

City of Avondale

Annual Budget & Financial Plan

Budget Summary

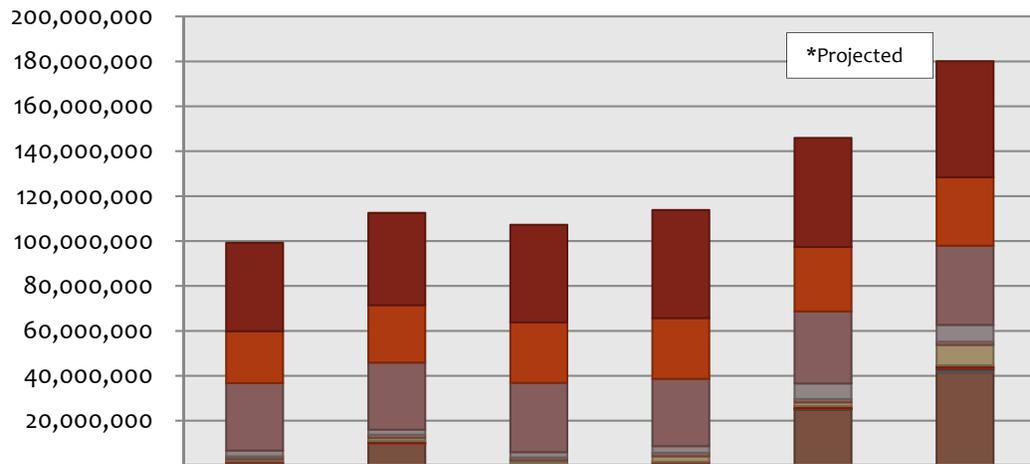
Fiscal Year 2016-2017



Budget Summary

Revenue Summary

The City’s budget projections are developed based on a number of factors including the trends affecting local revenues as well as other statewide economic indicators. Tax revenues have been growing across the state and collections have rebounded from the fiscal year 2010-2011 low point. Consumer confidence has increased and home values have improved greatly. Taxable transactions for the two most recent quarters are up 4.5% from the prior year. Property valuations for Avondale are up 2.7% according to the latest Maricopa County Assessor’s reports. Permit revenues show some promise as the number of single family home permits issued has increased since the fiscal year 2011-2012 total of eleven permits to nearly 150 permits to date with a projection of 200 for FY 2015-2016. The increase in home building should help fund infrastructure requirements for new development.



	2012	2013	2014	2015	2016*	2017*
Local Taxes	39,383,889	41,037,422	43,439,658	48,121,581	48,548,072	51,659,476
Intergovernmental Revenues	23,047,763	25,607,048	26,934,298	27,061,878	28,663,918	30,419,770
Charges for Services	30,082,943	29,822,537	30,894,845	29,993,497	32,112,067	35,271,284
Miscellaneous Revenue	2,502,211	2,274,133	2,347,564	2,961,990	6,923,370	7,450,452
Fines, Forfeitures and Penalties	1,278,955	1,469,460	1,337,738	1,533,978	1,478,395	1,506,430
Development Fees	933,222	1,351,422	1,048,584	2,402,486	1,647,658	9,053,315
Licenses and Permits	749,216	849,843	799,500	1,089,650	964,951	1,031,890
Investment Income	479,626	344,907	299,264	466,301	273,892	307,435
Reimbursement Revenue	692,689	-	-	-	300,000	625,000
Sale of Assets	38,369	19,498	141,123	212,280	-	1,213,060
Other Financing Sources	-	9,746,747	-	-	25,000,000	41,500,000
Total	99,188,882	112,523,018	107,242,575	113,843,641	145,912,323	180,038,112

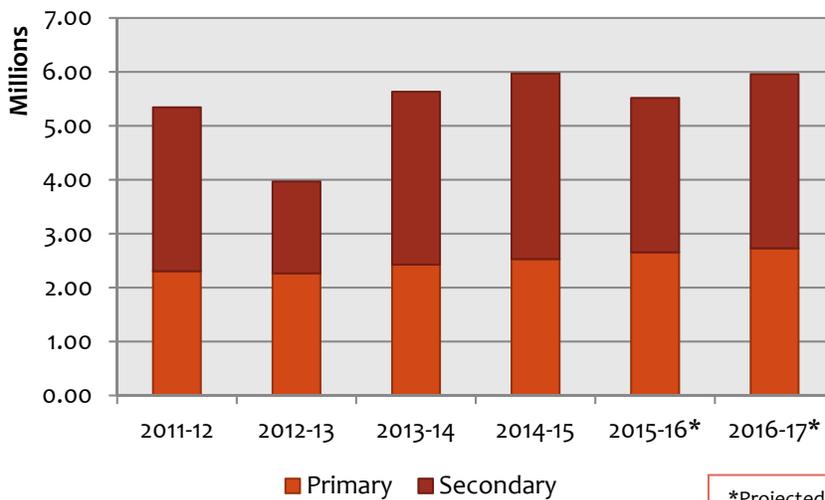
The largest funding source for Avondale services and infrastructure continues to be local taxes. Intergovernmental sources are the second largest source and include state shared sources, intergovernmental agreements and grants. State shared sources, however, are subject to fluctuations at higher levels of government as well as legislative action. The following pages include more detailed information on all the major revenue sources that make up the funding plan for Avondale expenditures.

Budget Summary

Local Taxes

Property Tax

Arizona State Law provides for a two tiered (primary and secondary) property tax system which allows local governments to levy taxes on the assessed value net of exemptions (NAV) of properties within their boundaries. The assessment ratio is set by property classification within State Statute. The valuation of property for primary and secondary property taxes is limited (LPV) to growth of no more than five percent over the previous year. The Maricopa County Assessor determines the values each year. The Assessor's Office also collects all property taxes and distributes collections to the individual jurisdictions each month. The collections may also include property taxes for prior years' levies. By State law, the City is also limited to a 2% increase in primary property taxes over the previous year's levy, excluding the assessment for new construction. The City levies both primary and secondary property taxes and has a self-imposed maximum combined rate of \$2.00.



FY	Annual Revenue	+/-
11-12	5,340,116	-5.77%
12-13	3,967,057	-25.71%
13-14	5,629,421	41.9%
14-15	5,969,162	6.04%
15-16*	5,516,901	-7.58%
16-17*	5,957,900	7.99%

Use

Primary property taxes are classified as recurring revenue which can be used for ongoing operational expenses. The only restriction to the usage of primary property tax is that it must be for a public purpose. Primary tax collections are deposited in the General Fund. The secondary property tax is used for the purpose of retiring the principal plus interest on general obligation (G.O.) bonded indebtedness and is deposited in the G.O. Bond Debt Service Fund. This property tax may be levied in any amount necessary to retire bonded indebtedness as deemed prudent by the city and utilizes the full cash-value of the home.

Structure

Primary Tax Rate	\$0.7700 per \$100 of NAV/LPV	General Class & AV Ratios Commercial – 18% - FY 2017 Residential – 10%
Secondary Tax Rate	\$0.9300 per \$100 of NAV/FCV	
Total	\$1.7000	

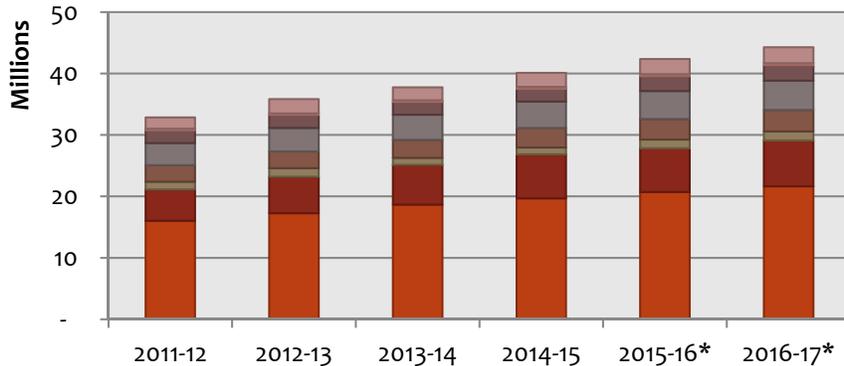
Assumptions

The City annually receives the net assessed values of taxable property from the County Assessor. Existing property values increased 2.7% from the 2015 tax year and another 0.8% was added in new property resulting in a 3.5% total growth in primary assessed valuations. The total tax rate for FY 2016-17 was reduced from \$1.75 to \$1.70 per \$100 of assessed valuation and meets legal limits on primary property tax and match secondary property tax collections with annual G.O. debt requirements. Total expected revenues are 0.003% higher than the previous year.

Budget Summary

Sales Tax – Transaction Privilege Tax (TPT)

The City of Avondale imposes and collects a tax on the sale of merchandise within the limits of the City. A use tax is also in effect for goods brought into and used in the City of Avondale. The City follows the Model City Tax Code (MCTC) which is a classification standard developed for Arizona municipalities to provide uniformity in how items to be taxed or exempted from tax are classified by state and local jurisdictions. Avondale has opted for a few local options which include an additional bed tax, two-level tax on “big ticket” items and the rental occupancy tax.



