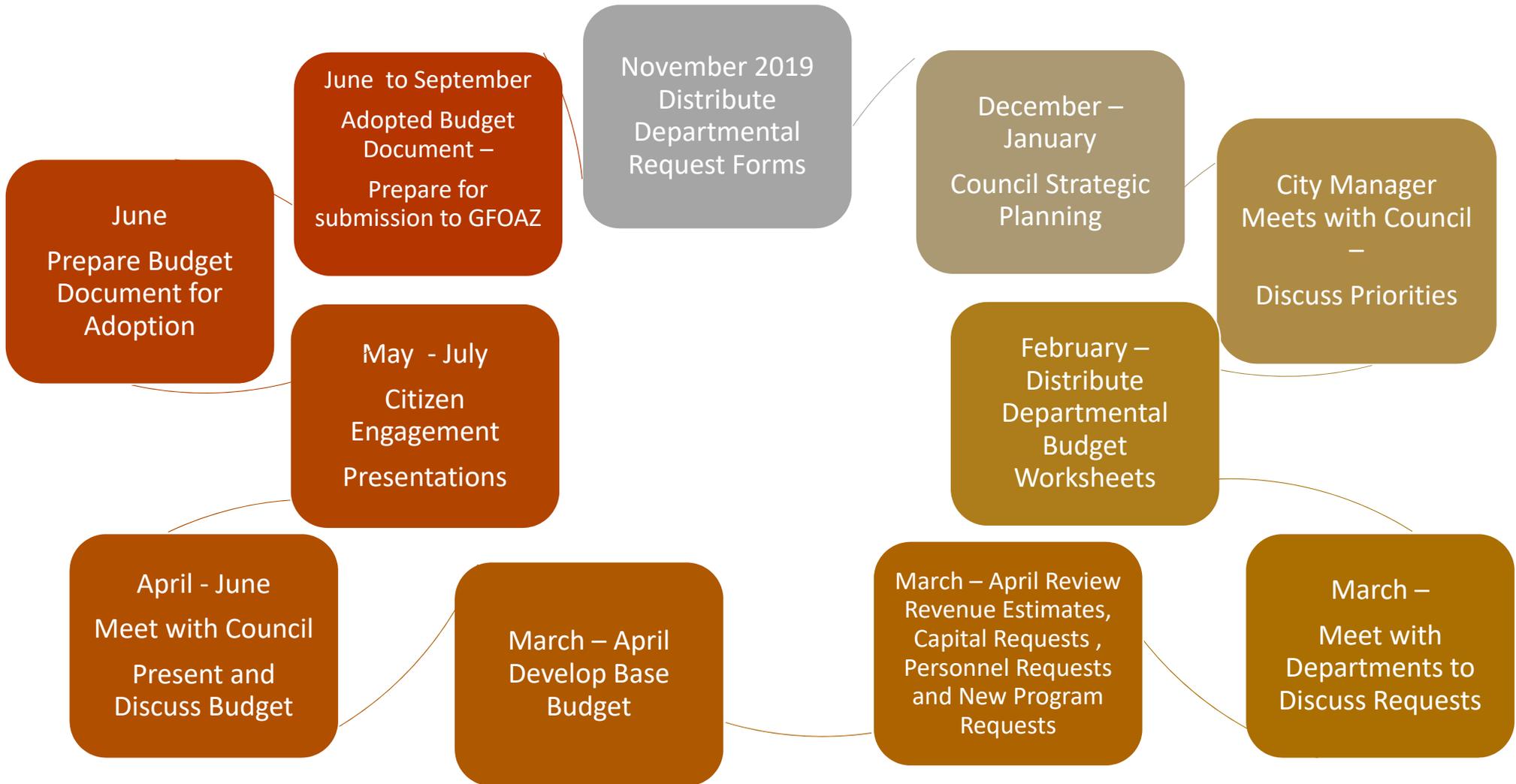


# FY 2021 Budget Cycle & FY 2020 Revenue Review

City Council Chambers  
826 North Main Street  
Cottonwood, AZ 86326  
February 11, 2020

# Budget Cycle Overview



## TENTATIVE FY 2021 BUDGET CALENDAR

This budget calendar serves to illustrate the progression of the budget process and has been structured to allow for adequate coordination of the budget activities. As needed, additional items may be added to the calendar. Ultimately, the process will result in a balanced budget as well as a sound fiscal and capital plan. As a gentle reminder, this budget is always subject to change as the year progresses and as revenue projections can be reasonably measured.

Day	November 2019	Due
8	Distribution of Goals & Accomplishments and Performance Indicators Forms to Department Heads	29-Nov-19
15	Distribution of Personnel Request/Reclassification Forms to Department Heads	6-Dec-19
<b>December 2019</b>		
3	Distribution of 5-Year Capital Improvement Plan Templates to Department Heads	3-Jan-20
13	Council–Strategic Planning	
TBD	Final Review by Department Heads of Requested Personnel and Reclassifications	TBD
<b>January 2020</b>		
27	Departmental Meetings to Discuss 5-Year Capital Requests and Capital Improvement Plans	31-Jan-20
<b>February 2020</b>		
10	Review of 5-Year Departmental Capital Improvement Plans–City Mgr, Dep. City Mgr and Finance Staff	
11	Council Work Session–Informative Budget Presentation by Finance Department	
11	Council Work Session–Department Presentations [Council • Administration • City Clerk • Finance • Human Resources • IT • Purchasing • Municipal Court • Library • Economic Development]	
14	Distribution of Budget Worksheets to Department Heads	2-Mar-20
<b>March 2020</b>		
4	Start of Department Budget Meetings	27-Mar-20
10	Council Work Session–Department Presentations [Airport • Cemetery • Engineering • Maintenance • Public Works • Streets • Parks & Recreation • Recreation Center • Transit]	

April 2020

- 14 Council Work Session—Department Presentations [Community Development • Police • Communications • Ordinance Enforcement • Fire & Medical Services • Natural Resources • Water & Wastewater Utilities]
- TBD Preliminary Budget Review—Mayor, City Manager, Deputy City Manager and Finance Staff
- 28 Council Work Session—Overview of FY 2021 Budget
- 29 Council Work Session—Overview of FY 2021 Budget

May 2020

- 5 Council Regular Meeting—Formal Presentation of Proposed FY 2021 Budget
- 5 Council Regular Meeting—Final Day for Changes to Proposed FY 2021 Budget
- 5 Council Regular Meeting—Adoption of Proposed FY 2021 Budget
- TBD Town Hall Meeting Presenting Proposed FY 2021 Budget
- TBD Informal Public Meeting Presenting Proposed FY 2021 Budget
- TBD Informal Public Meeting Presenting Proposed FY 2021 Budget

June 2020

- 16 Council-Regular Meeting—Formal Presentation of Tentative FY 2021 Budget
- 16 Council-Regular Meeting—Public Hearing Tentative FY 2021 Budget
- 16 Council Regular Meeting—Final Day for Changes to Tentative FY 2021 Budget
- 16 Council Regular Meeting—Adoption of Tentative FY 2021 Budget; Set Expenditure Limitation

July 2020

- 7 Council Regular Meeting—Formal Presentation of Final FY 2021 Budget
- 7 Council Regular Meeting—Public Hearing on Final FY 2021 Budget
- 7 Council Regular Meeting—Final Day for Changes to Final FY 2021 Budget
- 7 Council Regular Meeting—Adoption of Final FY 2021 Budget

October 2020

- 4 Submission of Adopted FY 2021 Budget Document for GFOA's Distinguished Budget Presentation Award

## **Budget Document Overview**

There are six key sections in this document.

**Executive Summary**—This is a narrative of the current financial outlook for the City by fund as well as a narrative of Employees & Benefits and Capital for the upcoming budget. This section also includes the City’s budget and investment policies.

**Strategic Plan**—This is an overview of projected five-year capital needs requested by Department Heads, future development, and projected five-year operational revenues and expenditures.

**Major Revenues Description and History**—This section shows an overview of the major revenue sources for the City of Cottonwood represented through narratives, graphs and values.

**Comprehensive Summary**—This summary includes all estimated Revenues and Expenses and show Total Expenditures and Net Income (Loss) for all Funds. This section also has graphs that depict estimated revenue and expenses from distinct sources. All of the information in this Summary will be examined in the Financial Information section.

