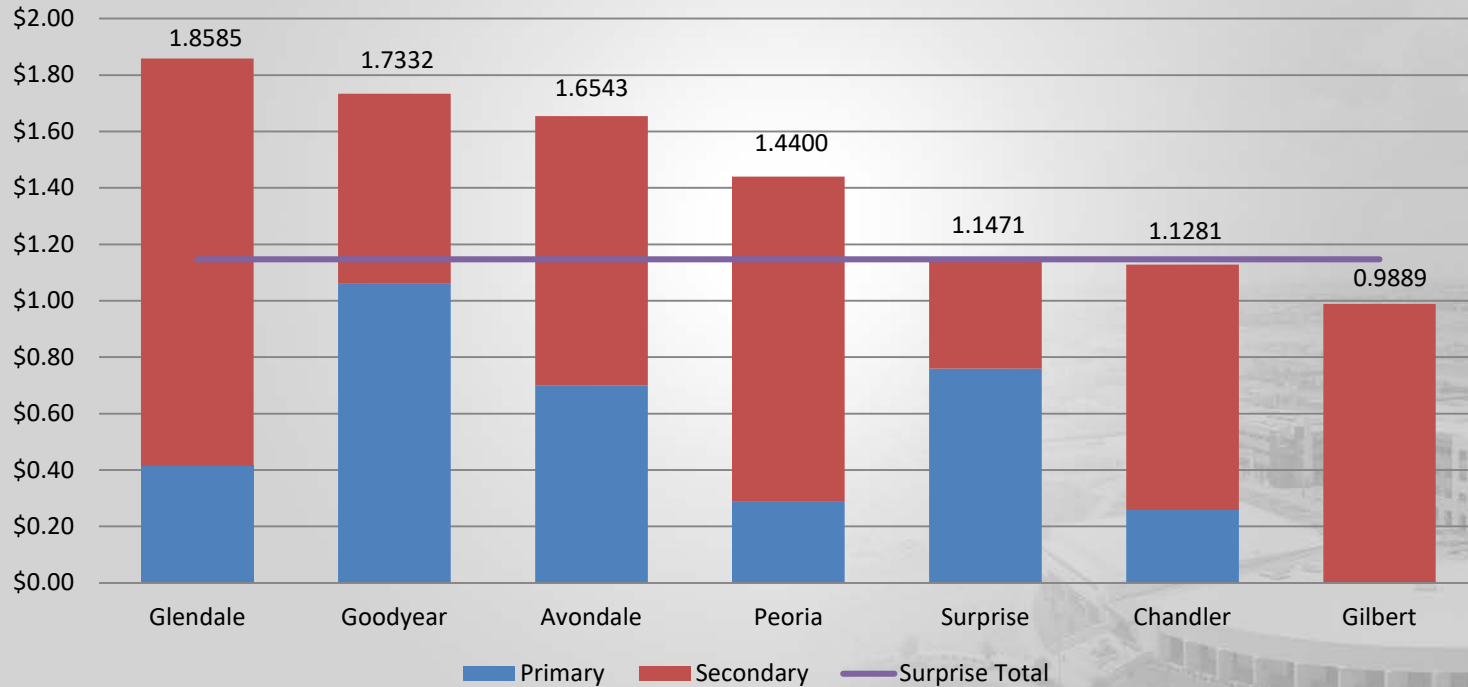
PROPERTY TAX LEVY PER HOUSEHOLD



Property Tax

2020 Property Tax Rate	Surprise	Peoria	Goodyear	Chandler	Glendale	Gilbert	Avondale
Primary	0.7591	0.2900	1.0619	0.2581	0.4144	-	0.7003
Secondary	0.3880	1.1500	0.6713	0.8700	1.4441	0.9889	0.9540
Total Property Tax Rate	1.1471	1.4400	1.7332	1.1281	1.8585	0.9889	1.6543

Property Tax Rate Comparison



Property Taxes

Property Tax

- A.R.S. 42-17107
 - Truth in Taxation notice requirement for levy increase
 - Notice dates of 5/18 and 5/25
- A.R.S. 9-499.15
 - 60 days notice requirement for rate increase
 - Notice date of 4/16

Language and Public Notice

TRUTH IN TAXATION HEARING NOTICE OF TAX INCREASE

IN COMPLIANCE WITH SECTION 42-17107, ARIZONA REVISED STATUTES, THE CITY/TOWN OF _____ IS NOTIFYING ITS PROPERTY TAXPAYERS OF _____'S (NAME OF CITY OR TOWN) INTENTION TO RAISE ITS PRIMARY PROPERTY TAXES OVER LAST YEAR'S LEVEL. _____ (NAME OF CITY OR TOWN) IS PROPOSING AN INCREASE IN PRIMARY PROPERTY TAXES OF \$ _____ OR _____%.