- Retail Transactions
- Construction/Contracting
- Real Property Rentals
- Use Tax
- Retail Items over \$5k
- Bars & Restaurant
- Communications/Utilities
- All Other

*Projected

FY	Annual Revenue	+/-
11-12	32,852,650	9.22%
12-13	35,829,430	9.06%
13-14	37,748,183	5.36%
14-15	40,098,914	6.23%
15-16*	42,357,280	5.63%
16-17*	44,263,366	4.50%

Detail by Class	FY 16-17*
Retail	21,644,027
Retail Item \$5k +	7,445,627
Contracting	1,489,899
Bar/Restaurants	3,479,878
Real Prop. Rent	4,775,047
Comm/Utilities	2,510,359
Use Tax	342,885
All Other	2,575,644
Total	44,263,366

Use

This revenue is the largest source of funds brought into the General Fund for the City, the majority of which is considered a recurring revenue source to fund ongoing operations. Certain sales collections are not used to fund base operations. The cyclical nature of construction contracting makes this source too volatile so it is classified as one-time revenue. The percentage of sales taxes which is used only for onetime purposes is shown in the following table. Sales taxes have also been pledged as a repayment source for Municipal Development Corporation (MDC) bonds. The 0.5% sales tax dedicated to capital projects is used to finance street, transportation, water and sewer projects either as “pay-as-you-go” funding or through repayment of MDC bonded debt. The 0.5% public safety tax is used exclusively to fund police, fire and court services.

Structure

Classification	Effective:			Total Rate	One-time Revenue %
	12/1/1990	7/1/2001	1/1/2004		
Retail Transactions	1.5%	0.5%	0.5%	2.5%	-
Retail Items over \$5k	1.5%	-	-	1.5%	40%
Construction/Contracting	1.5%	0.5%	0.5%	2.5%	100%
Hotel/Bed Tax (incl. 2% addl.)	3.5%	0.5%	0.5%	4.5%	-
Use Tax	1.5%	0.5%	0.5%	2.5%	-
All Other	1.5%	0.5%	0.5%	2.5%	-

Assumptions

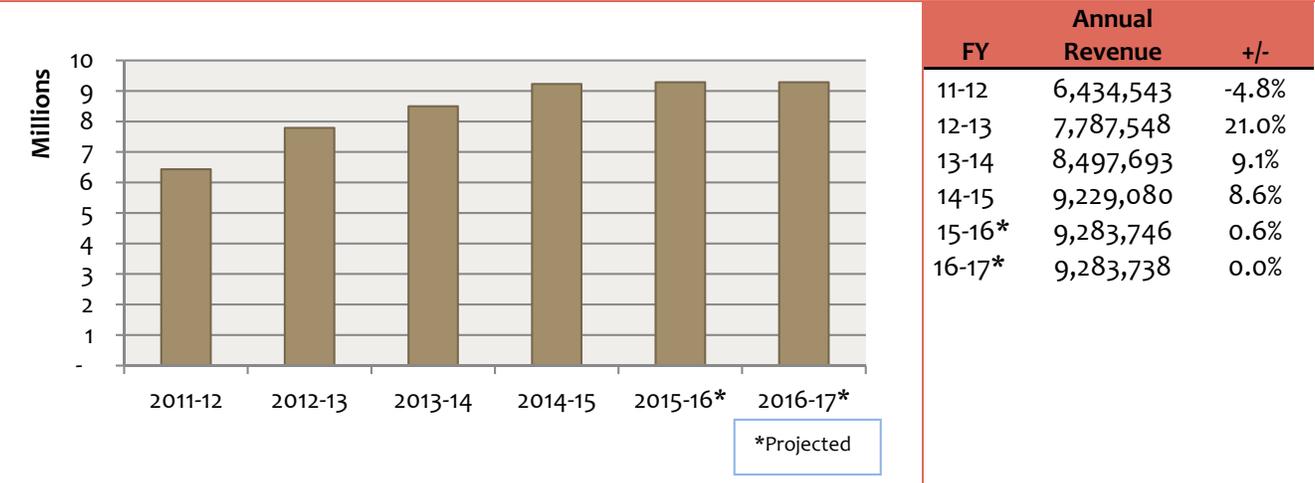
An overall growth rate of 4.5% is projected for the 2016-17 fiscal year. The projections are based on recent collection trends by classification. Most categories of sales taxes are projected to continue to grow at a rate of 2.3% - 8.4% while real property rentals are expected to decrease by 2.2% and communications and utilities are only expected to increase 2.9% based on collections over the past nine months. Projections assume stable population and employment numbers.

Budget Summary

Intergovernmental Revenues

State Shared Income Tax – Urban Revenue Sharing (URS)

Cities and towns in Arizona are precluded from imposing an income tax by Arizona state law. In 1972, the voters of Arizona approved the Urban Revenue Sharing program which requires the State to share 15% of income tax revenue with incorporated cities and towns. The distribution is based on the most recent decennial U.S. Census population plus any adjustments for annexations; or for cities & towns with a population of 1,500 or less, distribution is based on 1,500.



Use

State shared income tax may be used for any municipal public purpose and is deposited in the General Fund. This source is generally classified as recurring revenue which can be used to fund ongoing operations. Exceptions have been made in years when collections reflect an unusual spike in individual and corporate incomes which cannot be sustained based on historical trends in which case a portion of this source will be allocated for use on one-time purposes only. It is notable that the figure below does not match the budgeted figure above; this is due to the unavailability of mid-decade census figures during the budget compilation. Subsequent figures released (in draft format) from the Arizona League of Cities show the estimate below.

Structure

Fifteen percent (15%) of the State's total collections from two (2) years prior net of adjustments is apportioned based on population and distributed monthly to incorporated cities and towns.

Total State Income Tax Collections (Fiscal Year 2015)	\$4,423,521,120
15% City & Town Share	\$663,582,168
US Census Population for Avondale	76,238
Avondale Pct. of Total City & Town Population	1.49%
Avondale FY 2016-17 Share	\$9,877,995

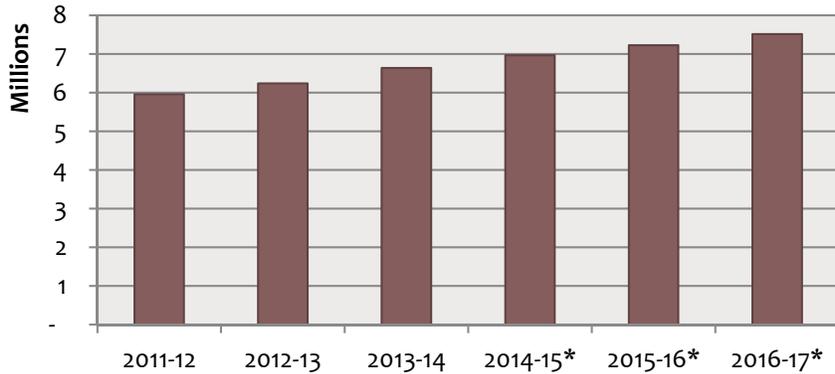
Assumptions

As discussed above, the City took the conservative approach and budgeted a 0% increase to the estimate of revenue as staff believed the mid-decade census could have a detrimental impact on the City's share of the revenue sharing funds. The City's share of the revenue was reduced from 1.52% to 1.49%, but the amount of revenue grew sufficiently that the City will see a \$650,000 increase during FY2016-17.

Budget Summary

State Shared Sales Tax – Transaction Privilege Tax (TPT)

Arizona also has a revenue sharing program for state sales tax. Like the local sales tax, the State imposes a tax on the sale of goods and then establishes a distribution base (DB) of which 25% is shared with all incorporated cities and towns. The distribution is based on the most recent decennial U.S. Census population plus any adjustments for annexations.



*Projected

FY	Annual Revenue	+/-
11-12	5,957,260	11.3%
12-13	6,240,221	4.7%
13-14	6,635,966	6.3%
14-15	6,967,295	5.0%
15-16*	7,224,272	3.7%
16-17*	7,513,240	4.0%

Use

State shared sales tax may be used for any municipal public purpose and is deposited in the General Fund. This source is generally classified as recurring revenue which can be used to fund ongoing operations. An exception is made for construction/contracting tax which is allocated for use on one-time purposes only.

Structure

The State sales tax rate of 5.0% of taxable transactions is allocated to the distribution base based on statutory percentages listed in the Class table below. Twenty-five percent (25%) of the State's sales tax distribution base is apportioned based on population and distributed monthly to incorporated cities and towns.

Total Projected Distribution Base (DB)	\$2,040,000,000	Class	% to DB
25% City & Town Share	\$510,000,000	Transporting, Utilities, Telecomm, Private Car/Pipelines, Publishing, Printing, Contracting,	20%
US Census Population for Avondale	76,238	Mining	32%
Avondale Pct. of Total City & Town Population	1.49%	Restaurants & Bars, Retail, Amusements, Equipment Rentals,	40%
Avondale FY 2016-17 Share	\$7,599,726	Hotel/Motel (5.5%)	50%

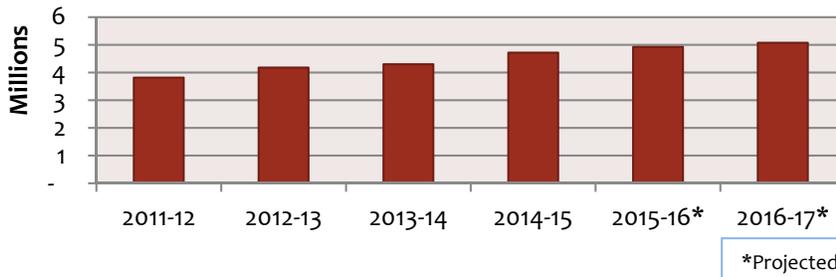
Assumptions

A 4% increase in the fiscal year 2016-17 distribution is expected, based primarily on projections prepared by the League of Arizona Cities and Towns. As of the date of this document, no legislative changes have occurred to alter, defer or eliminate this distribution. It is notable that the budgeted and projected figures (both above) do not match as a result of recently-released figures from the Arizona League of Cities and Towns.