# Budget Document Overview

**Financial Information**—This section presents estimated Revenues & Expenditures by Fund and is broken down in six major Fund Types. Each fund type will show a consolidation of projected revenue and expenses of all their departments that roll up and combine to show the total Fund Revenue & Expense amount for each fund and roll up to the Comprehensive Summary. Included in the Financial Information section are:

1. General Fund—General Government, Culture and Recreation, and Public Safety
2. Special Revenue Funds—HURF (Street Construction & Operations), Transit, Library, Cemetery, Airport, and Grant Funds
3. Enterprise/Proprietary Funds—Water Utility and Wastewater Utility
4. Fiduciary Funds—Employee Benefit Trust Fund, and Alternative Pension and Benefits Plan Fund (for Fire Fighters)
5. Debt Service
6. Capital Improvements Fund

For every department in each fund type more specific information is provided on four pages that address:

1. The department's Organizational Chart, a General Description, Accomplishments from the previous budget year, Goals for the upcoming budget year, and Budget Highlights.
2. Performance Indicators and Capital Outlay
3. Summary of Expenses, Revenues, and Personnel Listing
4. Detailed information on Expenditures

**Supplementary Information**—Appendix, Glossary, Capital Outlay Listing & Personnel Information.

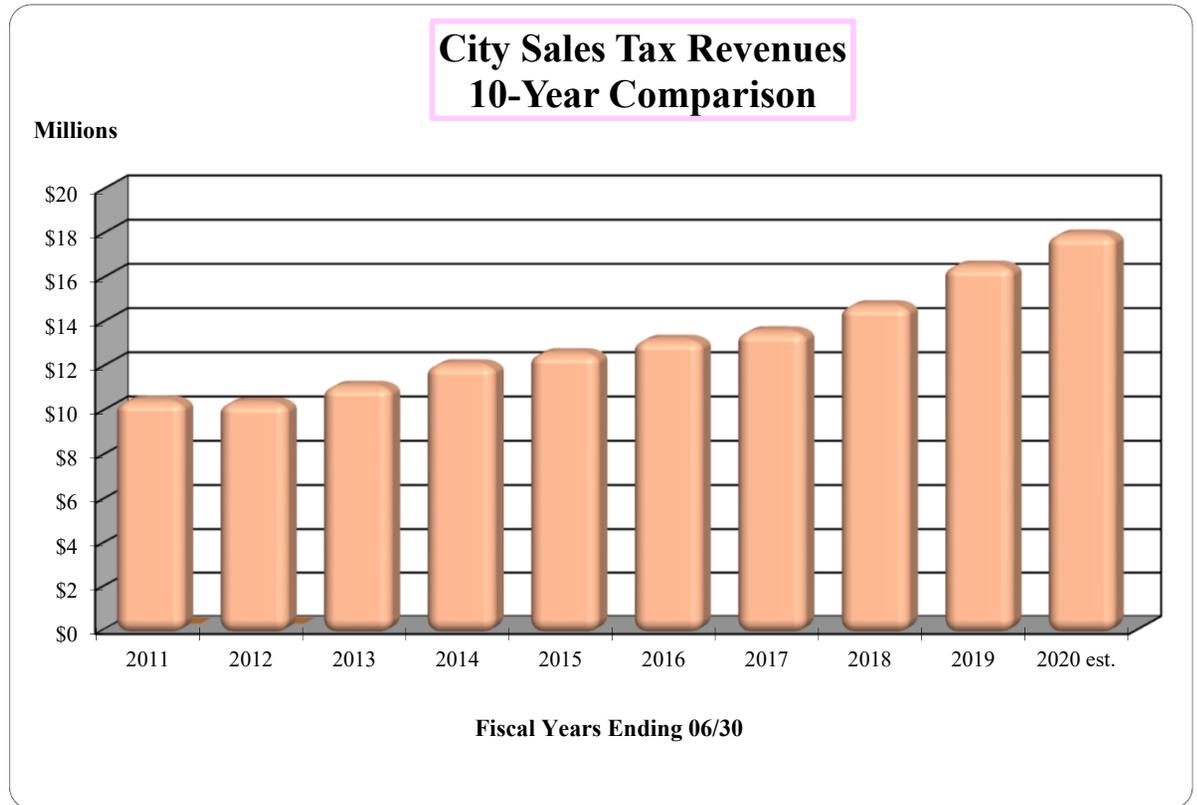
# Major Revenue Sources

- Local Transaction Privilege Tax
- State Shared Income Tax
- State Shared Transaction Privilege Tax
- Vehicle License Tax
- Investment Income
- Building Permits
- Fines & Forfeitures
- Franchise Fees
- Highway User Revenue Fund (HURF)/Transit
- Wastewater Revenues
- Water Revenues

# Local Transaction Privilege Tax

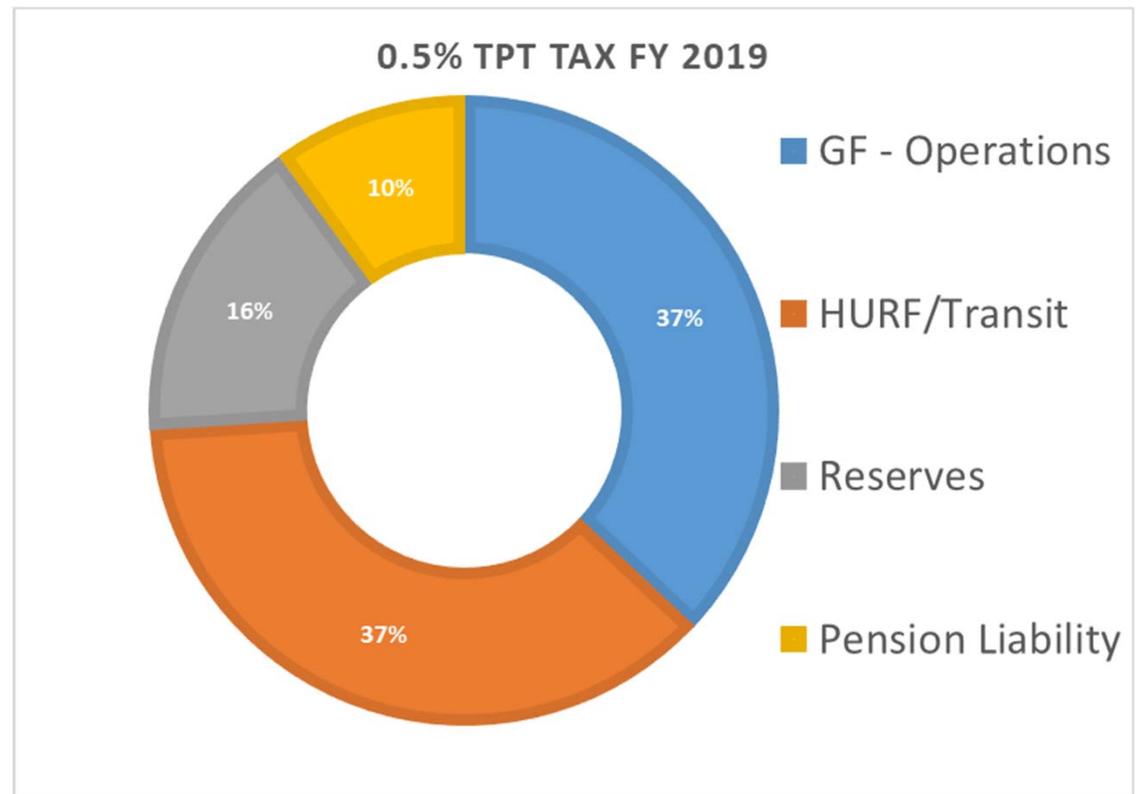
The Transaction Privilege Tax (sales tax) is collected on the gross receipts of business activities. Until 1987, the tax rate was one percent. In 1987, the voters approved an increase of one percent to fund the construction of the wastewater collection/treatment system. Again, in 1992, the voters approved an additional two tenths percent increase to construct a new city library in FY 2009, taking the rate to 2.2%. In 2009, Council voted to increase the rate by .8% taking the rate to 3%. In 1999, a change was made in the method used to accrue tax revenues to coincide with the State of Arizona's collections. The current tax rate is three and 1/2 percent (3.5%) after the Council approved an increase of .5% in FY 2019 that took effect on November 1, 2018.