THE PROPOSED TAX INCREASE WILL CAUSE _____'S (NAME OF CITY OR TOWN) PRIMARY PROPERTY TAXES ON AN \$100,000 HOME TO INCREASE FROM \$ _____ (TOTAL TAXES THAT WOULD BE OWED WITHOUT THE PROPOSED TAX INCREASE) TO \$ _____ (TOTAL PROPOSED TAXES INCLUDING THE TAX INCREASE).

THIS PROPOSED INCREASE IS EXCLUSIVE OF INCREASED PRIMARY PROPERTY TAXES RECEIVED FROM NEW CONSTRUCTION. THE INCREASE IS ALSO EXCLUSIVE OF ANY CHANGES THAT MAY OCCUR FROM PROPERTY TAX LEVIES FOR VOTER APPROVED BONDED INDEBTEDNESS OR BUDGET AND TAX OVERRIDES.

ALL INTERESTED CITIZENS ARE INVITED TO ATTEND THE PUBLIC HEARING ON THE TAX INCREASE THAT IS SCHEDULED TO BE HELD _____ (DATE AND TIME) AT _____ (LOCATION).

Property Taxes

- FY2021 Rate .7591
- FY2022 Property Tax Rate

Options	Rate	Levy	Vote
Keep Rate	0.7591	\$ 9,974,149	Majority
Increase <15%	0.8245	\$ 10,833,469	Majority
Max Levy	0.8796	\$ 11,557,451	Unanimous