Budget Summary

Highway User Revenue Funds

The State of Arizona collects various fees and taxes from users of the State's roads and highways. An excise tax is charged on fuel purchases on a per gallon basis, currently \$0.18 per gallon. There are also a number of additional transportation related fees/taxes which are distributed through the highway user revenue fund (HURF). These revenues are then distributed to Cities and Towns based on the most recent decennial U.S. Census population plus any adjustments for annexations.



FY	Annual Revenue	+/-
11-12	3,817,593	-5.0%
12-13	4,174,775	9.4%
13-14	4,299,561	3.0%
14-15	4,719,669	9.7%
15-16*	4,925,201	4.4%
16-17*	5,072,960	3.0%

Use

There is a state constitutional restriction on the use of the highway user revenues, which requires that these funds be used solely for street and highway purposes. Up to one-half of the prior year's distribution may also be used for the retirement of debt issued for street and roadway improvements. These funds are deposited in the City's HURF fund.

Structure

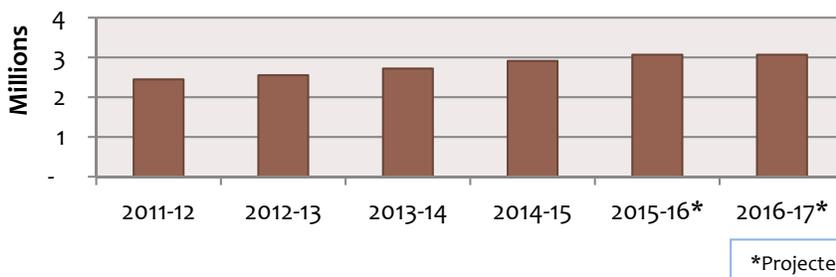
Cities and towns receive 27.5% of HURF based on two factors: population and gasoline sales within each county.

Assumptions

This revenue source is subject to fluctuations in fuel prices and consumer behavior. With fuel prices remaining relatively high nationally and in Arizona, only a modest 3.0% growth rate is projected for 2016-17 as consumers continue to conserve fuel.

Vehicle License Tax (VLT)

Based on a voter approved amendment to the Arizona Constitution, the State imposes a vehicle license tax in lieu of an ad valorem personal property tax on vehicles registered for operation on Arizona highways. These revenues are then distributed to Cities and Towns based on the most recent decennial U.S. Census population plus any adjustments for annexations.



FY	Annual Revenue	+/-
11-12	2,446,388	7.2%
12-13	2,550,807	4.3%
13-14	2,719,021	6.6%
14-15	2,912,879	7.1%
15-16*	3,070,105	5.4%
16-17*	3,070,100	0%

Use

The VLT may be used for any municipal public purpose and is deposited in the General Fund. This source is generally classified as recurring revenue which can be used to fund ongoing operations.

Structure

Cities and towns receive a total of 20.45% of VLT collections which are distributed based on population estimates.

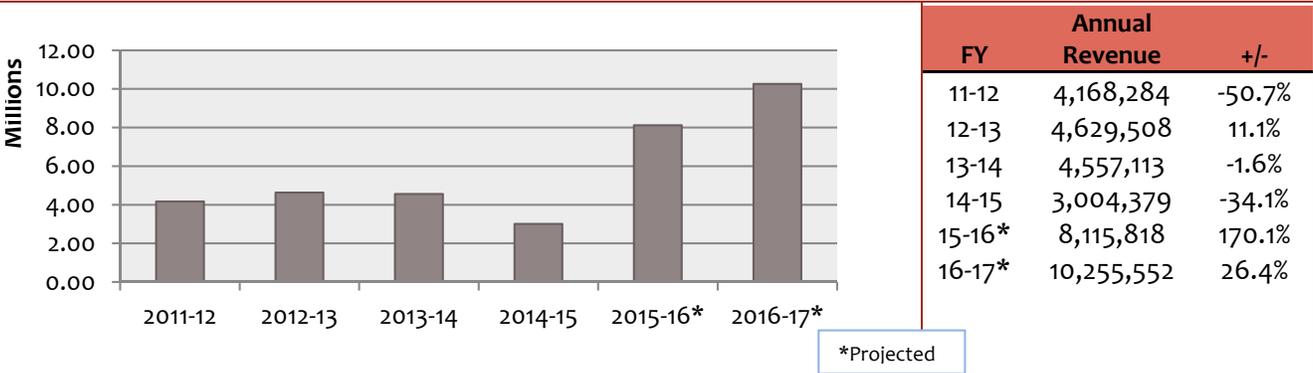
Assumptions

This revenue source is subject to consumer behavior. As consumers buy vehicles which are less expensive and have refrained from upgrading as frequently due to economic factors, this revenue source has shown little growth. With car sales leveling, a 0% increase in this revenue source is projected for FY 2016-17.

Budget Summary

Grants & IGA Revenue

The City of Avondale actively pursues grant funds from a wide variety of sources, both governmental and non-governmental and seeks partnerships through intergovernmental agreements (IGA) with other agencies to share costs of programs or projects. Several grants have been awarded on a regular basis such as the Senior Nutrition Program, Community Development Block Grant (CDBG) and Community Action Program grants. Other recent awards include: Railway-Highways Crossing (Section 130) Federal funds for streets projects and Neighborhood Stabilization Program (NSP) funds. Some of the more common IGAs include school resource officer funding from the school districts, the Regional Advocacy Center cost sharing with the Town of Buckeye, the Maricopa County Sheriff's Office and the City of Goodyear. Each year the City budgets an unanticipated revenue amount of \$5,000,000 to ensure sufficient appropriation primarily for new grants.



Use

Grant programs have requirements established by the grantor that guide the use of grant monies as outlined in the grant proposal and contract. These parameters will vary but usually include guidelines that further the goals of the funding agency. Grant funds are deposited in either a specific special revenue fund or in the City's general grant fund and segregated by a specific accounting unit.

Structure

Grant revenue is not considered a stable and recurring funding source and as such is treated as one-time revenue and not included in the city's base budget. Some grants are for a single fiscal year and others span multiple years.

Assumptions

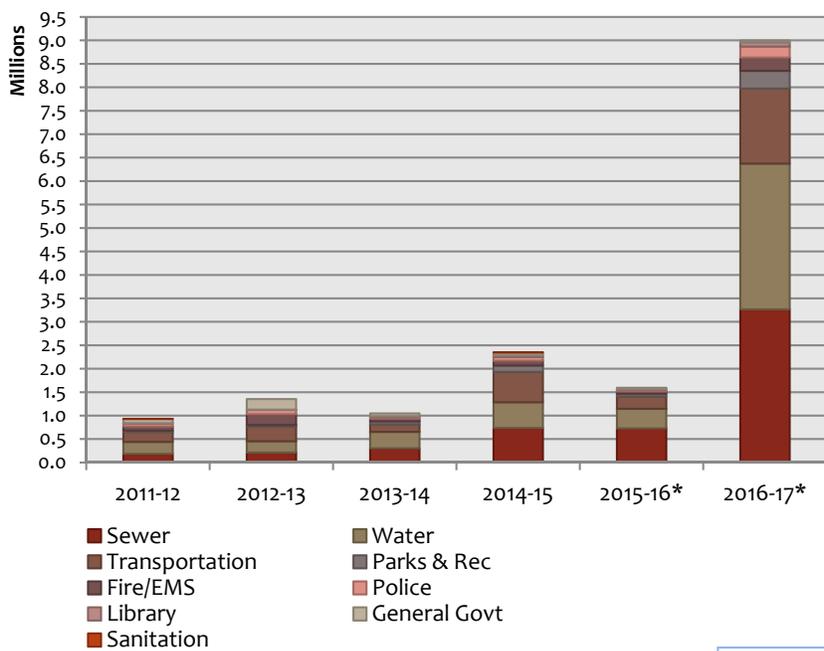
The 2016-17 projections reflect the \$5,000,000 unanticipated revenue and assume the continued award of routine grants. The Neighborhood and Family Services Department also provides the projections for various grant revenues based on the status of their current grant programs.

Budget Summary

Charges for Service

Development Fees

As allowable under A.R.S. §9-463.05, the City of Avondale charges a fee for all new construction based on the impact the development will have on City services and infrastructure. The intent is to ensure that growth pays for itself and current residents are not burdened with additional taxes and fees to defray the capital costs of new development. Development fees are collected with each new building permit. The current fees became effective in August 4, 2014. The new fees were calculated in conformance with the new requirements of the statute which was revised in April of 2011. The collection of general government fees is no longer allowed by the statute unless the fees were pledged as the debt repayment source for facilities financed prior to June 1, 2011. The City will continue to collect general government development fees to repay an inter-fund loan for facility debt service. The library development fees will also be discontinued when all debt obligations have been met.



FY	Annual Revenue	+/-
11-12	933,222	-22.7%
12-13	1,351,422	44.8%
13-14	1,048,585	-22.4%
14-15	2,347,649	123.9%
15-16*	1,592,818	-32.2%
16-17*	8,998,475	464.9%

Category	FY 16-17*
Sewer	3,265,350
Water	3,107,275
Transportation	1,600,110
Parks & Rec	376,335
Fire/EMS	286,130
Police	235,140
Library	83,805
General Govt	44,330
Total	8,998,475

Use

This revenue is utilized to fund the City's capital improvements related to growth such as expanding wastewater treatment plants, expanding or adding recreation facilities, constructing new fire stations and widening existing arterial streets. The fees are used either as "pay-as-you-go" funding or to repay debt on bonds. These funds cannot be used for operations. The revenue is deposited in each respective capital project fund. The water and sewer development fees are deposited in each enterprise capital fund to properly report revenue for proprietary funds.