Fiscal Year	Sales Tax Collected - 3%	Sales Tax Collected - .5%	Total Tax Collected	Increase / Decrease - 3%
2010	\$10,212,304			-0.84%
2011	\$10,624,971			4.04%
2012	\$10,579,983			-0.42%
2013	\$11,329,353			7.08%
2014	\$12,276,616			8.36%
2015	\$12,774,860			4.06%
2016	\$13,385,257			4.78%
2017	\$13,767,921			2.86%
2018	\$14,946,817			8.56%
2019	\$15,213,319	\$1,523,150	\$16,736,469	1.78%
2020 est.	\$15,550,668	\$2,591,778	\$18,142,446	2.22%



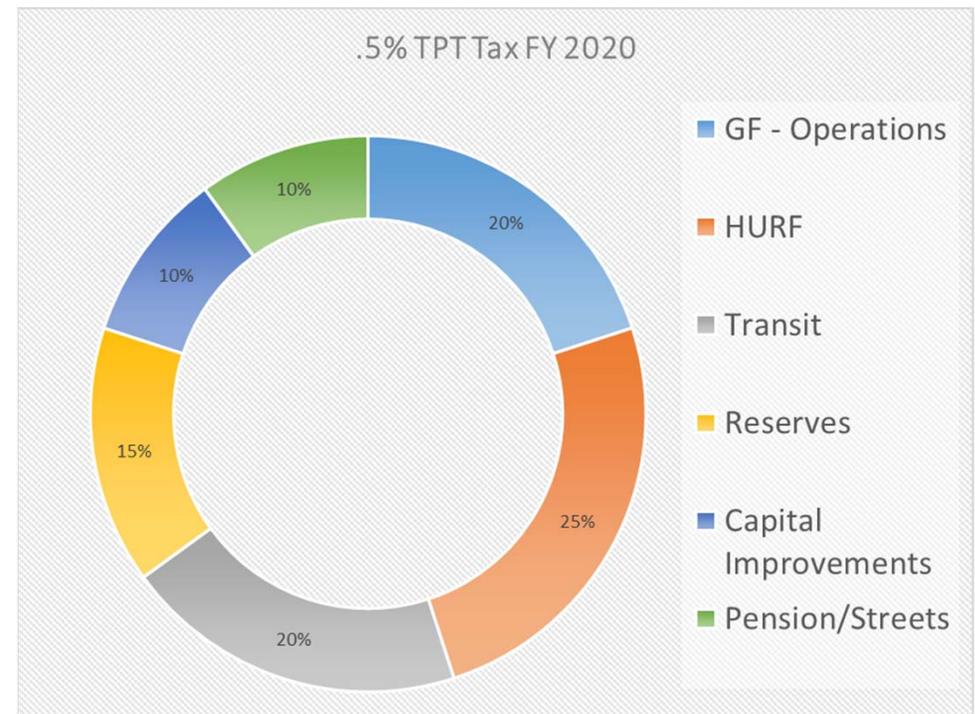
# .5% TPT Increase Allocations

- FY 2019-\$ 1,523,150
  - 37% to HURF/Transit - \$ 563,565
  - 16% Reserves - \$ 243,704
  - 10% Pension Liability – \$152,315
  - 37% General Fund Operations - \$ 563,566



# .5% TPT Increase Allocations

- FY 2020 Budget - \$ 2,591,780
  - 25% to HURF - \$647,945
  - 20% - Transit - \$518,356
  - 15% Reserves - \$ 388,770
  - 10% Capital Improvement - \$259,180
  - 10% Pension Liability – \$259,180
    - Council directed to put towards Sidewalks
  - 20% General Fund Operations – \$518,349

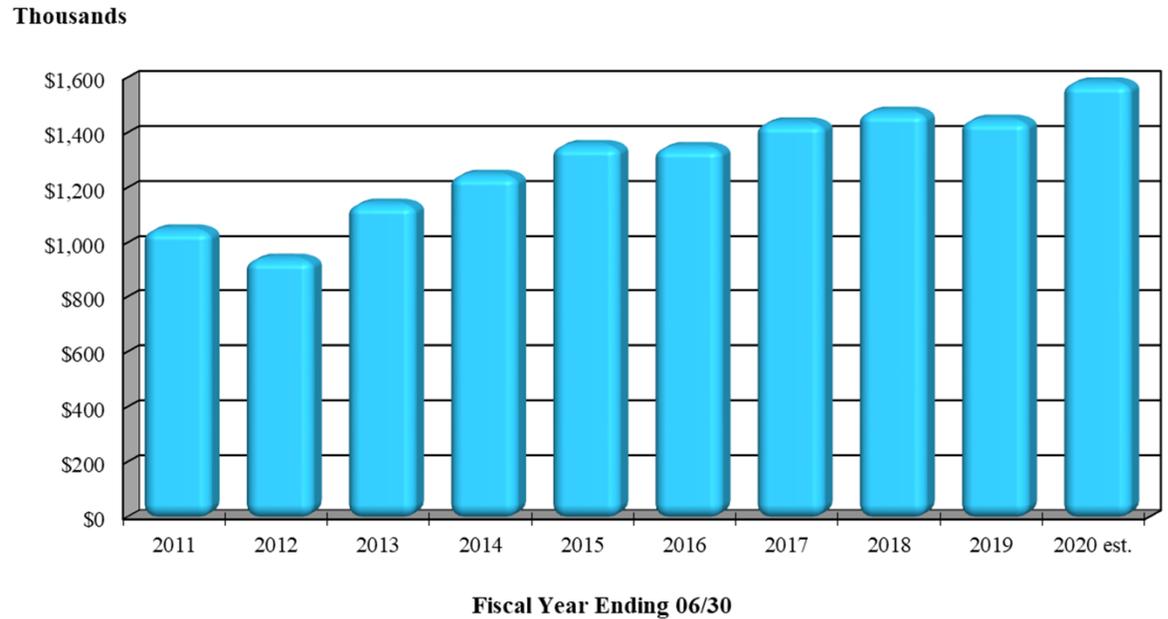


# Urban Revenue Shared Income Tax

Arizona cities and towns share a portion of the total amount collected from the State Income Tax. A city's portion of the State Income Tax is based on the relationship of its population to the total population of all cities and towns within the state. These estimates are provided by the Arizona Department of Revenue and the League of Arizona Cities and Towns. These revenues are disbursed by the State two years after collection by the Arizona Department of Revenue.

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	1,057,034	-24.61%
2012	950,774	-10.05%
2013	1,150,696	21.03%
2014	1,255,627	9.12%
2015	1,363,698	8.61%
2016	1,356,305	-0.54%
2017	1,445,847	6.60%
2018	1,485,075	2.71%
2019	1,455,984	-1.96%
2020 est.	1,591,335	9.30%

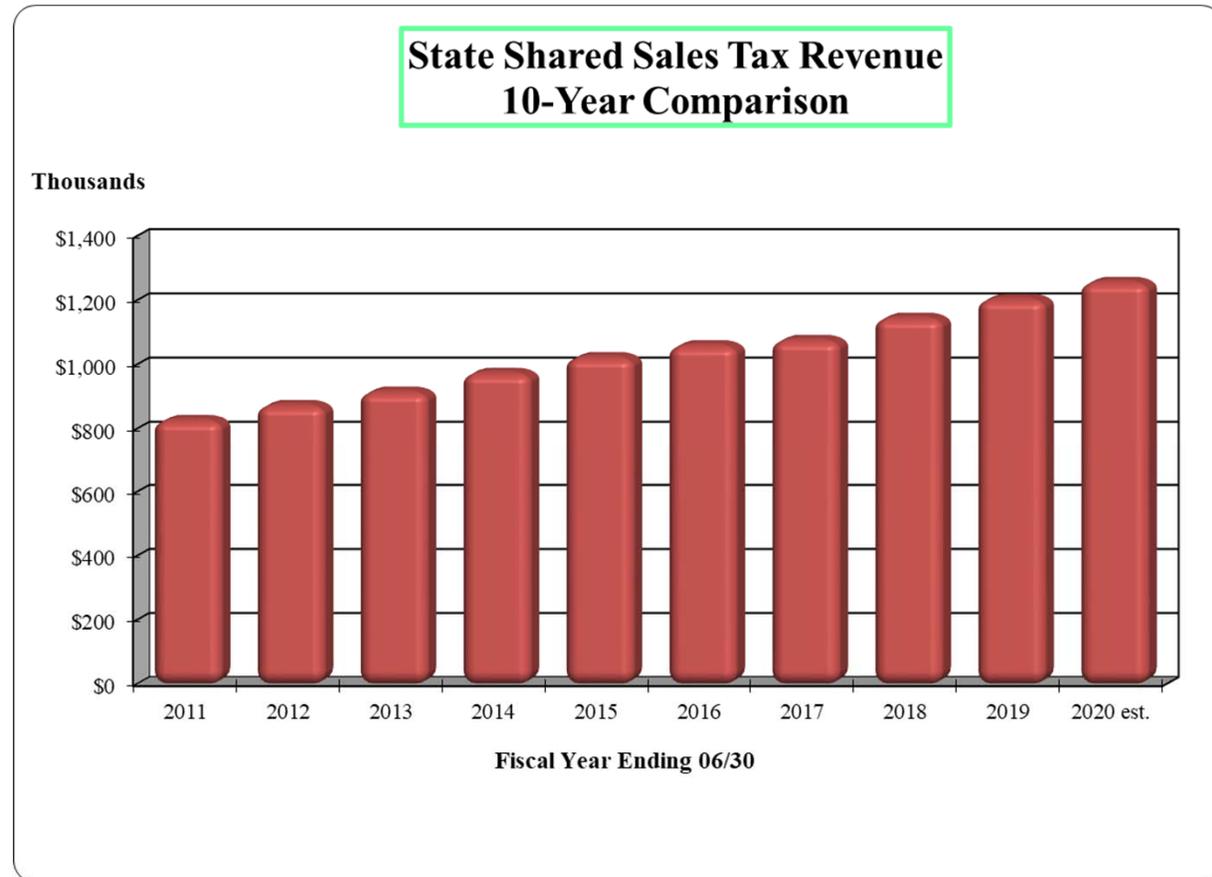
**Urban Revenue Shared Income Tax Revenue  
10-Year Comparison**



# State Shared Transaction Privilege Tax

Arizona cities and towns share a portion of the total amount collected from the State Sales Tax. A city's portion of the State Sales Tax is based on the relationship of its population to the total population of all cities and towns within the state. The State has a separate tax code that differs from the City. For example, the State does not tax food whereas the City does. Correlations between the City sales tax projection and State Shared Sales Tax do not relate. The estimate is provided by the Arizona Department of Revenue and the League of Arizona Cities and Towns.