*Each 0.01 increase equates to approximately \$131,394

Property Taxes

City sets Rate

\$0.7591 per
\$100
Assessed
LPV



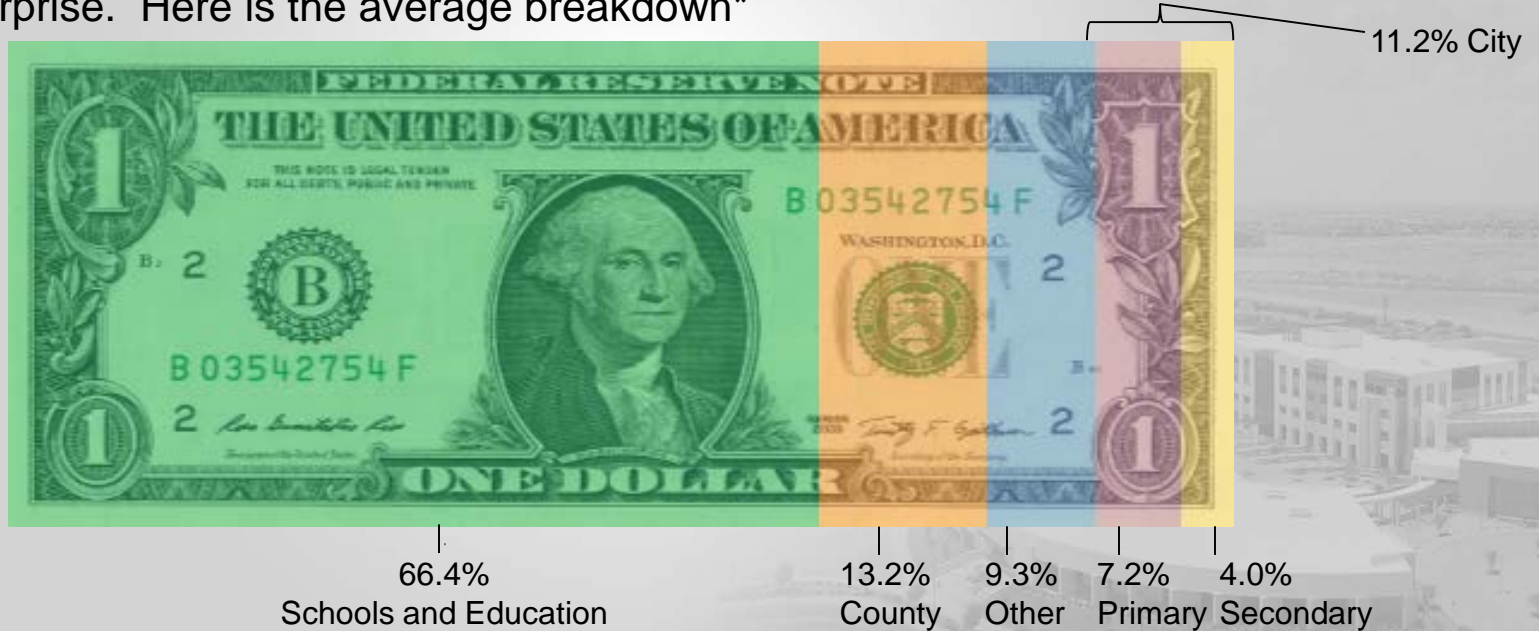
County sets property
valuation



Assessed LPV
\$100,000

Property Tax Distribution Sample

- City of Surprise has a current property tax rate of \$0.7591 per \$100 of assessed property valuation. The majority of the tax collected goes to entities other than the city of Surprise. Here is the average breakdown*



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

Property Taxes

- Secondary Property Tax
 - GO Bond Debt Service
 - Rate remains the same for FY2022 at 0.3880

	Levy Rate	Levy Amount
FY2021	0.3880	\$4,669,500
FY2022	0.3880	\$5,097,757

- Adopted by council in June

Charges for Services

- A fee collected for services directly related to product or service being purchased
- Determined by rate study and adopted by Council
 - Governmental
 - Permits
 - Parks & Recreation programs
 - Passports
 - Courts, Police, and Fire
 - Enterprise
 - Water, Wastewater, and Solid waste services

Franchise Fees/Licenses

- Fee to conduct utility business within the City
 - Cable, Gas, Electric, Water
- Council authorizes agreement with a utility
- Business Licenses
 - Council authority-60 days

Transfers

- Payment of City money between funds
 - Indirect Cost Allocation:
 - Enterprise Funds pay for HR, IT, Finance, Legal, etc. services to the General Fund through a transfer
 - Debt Service: Operating or Impact Fee Funds transfer money to Debt Service Fund where payment to lending institution is made
 - Internal Service Funds: Operational Funds to Health Benefits and Workers Compensation to fund employer portion of medical, dental, etc claims incurred

Grants

A contribution by the state or federal government to support a particular function

- Restricted
- Limited
- One-time Funding

One Time vs. Ongoing Revenues

One Time Revenue

Uses = Capital Improvement, Asset Replacement

- Development Impact Fees
 - Charges applied to new development once
 - Restricted by State Statute
 - Growth only, Time Limit, not for operations, infrastructure only
- Construction Sales Tax
 - Paid at Certificate of Occupancy
 - Not consistent, volatile

Ongoing Revenue

Uses = Personnel, Operational Supplies, Services

- State Shared Income Tax, Charges for Service (Utility)
 - Consistent, Predictable Year-over-Year

Upcoming Calendar

- Work Sessions
 - Expenses March 2
- City Manager's Recommended Budget Retreat April 16
- Tentative Budget adoption May 4
- Final Budget adoption June 1
- Property Tax Levy adoption June 15



SURPRISE
ARIZONA

**QUESTIONS OR
COMMENTS?**

Thank You

FY2021 Revised FTE Count

Fund	Full-Time	Part-Time	Total
General Fund	685.9	49.7	735.6
Ground Ambulance Service Fund	32.0	0.0	32.0
SPD Towing Fund	0.5	0.0	0.5
Transportation Improvement Fund	1.0	0.0	1.0
Highway User Revenue Fund	37.5	0.0	37.5
Sports and Tourism Fund	25.0	14.4	39.4
Water Operations Fund	41.9	0.6	42.5
Sewer Operations Fund	47.4	1.6	49.0
Solid Waste Operations Fund	40.7	0.2	40.9
Stormwater Operations Fund	6.1	0.1	6.2
Risk Management - Int Svc Fund	2.0	0.0	2.0
Employee Healthcare - Int Svc Fund	1.0	0.0	1.0
Workers Compensation Fund	1.0	0.0	1.0
CITYWIDE TOTAL	922.0	66.6	988.6