Structure

All residential development fees are charged on a "per dwelling" unit basis. Non-residential fees are all based on the development's square footage, except for water and sewer development fees which are charged based on meter size which is the best measure of the potential demand the development will place on the water and sewer systems respectively.

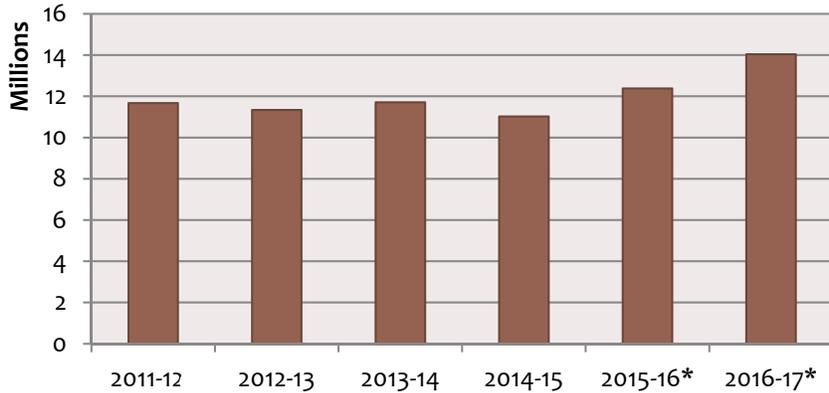
Assumptions

Projections are based on the new fees and 250 homes for FY2016-17. It is also notable that 8.3 million square feet of non-residential development is projected over the next ten years. Due to the cyclical nature of construction, the City uses very conservative fee projections.

Budget Summary

Water Sales

The City of Avondale provides a potable water system to the residences, commercial units and other facilities within City boundaries. Customers are billed monthly for the prior month's usage. The current fees have been effective since March of 2016.



FY	Annual Revenue	+/-
11-12	11,673,346	8.6%
12-13	11,343,391	-2.8%
13-14	11,709,614	3.2%
14-15	11,026,915	-5.8%
15-16*	12,383,470	12.3%
16-17*	14,040,675	13.4%

*Projected

Use

The revenue generated is considered a recurring source which can be used to cover the ongoing costs of operations, administration, maintenance, debt and replacement of the water treatment and delivery system. All revenue is deposited in the Water Utility Enterprise Fund.

Structure

The City has a fee structure which recovers fixed overhead costs through a per bill administrative fee, a maintenance and meter service fee based on meter size and a volume charge per 1,000 gallons of consumption. The City has also a water conservation focused rate block structure. The higher the usage, the higher the rate per 1,000 gallons.

Admin fee \$3.30 per bill Meter Size-Base Fee all users* -		Residential Usage Charge*/ 1,000 gallons		Non-Residential Usage Charge/ 1,000 gallons	
3/4" Meter	\$ 7.70	0-4,000 gal	\$ 1.06	0-8,000 gal	\$ 1.69
1" Meter	19.30	5,000-8,000 gal	\$ 1.69	9,000-12,000gal	\$ 2.47
1 1/2" Meter	38.60	9,000-12,000gal	\$ 2.47	13,000 + gal	\$ 3.88
2" Meter	61.70	13,000 + gal	\$ 3.88	Hydrant – all gal	\$ 3.88
3" Meter	115.70				
4" Meter	192.80				
6" Meter	385.70				
Hydrant Meter	192.80				

*Multi-family rates are adjusted by an equivalency factor of 47% of residential rates multiplied by the number of units.

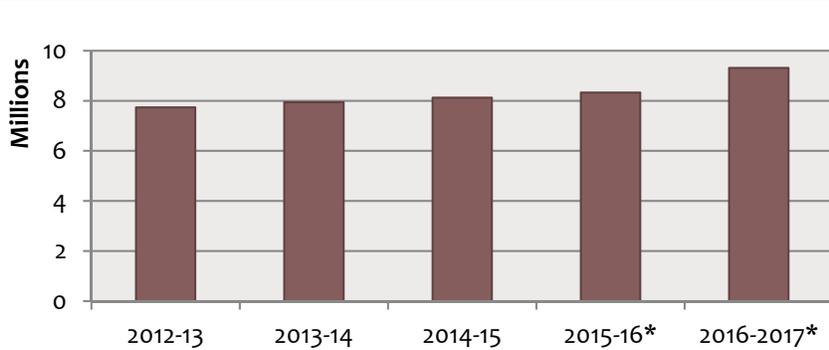
Assumptions

During FY 2015-2016, the City completed a water and sewer rate study, and in March of 2016, the City Council adopted the first rate increases since 2009. The water rate increase was 7.5% in total across all rate categories and meter sizes plus a 2% population growth factored into the model. The sewer and water rate model adopted by the City Council includes a 6.0% increase in January of 2017. These rates are reflected in the FY2016-17 estimate of revenue.

Budget Summary

Sewer Fees

The City charges a fee to each sewage system user having any sewer connection or otherwise discharging sewage, industrial waste, or other liquids, into the City's sewage system. The current fees have been effective since March of 2016.



FY	Annual Revenue	+/-
12-13	7,737,392	0.6%
13-14	7,941,061	2.6%
14-15	7,964,757	0.3%
15-16*	8,330,190	4.6%
16-17*	9,313,179	11.8%

*Projected

Use

The revenue generated is considered a recurring source which can be used to cover the ongoing costs of operations, administration, maintenance, debt and replacement of the wastewater treatment and reclamation system. Sewer fees are deposited in the Wastewater Utility Enterprise Fund.

Structure

The City has a fee structure which recovers fixed overhead costs through a per bill administrative fee. Volume charges are based on strength and flow characteristics by customer class and charged per 1,000 gallons of the customer's water usage. A return factor is applied on the volume to account for water which is not returned through the sewer system, such as water used for irrigation purposes.

Per bill admin. charge		\$6.42			
Customer Class	Volume charge per 1,000 gal	Return Factor	Customer Class	Volume charge per 1,000 gal	Return Factor
Residential*	\$3.52	80%	Restaurant	7.14	80%
Multi-Family	3.52	100%	Mobile Home Park*	3.52	80%
Auto Steamcleaning	8.58	70%	Laundromat	2.32	70%
Bakery Wholesale	5.41	80%	Bars w/o Dining	2.73	80%
Hospital & Convalescent	2.74	80%	School and College	2.21	80%
Hotel W/ Dining	4.92	80%	Laundry, Commercial	3.93	70%
Hotel W/O Dining	3.05	80%	Professional Office	2.16	80%
Markets w/Garbage Disposal	6.68	80%	Car Wash	1.83	70%
Mortuaries	6.68	80%	Department/Retail	2.40	80%
Repair Shop/Svc Station	2.74	80%			

*Charges for residential customers are calculated using average water usage for December, January and February, adjusted by listed return factor.

Assumptions

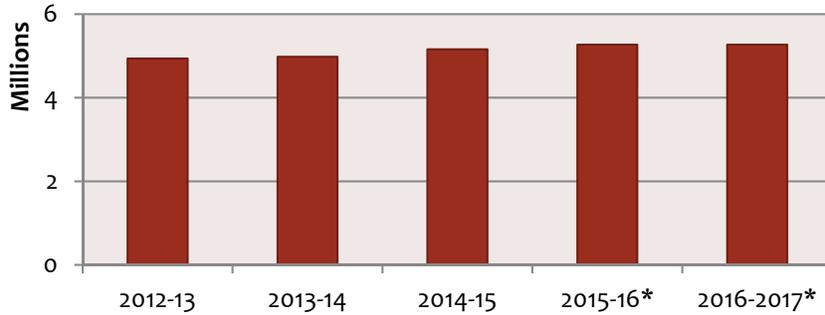
During FY 2015-2016, the City completed a water and sewer rate study, and in March of 2016, the City Council adopted the first rate increases since 2009. The sewer rate increase was 6.0% in total across all rate categories and meter sizes plus a 2% population growth factored into the model. The sewer and water rate model adopted by the City Council includes a 6% increase in January of 2017. These rates are reflected in the FY2016-17 estimate of revenue.

Budget Summary

Residential Refuse Fees

Curbside refuse and recyclables collection service is provided for Avondale residents weekly. Residential uncontained trash is collected monthly. The City charges a monthly fee for these collection services. The current fees have been in effect since January of 2009.

The City does not provide commercial sanitation services, although private haulers of commercial refuse are permitted by the City and collection must comply with Maricopa County Health department standards.



FY	Annual Revenue	+/-
12-13	4,936,598	1.0%
13-14	4,979,185	0.9%
14-15	5,027,904	1.0%
15-16*	5,268,360	4.8%
16-17*	5,268,360	0.0%

*Projected

Use

The revenue generated from refuse fees is considered a recurring source which can be used to cover the ongoing costs of operations, administration, maintenance, and replacement of sanitation equipment. The fees are deposited in the Sanitation Enterprise fund.