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	833,600	4.60%
2012	880,250	5.60%
2013	922,061	4.75%
2014	980,537	6.34%
2015	1,029,494	4.99%
2016	1,066,539	3.60%
2017	1,083,047	1.55%
2018	1,151,996	6.37%
2019	1,210,830	5.11%
2020 est.	1,263,475	4.35%



# Vehicle License Tax

Arizona cities receive a 25% share of the net revenues collected for the licensing of vehicles in their related county. Each city's share within their county is determined based on the city's population in relation to that of the county as a whole. These revenues are distributed by the State Treasurer. The State began distributing the revenues collected directly to the communities rather than giving it to the counties and letting them distribute the funds. This change reduced the lag time by half for the communities to receive their revenues.

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	582,707	-1.27%
2012	602,832	3.45%
2013	563,851	-6.47%
2014	647,250	14.79%
2015	660,786	2.09%
2016	710,155	7.47%
2017	725,012	2.09%
2018	814,361	12.32%
2019	848,579	4.20%
2020 est.	885,865	4.39%

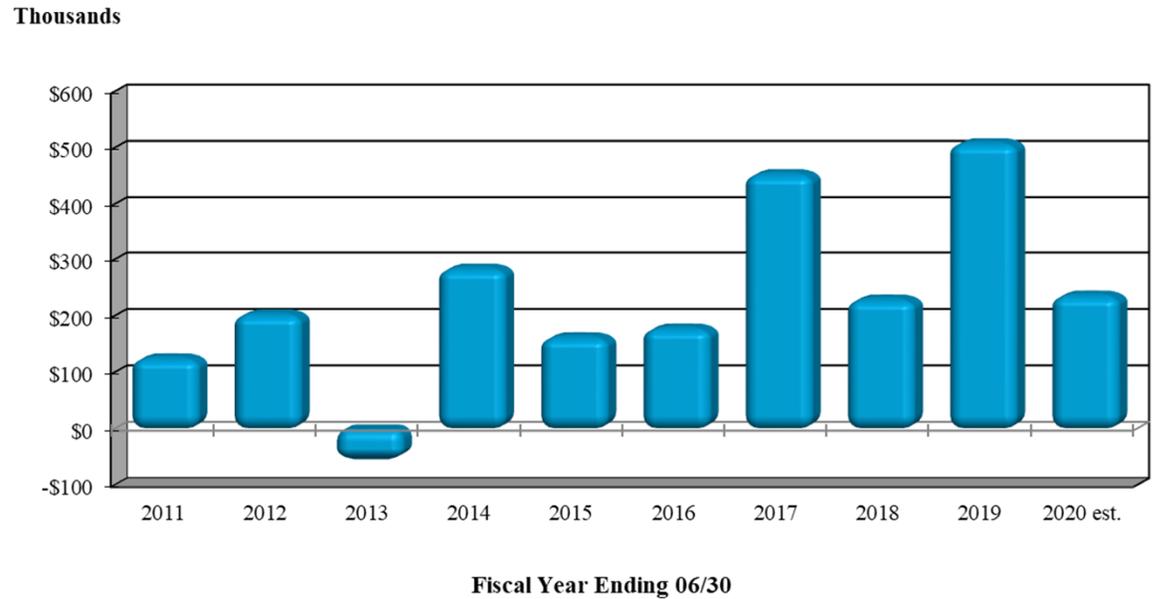


# Investment Income

Investment income is derived from idle funds which include the proceeds from bonds during the time of construction, planned reserves, fund balances and operating funds received in advance of required needs. Unrealized gains and losses are included to reflect the fair market value of investments.

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	128,312	-78.45%
2012	206,489	60.93%
2013	(57,590)	-127.89%
2014	287,425	-599.09%
2015	165,704	-42.35%
2016	181,159	9.33%
2017	456,811	152.16%
2018	232,547	-49.09%
2019	511,799	120.08%
2020 est.	239,570	-53.19%

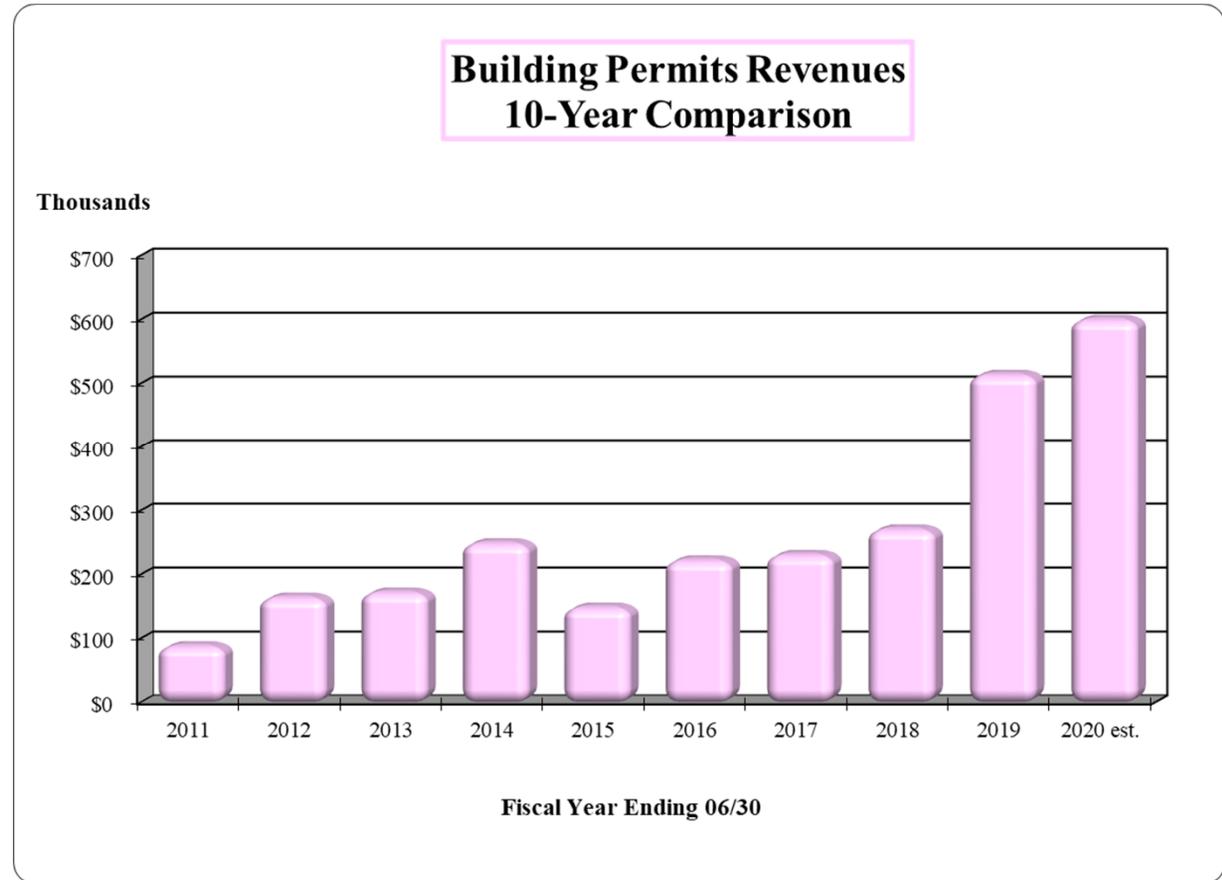
**Investment Revenue  
10-Year Comparison**



# Building Permits

Building permits are assessed based on the City's building codes. Fees are charged for building, plumbing, mechanical and electrical activities. Inclusive, fees are assessed for plan checks and signs.