Structure

There is a flat rate service charge for all single-family residential, residential duplex and residential triplex units. The current monthly fee by service type is as follows:

Refuse Container(s)	Pickups per Week	Recycling Container(s)	Fee
1	1	1	\$20.00
2	1	1	\$32.00
1	2	0	\$40.00

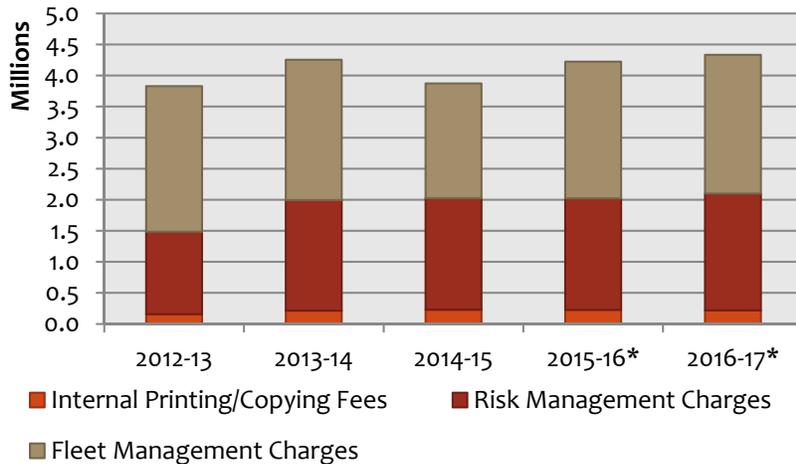
Assumptions

Collection trends for this source have been fairly consistent and no increase is projected for the 2016-17 fiscal year.

Budget Summary

Internal Service Charges

The City of Avondale maintains three internal service funds to account for services provided city-wide for fleet management, risk management and printing/copying services. The charges for these services are budgeted as expenditures in each department and recorded as revenue in each respective internal service fund. The charges are evaluated annually and recalculated based on service utilization, or other factors such as claims history and building occupancy for risk and insurance charges.



FY	Annual Revenue	+/-
12-13	3,827,813	-3.3%
13-14	4,387,043	11.1%
14-15	4,474,340	-8.93%
15-16*	4,342,740	9.0%
16-17*	4,333,830	2.6%

Category	FY 16-17*
Internal Print/Copy	218,800
Risk Management	1,881,340
Fleet Management	2,233,690
Total	4,333,830

*Projected

Use

The fleet charge revenue is utilized to fund the City's expenditures for maintenance, supplies and services related to maintaining the City's fleet of vehicles and equipment.

The risk management charge revenue is utilized to fund the City's expenditures for liability and property insurance, uninsured claims, reserves and risk management staff.

The printing/copier charge revenue is utilized to fund the City's expenditures for copier/printer maintenance contracts, supplies and replacement.

Structure

Risk charges are allocated annually and charged evenly over the 12 months of the fiscal year. All other internal charges are billed on an actual service usage basis.

	Fleet	Risk	Printer/Copier
Allocation	Hourly Labor	Liability by FTE Count & Claims %	Maintenance
Components	Parts plus Markup	Building by Occupancy %	Copy Supplies
	Fuel plus Markup	Vehicle by Value	Replacement Reserve
	Sublet plus Markup	Reserve Requirement	
Charge Basis	Work Order	Annual Allocation	Price per Page

Assumptions

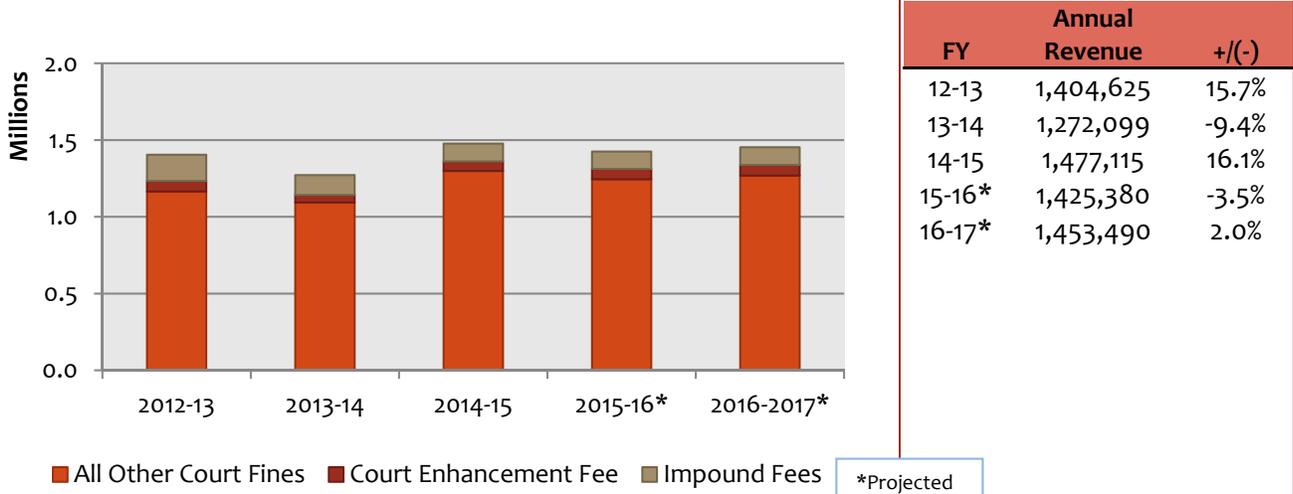
Projections are based on projected internal service fund expenditure and reserve requirements. Fleet revenue assumptions include projected fuel and parts prices. Risk revenue assumes an increase in reserve requirements for uninsured claims. Printer/Copier revenue assumes an increase in price per page.

Budget Summary

Fines, Forfeits and Penalties

Court Fines, Court Payments and Impound Fees

The City of Avondale imposes fines and fees for violations of City Code as well as fees for vehicles which have been impounded. The City Court collects fines and penalties and ensures compliance with mandates of the Arizona Supreme Court and the Maricopa County Superior Court. The Avondale Police department administers the 30-day Tow Program and collects impound fees from the vehicle owners upon release of the vehicle. Other fines are distributed as required by State Statute to be used for safety equipment for local law enforcement officers.



Use

Court fines and penalties are generally used to defray the cost of the City Court. The majority of the court fines are deposited in the General Fund, however fines collected for specific items such as court enhancements are deposited in a special revenue fund. The impound fees are deposited in the General Fund to offset the costs of administering the 30-day tow program. The safety equipment assessment is also deposited in the General Fund and used specifically for the purchase of safety equipment.

Structure

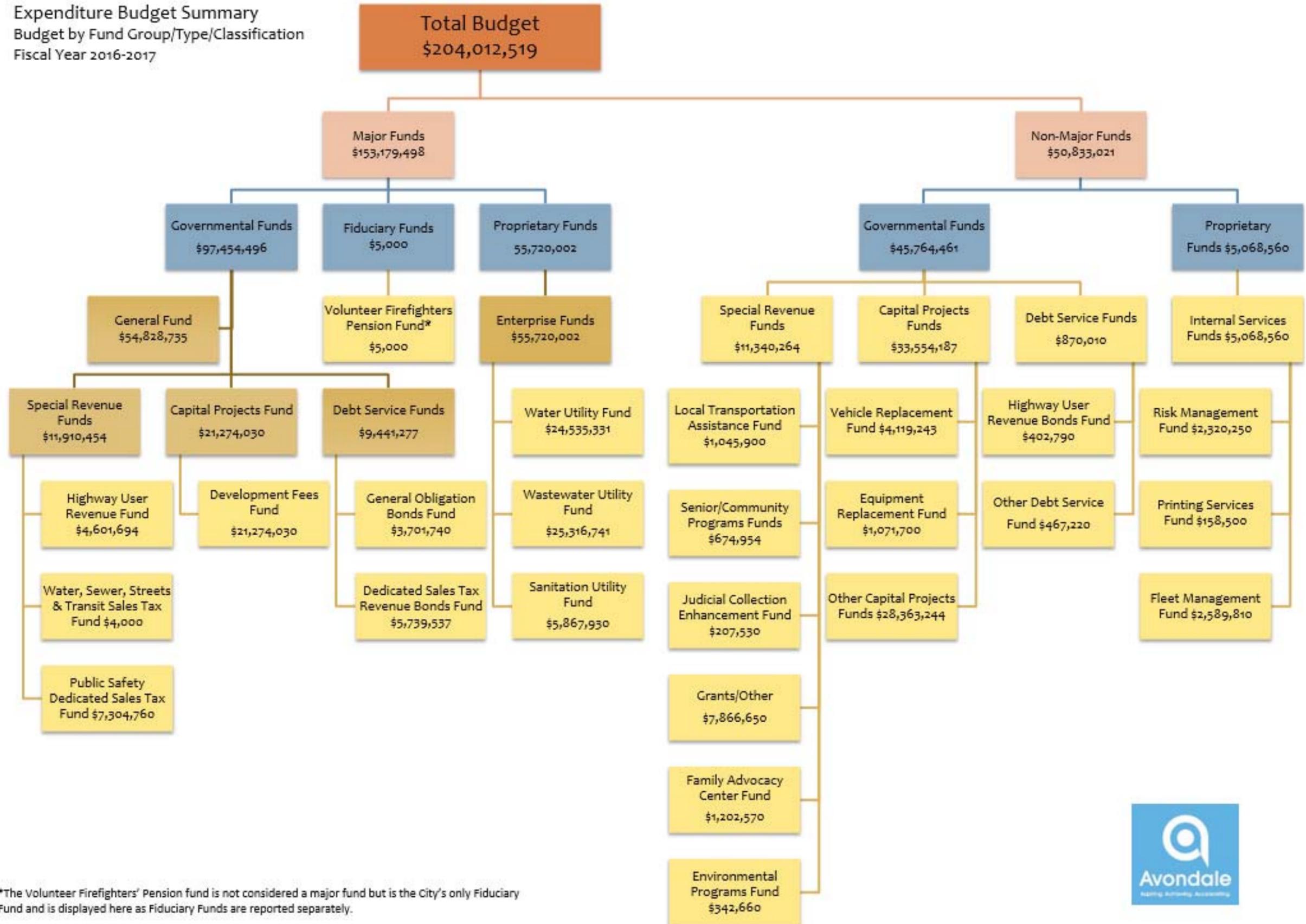
Court fines are intended to be punitive and set at a level sufficient to modify behavior. In addition to the City fine and penalty structure, the Court is obligated to collect various fees, surcharges and assessments mandated by the Arizona Supreme Court. The fines and penalties therefore vary widely. The fees over which the City has the most discretion include the following:

- Court Enhancement Fee - \$19 per case
- Vehicle Impound Release Fee - \$150 per vehicle

Assumptions

The FY2016-17 projections reflect a moderate increase in case filings and a corresponding increase in fines of 2%.

Expenditure Budget Summary
Budget by Fund Group/Type/Classification
Fiscal Year 2016-2017



*The Volunteer Firefighters' Pension fund is not considered a major fund but is the City's only Fiduciary Fund and is displayed here as Fiduciary Funds are reported separately.



Budget Summary

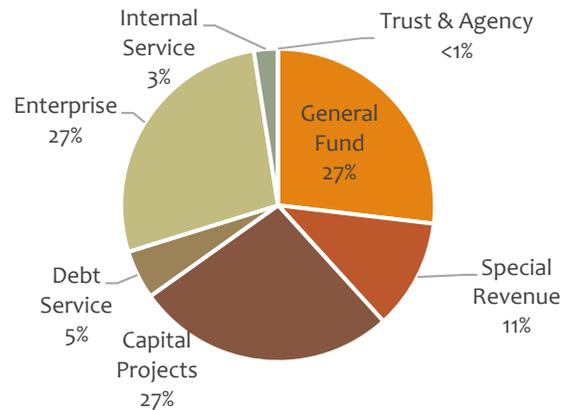
Expenditure Summary

Under the voter approved “Home Rule” expenditure limitation, the City has the ability to appropriate all revenue sources. Therefore, City of Avondale prepares an annual budget and financial plan for all funds which means that all funds are appropriated. The City’s funds are accounted for in specific fund types that help classify the type of expenditure. For example, the primary operating fund for non-enterprise services is the General Fund which is a governmental fund. The following table shows the fund types as they are grouped for reporting purposes.

Governmental Funds	Proprietary Funds	Fiduciary
General Fund	Enterprise	Pension Trust
Special Revenue	Internal Service	
Capital		
Debt Service		

Budget by Fund Type

Total appropriations of \$204,012,519 by fund category are depicted on the right. The general fund appropriations comprise 27% of the total budget and capital funds make up 27%. Enterprise funds, including enterprise capital projects make up about 27%. Special revenue funds, including dedicated sales taxes and grant funds, total 11%. The debt service, internal service and trust funds make up the remainder at 8%. The appropriations for the City’s only Pension Trust fund total \$5,000.



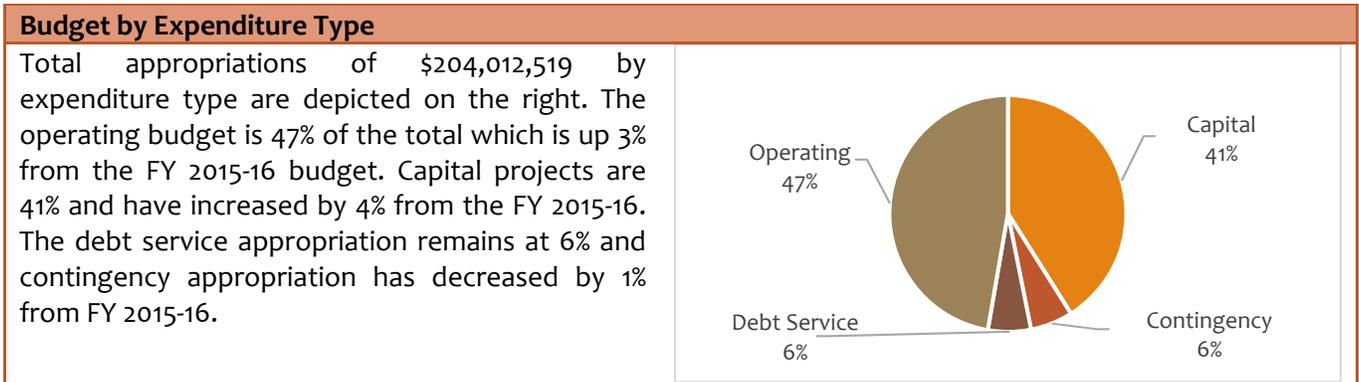
Funds are further classified as major or non-major based on the local focus or importance. Some of the funds are aggregated to simplify reporting, such as the minor grant funds and development fee funds. The City’s funds are grouped based on the following fund groups and types and are appropriated as shown on the financial chart on the previous pages.

Fund Group	Fund Type	Major	Non-Major
Governmental	General	General	
	Special Revenue	Highway User Revenue Water, Sewer, Streets & Transit Sales Tax Public Safety Sales Tax	Local Transportation Assistance *Senior Programs Judicial Collection Enhancement *Grants-in-Aid Family Advocacy Center Environmental Programs
	Capital	*Development Fees Vehicle Replacement	Equipment Replacement
Proprietary	Debt Service	General Obligation Bonds Dedicated Sales Tax Bonds	*Other Capital Projects Highway User Revenue Bonds *Other Debt Service Funds
	Enterprise	Water Utility Wastewater Utility Sanitation	Internal Service
Fiduciary	Pension Trust		Voluntary Firemens' Pension

*See the fund matrix on the following pages for a listing of all City funds.

Budget Summary

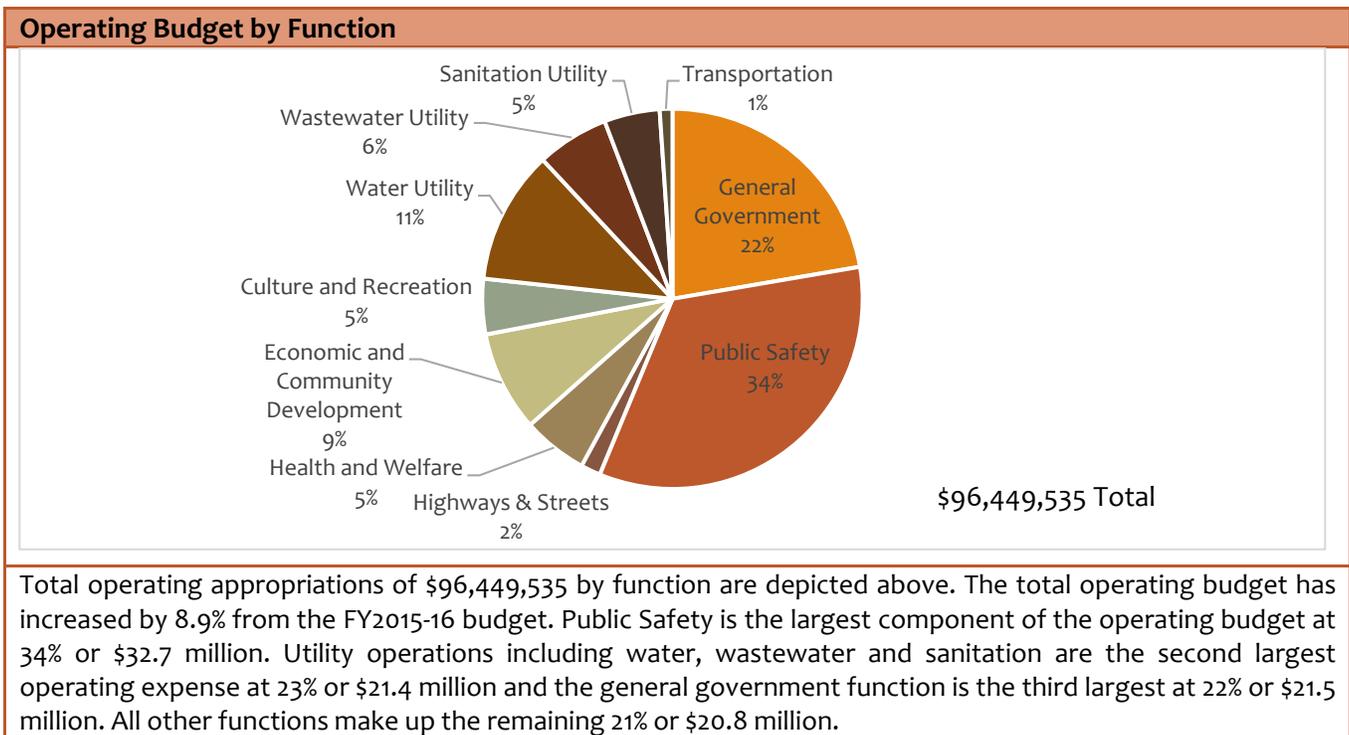
In addition to fund groupings and categories, expenditures are budgeted by expenditure type which helps separate the operations from capital, debt and contingency appropriations. This level of budgeting provides the mechanism to match expenditure budgets to revenue sources. Specifically recurring revenue sources to ongoing operations as identified in the preceding revenue section.