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	91,054	-22.36%
2012	167,007	83.42%
2013	174,930	4.74%
2014	252,014	44.07%
2015	151,390	-39.93%
2016	225,261	48.80%
2017	233,723	3.76%
2018	273,676	17.09%
2019	516,859	88.86%
2020 est.	603,045	16.67%

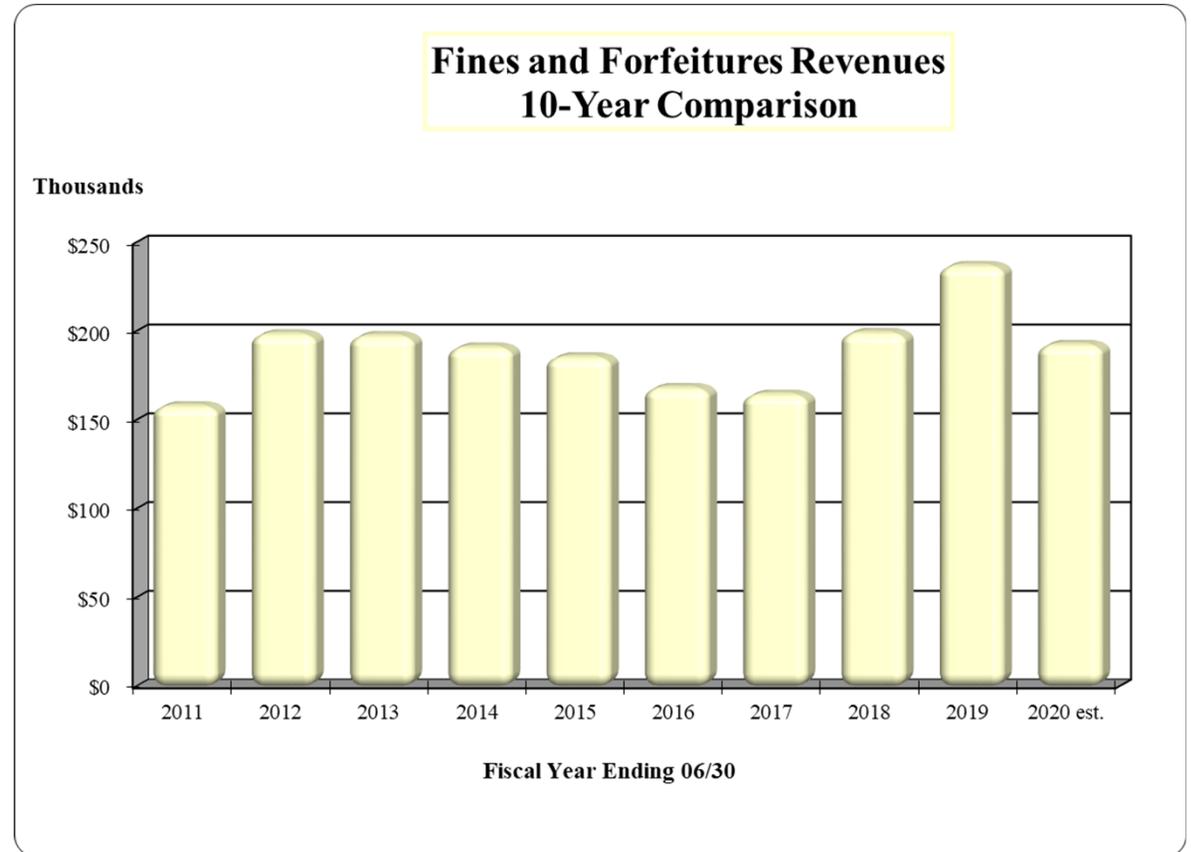


# Fines & Forfeitures

Fines and Forfeitures are generated as a result of imposed fines for the violation of various state laws and city ordinances. They include traffic violations, violations of city code and other criminal misdemeanors.

Court Appointed Attorney Reimbursements and Court Deferred Surcharges have been removed from the total to give a more accurate account of the Fines and Forfeitures revenue.

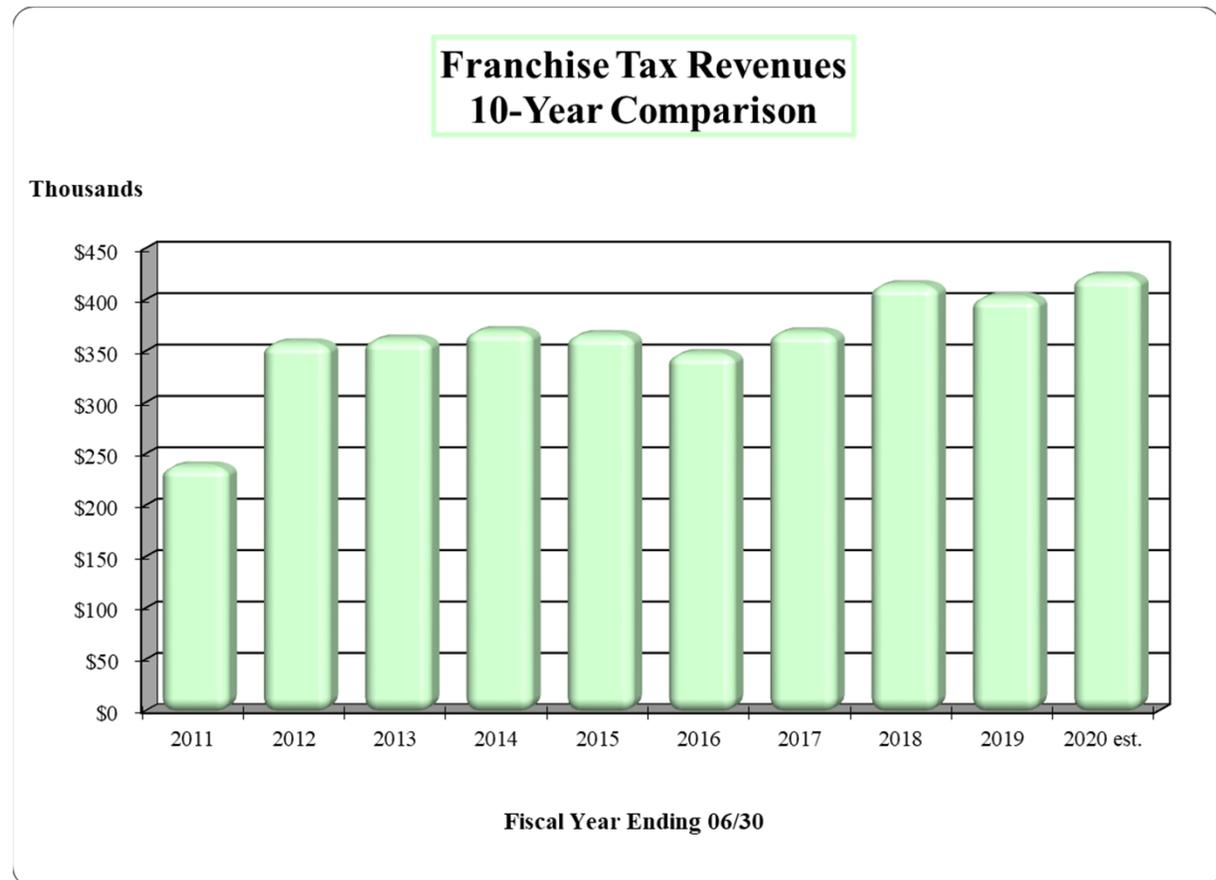
Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	158,977	10.31%
2012	199,445	25.46%
2013	198,445	-0.50%
2014	192,054	-3.22%
2015	186,504	-2.89%
2016	169,218	-9.27%
2017	165,464	-2.22%
2018	200,185	20.98%
2019	237,926	18.85%
2020 est.	193,500	-18.67%



# Franchise Fees

The Franchise Tax is based on the gross sales of the utility companies. Those currently paying the tax are: Arizona Public Service (2%), Citizens Gas (2%), Cable One (3%), and CableComm (1%).