Operations usually make up the largest expenditure component of the budget, unless major projects are planned which increases the capital projects share of the budget. The operating budget is developed through a team approach with the individual departments reviewing their current base budgets and making supplemental requests for new funding to address Council goals, increased costs, or increases in service units/customers. The departments are an extension of functional units used for financial reporting. Departments are grouped by function as shown below:

Function	Department
General Government	<ul style="list-style-type: none"> City Council City Administration Community Relations Information Technology Finance & Budget Human Resources City Clerk City Court Public Works - Administration & Fleet Parks, Recreation & Libraries - Facilities
Public Safety	<ul style="list-style-type: none"> Police Fire
Highways & Streets	<ul style="list-style-type: none"> Public Works - Streets Development & Engineering Services - Traffic
Health & Welfare	<ul style="list-style-type: none"> Neighborhood & Family Services
Economic & Community Development	<ul style="list-style-type: none"> Development & Engineering Services Economic Development
Culture and Recreation	<ul style="list-style-type: none"> Park, Recreation & Libraries
Utility Operations	<ul style="list-style-type: none"> Public Works – Water, Wastewater & Sanitation
Transportation	<ul style="list-style-type: none"> Community Relations - Transit

Budget Summary



The operating budget is also classified by object of expenditure. This groups the expenditures into categories such as personal services, contractual services, commodities and capital outlay, lease and/or loan payments and other. The major expenditure category in the operating budget is personal services at 53%, which includes all salaries and benefits for city staff. Contractual services comprise 37% of the operating budget. The “Other” category includes indirect administrative charges and appropriations restricted for a specific use such as Council or management projects. The indirect administrative charges are recorded in the central service budgets as a credit to expenditures while the recipient departments will be charged for their share of the expenditures. A five-year comparison of all operating costs, both actual and projected, are presented in the following table.

Operating Expenditures & Budget by Object Category					
	FY 12-13	FY 13-14	FY 14-15	FY 15-16*	FY 16-17*
Personal Services	40,164,073	42,102,471	44,634,720	47,566,870	50,816,228
Contractual Services	27,235,688	26,589,386	24,783,057	38,139,080	35,507,983
Commodities	5,225,021	4,886,864	4,843,424	5,507,980	5,780,076
Capital Outlay	843,832	3,332,765	1,163,194	2,151,590	2,019,807
Other	1,750	0	491	137,680	1,925,441
Leases	389,524	46,227	0	0	400,000
Totals	73,859,888	76,957,713	75,433,651	93,503,200	96,449,535

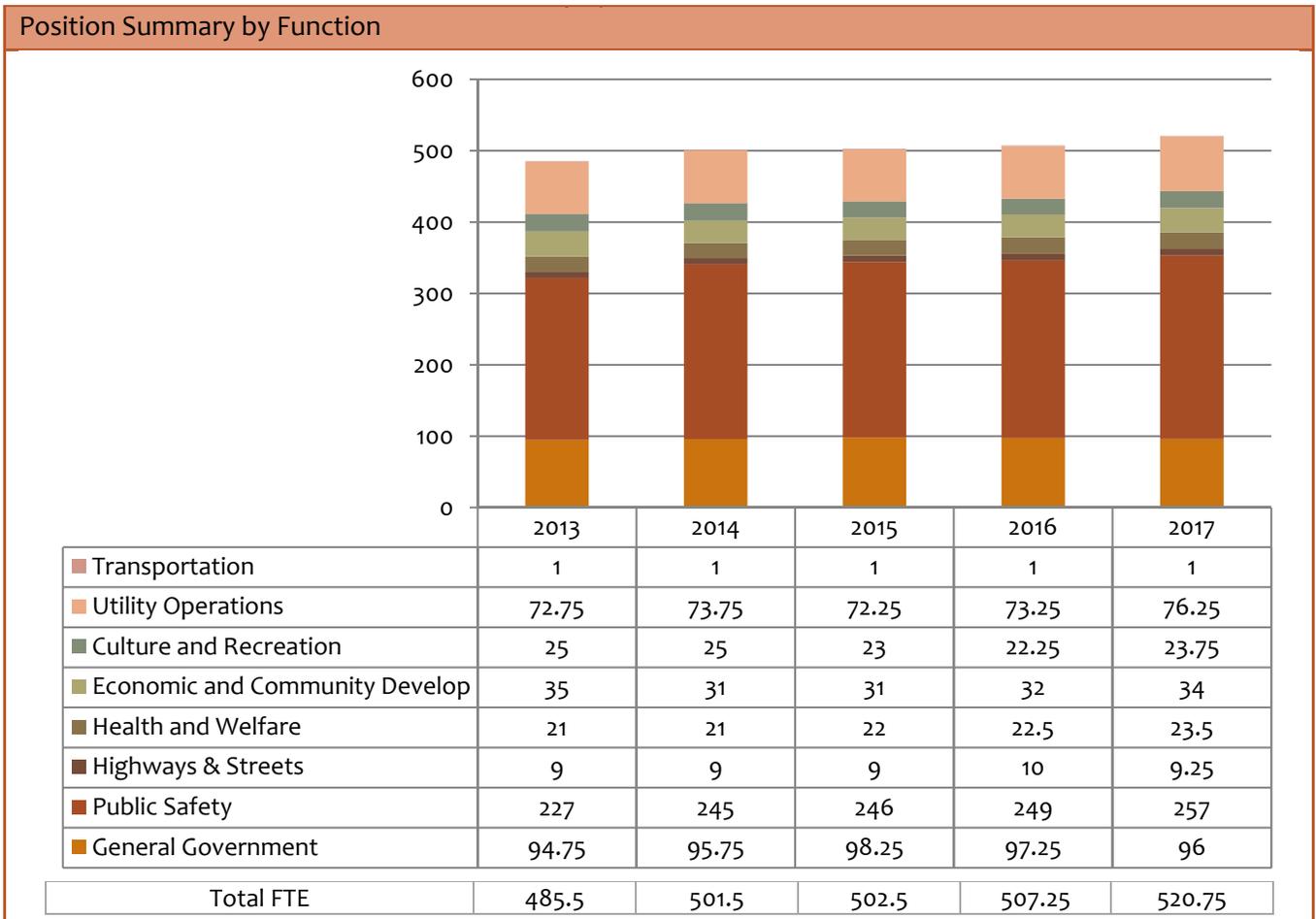
*Projected

The operating expenditure budget assumptions for the 2016-2017 fiscal year include: a salary adjustment of four percent, increases in pension and other associated payroll costs, supplemental requests totaling \$7,742,260, and carryover requests totaling \$3,963,140. A complete listing of supplemental and carryover requests is included in the schedules section of this document.

Budget Summary

City Staffing

With personnel costs at 53% of the operating budget, staffing is clearly an essential factor in providing services to our citizens. Avondale maintains one of the lowest employee-to-citizen ratios in the Phoenix valley at 6.8 full-time equivalents (FTE) per 1,000 citizens, indicating that the city’s workforce is efficient. The FY 2016-17 budget includes thirteen and a half (13.5) FTEs needed to maintain, improve and provide new service to City residents.

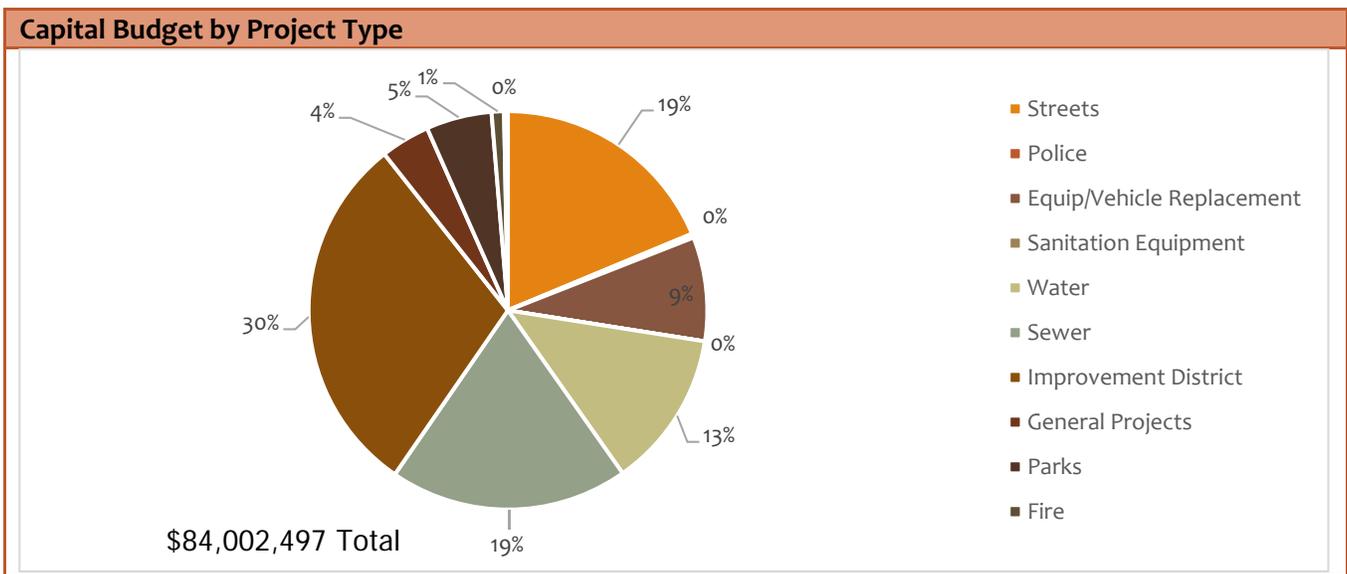


Public safety staffing makes up 49.4% of the City’s total full-time equivalents. The next largest groups of FTEs is general government at 18.4%, utility operations at 14.6%, economic and community development at 6.6% with the remaining groups making up the remaining 11% of the total. A detailed listing of positions by fund, department and title is included in the schedules section of this document.