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	240,140	3.01%
2012	359,872	49.86%
2013	363,653	1.05%
2014	371,886	2.26%
2015	368,062	-1.03%
2016	349,537	-5.03%
2017	370,646	6.04%
2018	416,543	12.38%
2019	404,620	-2.86%
2020 est.	425,000	5.04%



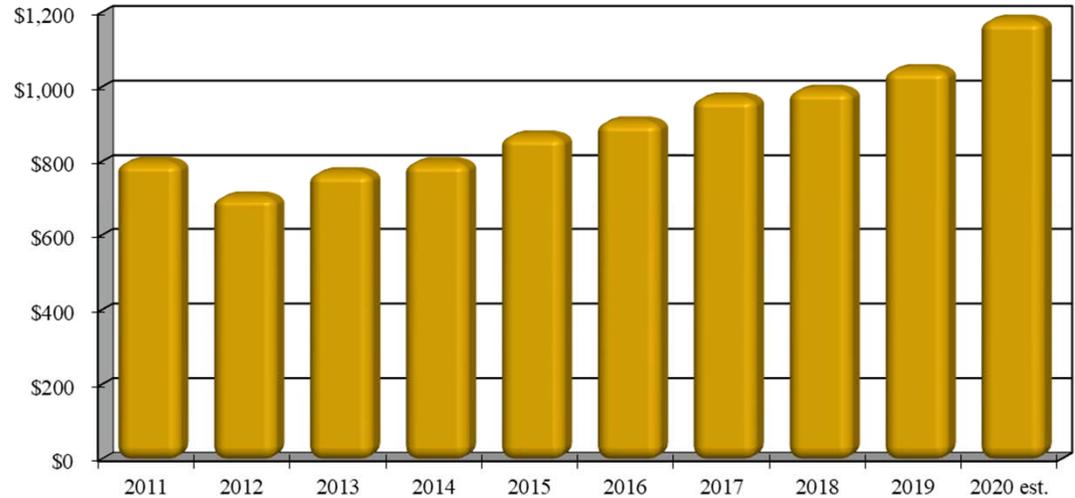
# Highway User Revenue Fund

Arizona cities receive a share of State Motor Vehicle Fuel Taxes (Highway User Revenue Funds). The formula is based on two separate calculations; the first half is based on a city's population in relation to the State's total population, the second is based on the county in which the revenues were generated. These funds must be utilized for the construction and maintenance of streets and highways.

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	806,386	-0.18%
2012	713,231	-11.55%
2013	778,265	9.12%
2014	805,540	3.50%
2015	876,817	8.85%
2016	914,640	4.31%
2017	978,739	7.01%
2018	999,331	2.10%
2019	1,054,486	5.52%
2020 est.	1,187,110	12.58%

**Highway User Revenue Funds  
10-Year Comparison**

Thousands

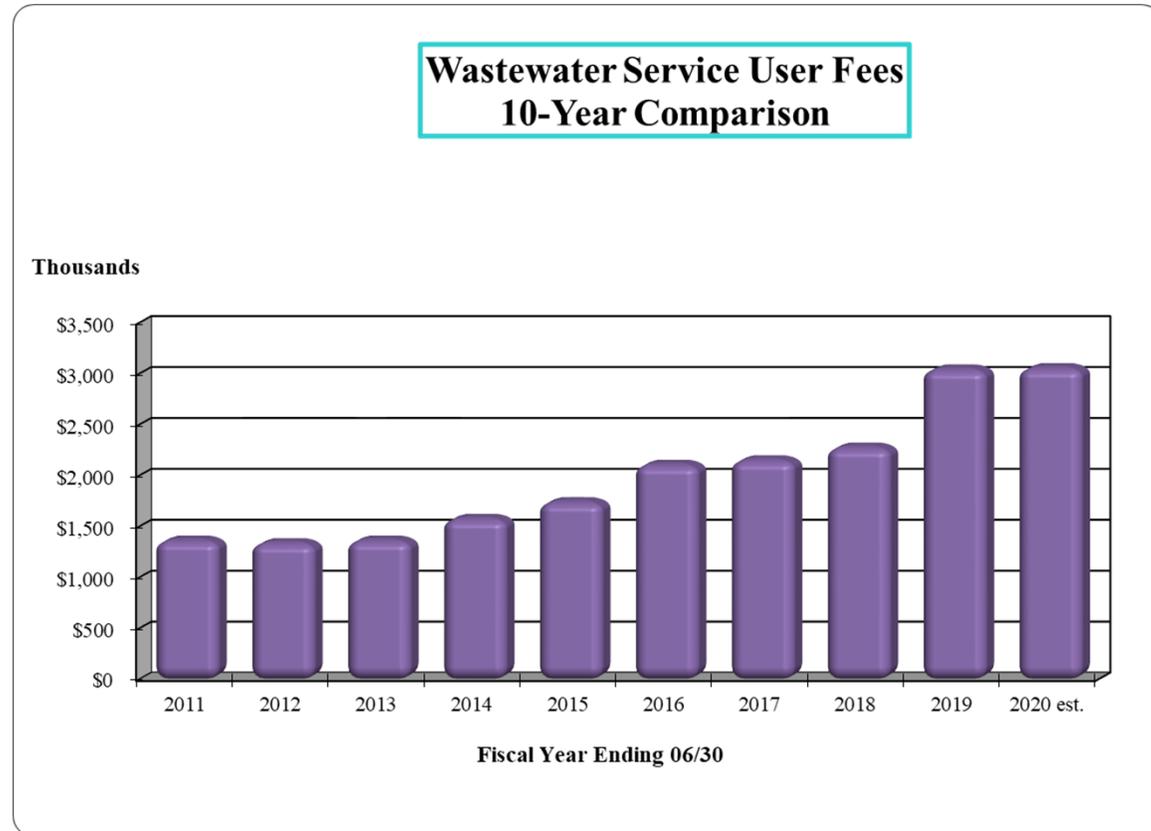


Fiscal Year Ending 06/30

# Wastewater User Fee

User Fees are charged to residential, commercial and industrial customers for the collection and treatment of wastewater. In addition, the City levies tap fees on all new construction.

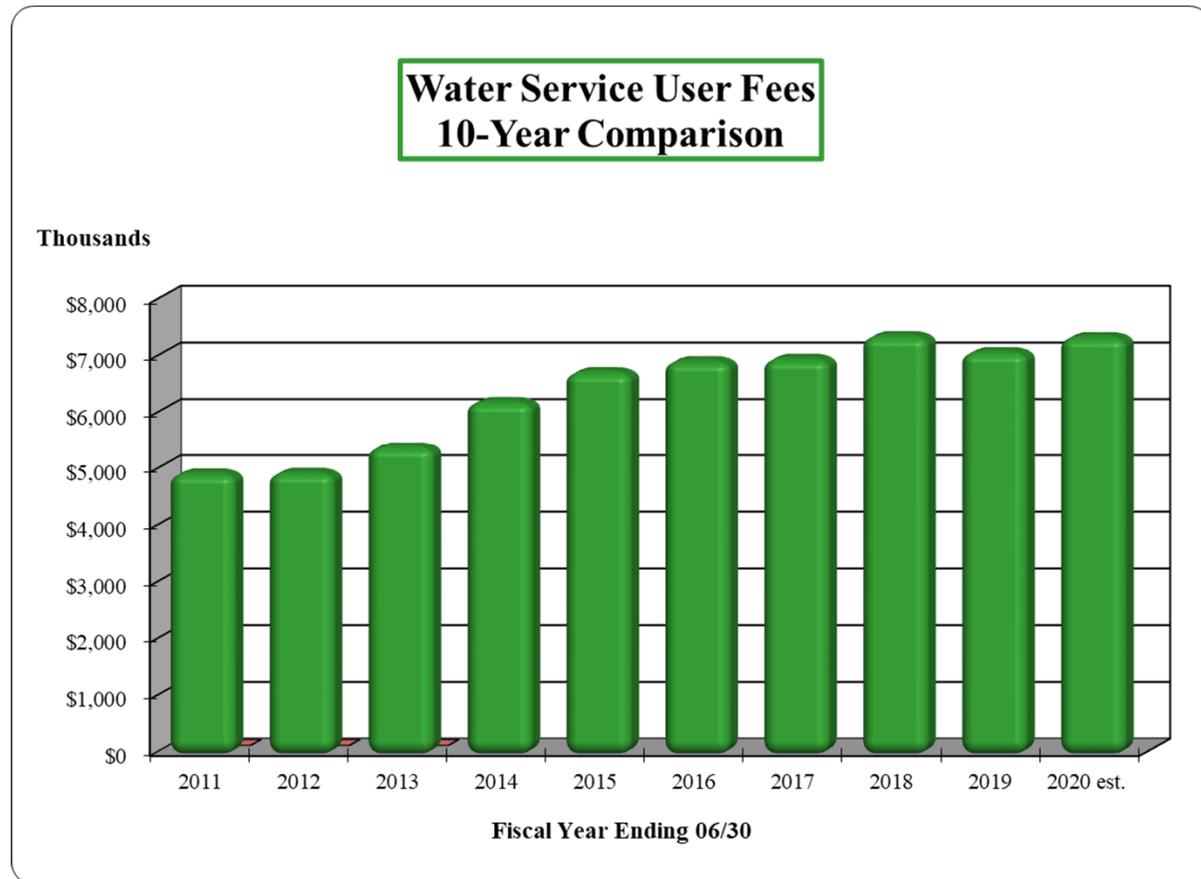
Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	1,381,487	-0.59%
2012	1,356,438	-1.81%
2013	1,381,902	1.88%
2014	1,594,815	15.41%
2015	1,759,260	10.31%
2016	2,126,351	20.87%
2017	2,169,989	2.05%
2018	2,294,614	5.74%
2019	3,062,033	33.44%
2020 est.	3,075,000	0.42%



# Water Service User Fees

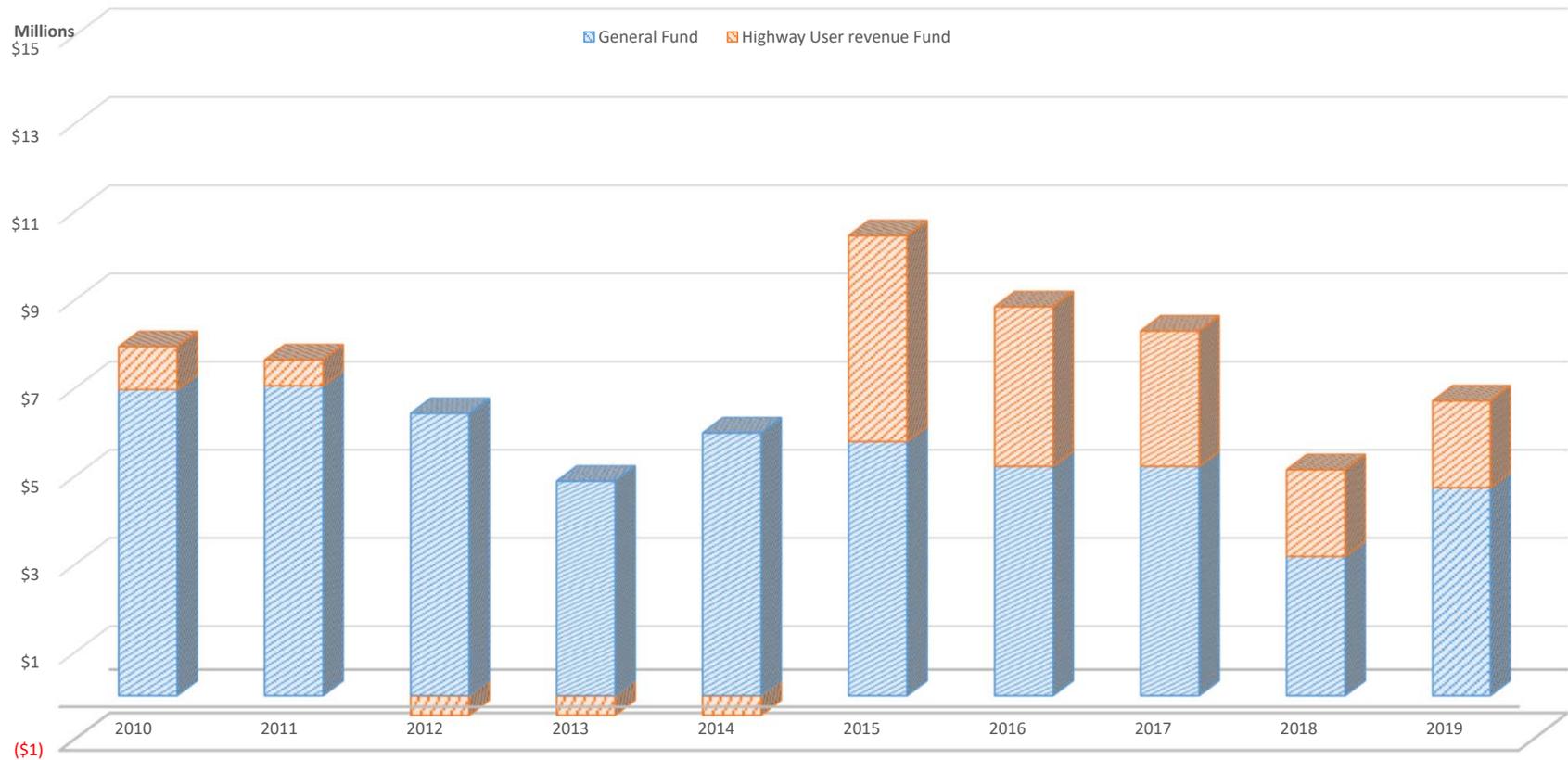
User Fees are charged to residential, commercial and industrial customers for the distribution of water. These User Fees are not only used for the maintenance and operations of the system, but also for administration, utility billing, debt service payments, as well as future capital improvements to the system. Conservation Fees are also collected by the City, but not tracked as a major revenue source.

Fiscal Year Ending 06/30	Amount	% Inc. / (Dec.)
2011	4,985,843	11.81%
2012	4,997,833	0.24%
2013	5,453,178	9.11%
2014	6,259,609	14.79%
2015	6,787,255	8.43%
2016	6,981,671	2.86%
2017	7,022,609	0.59%
2018	7,421,206	5.68%
2019	7,138,601	-3.81%
2020 est.	7,404,100	3.72%

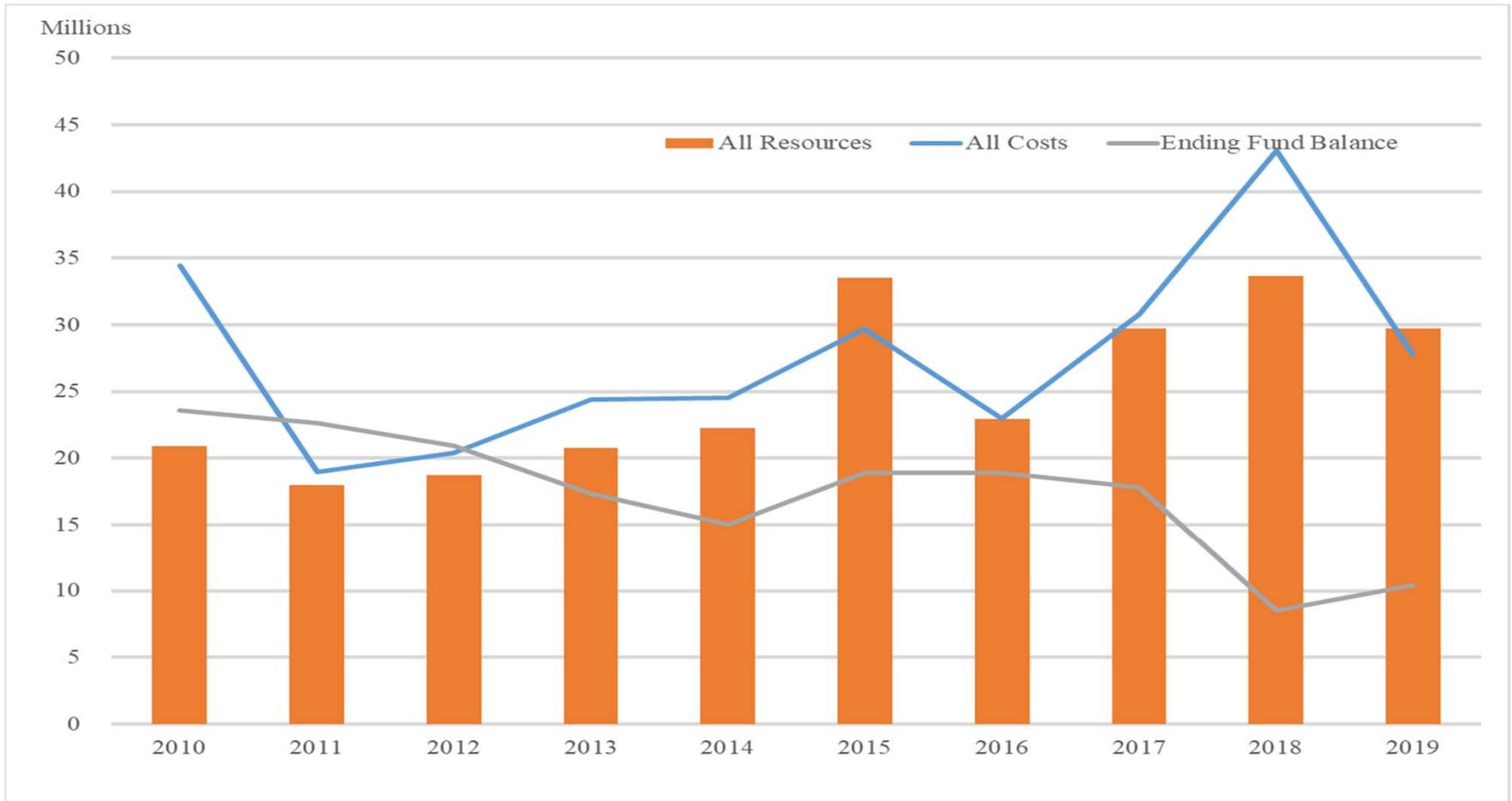


# 10 Year Historical Fund Balances

## GENERAL & HURF FUNDS BALANCES

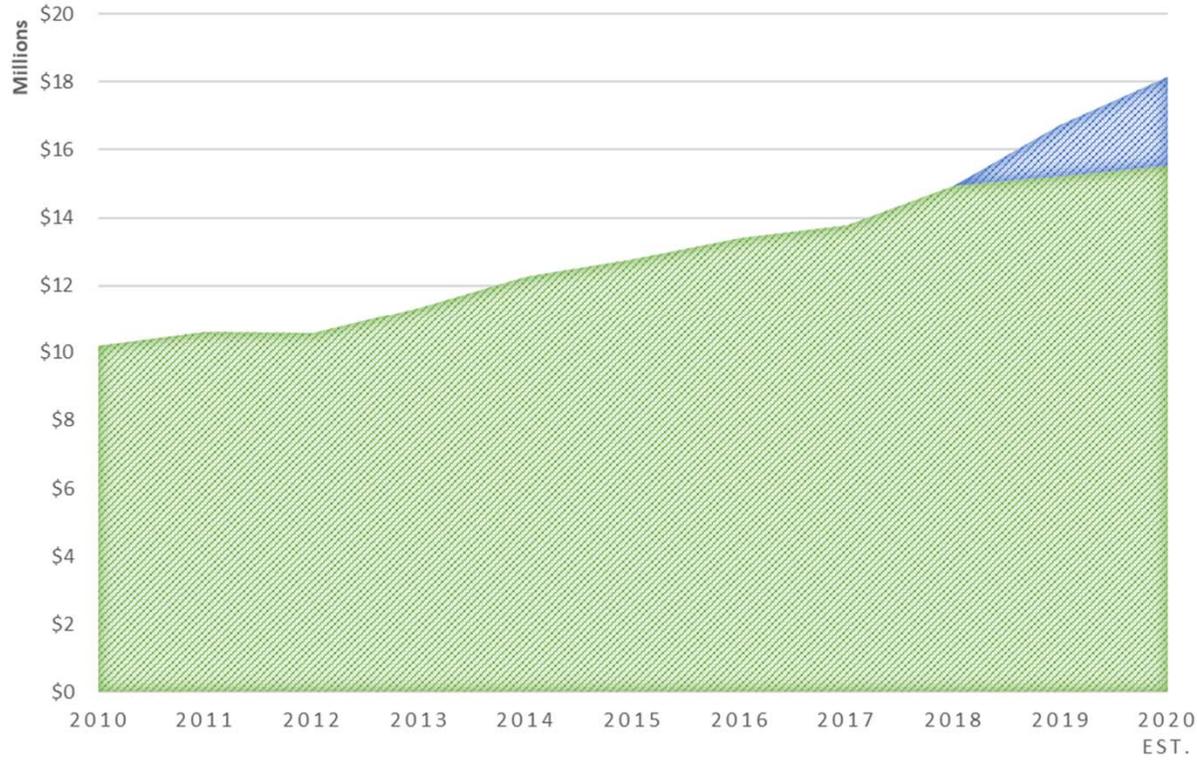


# General Fund and all Non-Major Fund Resources, Costs & Fund Balances



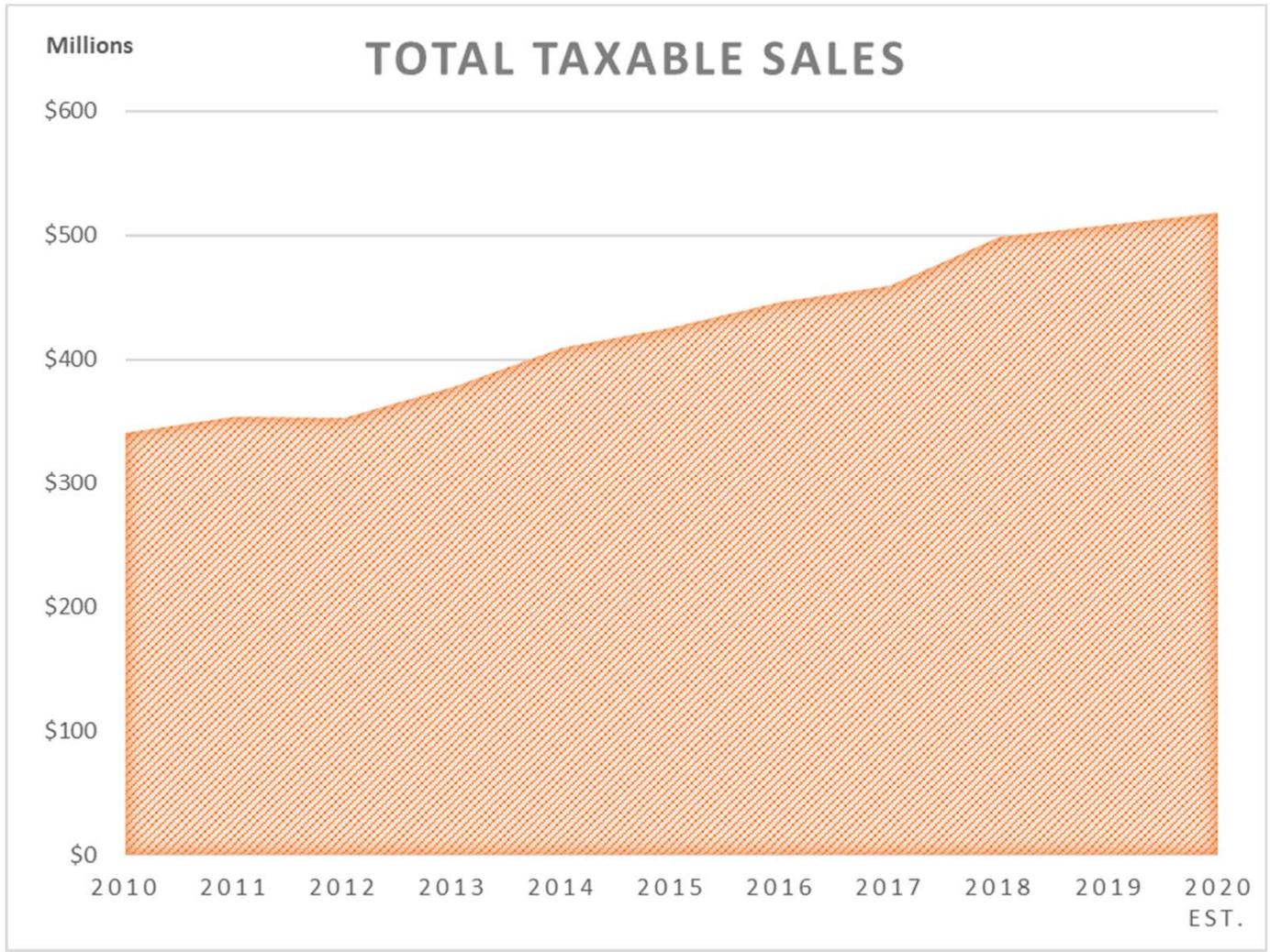
## SALES TAX COLLECTED

■ Sales Tax Collected - 3%   
 ■ Sales Tax Collected - .5%



Fiscal Year	Sales Tax Collected - 3%	Sales Tax Collected - .5%	Total Tax Collected	Increase / Decrease - 3%
2010	\$10,212,304			-0.84%
2011	\$10,624,971			4.04%
2012	\$10,579,983			-0.42%
2013	\$11,329,353			7.08%
2014	\$12,276,616			8.36%
2015	\$12,774,860			4.06%
2016	\$13,385,257			4.78%
2017	\$13,767,921			2.86%
2018	\$14,946,817			8.56%
2019	\$15,213,319	\$1,523,150	\$16,736,469	1.78%
2020 est.	\$15,550,668	\$2,591,778	\$18,142,446	2.22%

2010 – First full year of 3% Sales Tax  
 2019 – Increase .5% in November  
 2020 est. – First full year of 3.5% Sales Tax



Fiscal Year	Total Taxable Sales	Increase / Decrease - 3%
2010	\$340,410,133	-0.84%
2011	\$354,165,700	4.04%
2012	\$352,666,100	-0.42%
2013	\$377,645,100	7.08%
2014	\$409,220,533	8.36%
2015	\$425,828,667	4.06%
2016	\$446,175,233	4.78%
2017	\$458,930,700	2.86%
2018	\$498,227,233	8.56%
2019	\$507,938,137	1.78%
2020 est.	\$518,355,613	2.22%

2017 Taxable sales equaled or exceeds pre-recession numbers

# Questions