Budget Summary

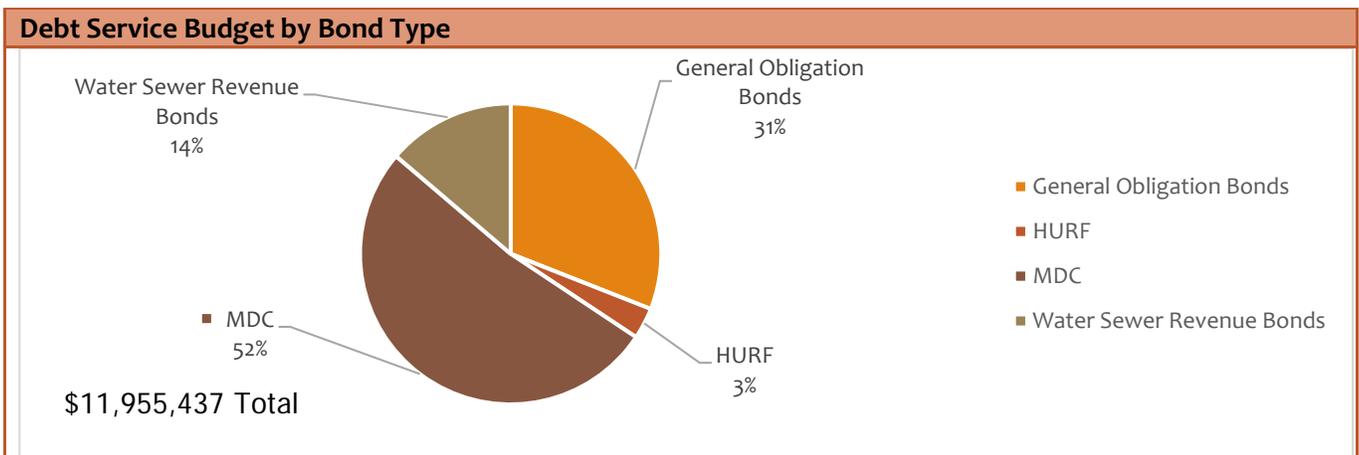
Capital Improvement Plan

The Capital Improvement Plan (CIP) is an integral component of the City’s budget. The first year of the developed ten year plan becomes the source of capital appropriations within this budget. The total capital appropriations for FY 2016-17 are \$84,002,497. This total includes the appropriations for Enterprise fund capital projects and equipment replacement. The capital funds also transfer monies to debt service funds if development fees have been pledged to repay debt. When adding the transfers out, the capital fund uses total \$84,305,447. The CIP for the 2016-2017 fiscal year has increased by \$19.2 million. Detailed information on the financing of the plan and descriptions and costs for each capital project is included in the Capital Improvement Plan section.



Debt Service

The City’s debt service requirements have increased due to a net increase resulting from changes in principal and interest. Since the end of the recent economic downturn, property values and sales tax revenues have been increasing which will improve the City’s ability to issue debt. The debt service projections for this year assumes the issuance of \$9 million in sewer bonds for treatment plant improvements totaling \$450,000 in principal and \$360,000 in new interest payments.



Budget Summary

Fund Matrix

This schedule shows the City's fund structure and identifies which funds are aggregated or "rolled-up" for reporting purposes.

Fund Group	Type	Fund Title	Funds Aggregated	No.	Major*
Governmental					
General					
		General Fund		101	*
Special Revenue					
		Highway User Revenue Fund		201	*
		Senior Programs			
		Senior Nutrition		202	
		Community Action Program		203	
		Local Transportation Assistance Fund		215	
		Judicial Collection Enhancement Fund		227	
		Grants-in-Aid			
		Home Grant		205	
		Other Grants		209	
		Cemetery Maintenance Fund		214	
		Voca Crime Victim Advocate		225	
		CDBG		240	
		Public Arts Fund		246	
		Family Advocacy Center		229	
		Dedicated Sales Tax		230	*
		Public Safety Dedicated Sales Tax		235	*
		Environmental Programs Fund		245	
Capital					
		Development Fees			*
		Street Construction		304	
		Police Development		308	
		Parkland		310	
		Library Development		311	
		General Government Development		318	
		Fire Dept. Development		319	
		Other Capital Improvements			
		Improvement Districts		320	
		City Center		333	
		Vehicle Replacement		601	
		Equipment Replacement Fund		603	

Budget Summary

Fund Group	Type	Fund Title	Funds Aggregated	No.	Major*
Governmental					
Debt Service					
		General Obligation Bonds		401	*
		Dedicated Sales Tax Bonds		430	*
		Other Debt Service			
		Hwy User's Bonds '85/91/98		408	
		Park Issue		410	
		Dysart Road M.D.C.		417	
Proprietary					
Enterprise					
		Water Utility			*
		Water Operations		501	
		Water Development		514	
		Water Equipment Replacement		530	
		Wastewater Utility			*
		Wastewater Operations		503	
		Wastewater Development		513	
		Wastewater Equipment Replacement		531	
		Sanitation			*
		Sanitation		520	
		Sanitation Development		524	
		Sanitation Equipment Replacement		532	
Internal Service					
		Printer - Copier Service Fund		604	
		Risk Management Fund		605	
		Fleet Services Fund		606	
Fiduciary					
Pension Trust					
		Volunteer Fireman's Pension		701	

Budget Summary

Projection of Financial Condition by Fund Type

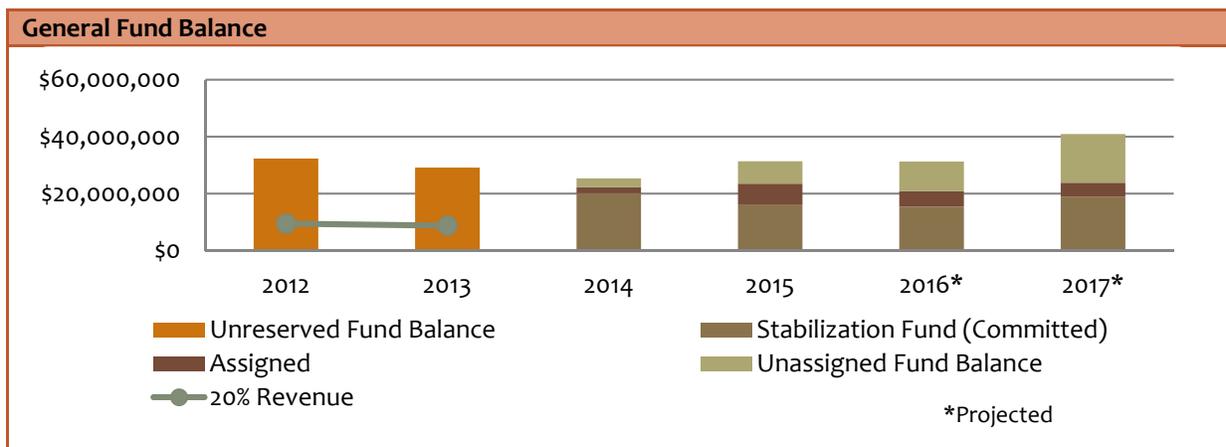
Fund Type	Fund Balance/ Net Position June 30, 2016	Revenue	Transfers In	Expenditure	Transfers Out	Stabilization Fund	Fund Balance/ Net Position June 30, 2017
General Fund	36,232,984	58,480,908	0	54,828,735	7,649,429	22,466,339	9,769,389
Special Revenue	17,319,543	29,423,258	1,186,239	23,250,718	7,922,350	0	16,676,786
Capital Projects	20,451,392	33,895,790	7,874,800	54,828,217	302,950	0	7,017,213
Debt Service	8,612,844	3,756,192	6,672,950	10,311,287	0	0	8,627,027
Enterprise	63,601,971	50,140,354	5,953,840	55,720,002	5,803,840	0	57,898,344
Internal Service	3,244,601	4,341,330	0	5,068,560	9,260	0	2,508,111
Trust & Agency	230,559	280	0	5,000	0	0	225,839
Total All Funds	149,693,894	180,038,112	21,687,829	204,012,519	21,687,829	22,466,339	102,722,710

This section is an assessment of the City’s financial condition which includes an analysis of revenues and expenditures to ensure the City’s balanced budget requirements are met for funds that include an operating component. In addition, a long range forecast is prepared for each fund which is classified as a major fund to either confirm sustainability or identify potential funding issues.

General Fund

The general fund accounts for all financial resources except those required to be accounted for in other funds. As the City’s primary operating fund, the general fund tends to be the focus of the budgetary discussions along with the other funds we have identified as major funds.

At the end of the 2017 fiscal year, the balance in the general fund is estimated to total \$32.2 million. Of this total, \$22.5 million is committed to the stabilization fund. This leaves \$9.8 million in unassigned fund balance. This is in accordance with the City’s policy of retaining at least 35% of General Fund prior year expenditures and transfers within the City’s stabilization Fund. The prior goal was to maintain 20% of revenues in fund balance. The increase in fund balance can be attributed in part to a reduction in transfers out for capital projects.



In keeping with the balanced budget requirements, staff makes every effort to identify revenue sources that are relatively stable to match with the base operating budget. The following table lists the departments supported by the general fund and identifies the function in which each department is reported in the budget analysis.

Budget Summary

Departments by Function Supported by the General Fund	
General Government	Public Safety
City Council	Police
City Administration	Fire
Community Relations	Health & Welfare
Information Technology	Neighborhood & Family Services
Finance & Budget	Economic & Community Development
Human Resources	Development Services and Engineering
City Clerk	Economic Development
City Court	Culture & Recreation
Public Works	Parks, Recreation & Libraries

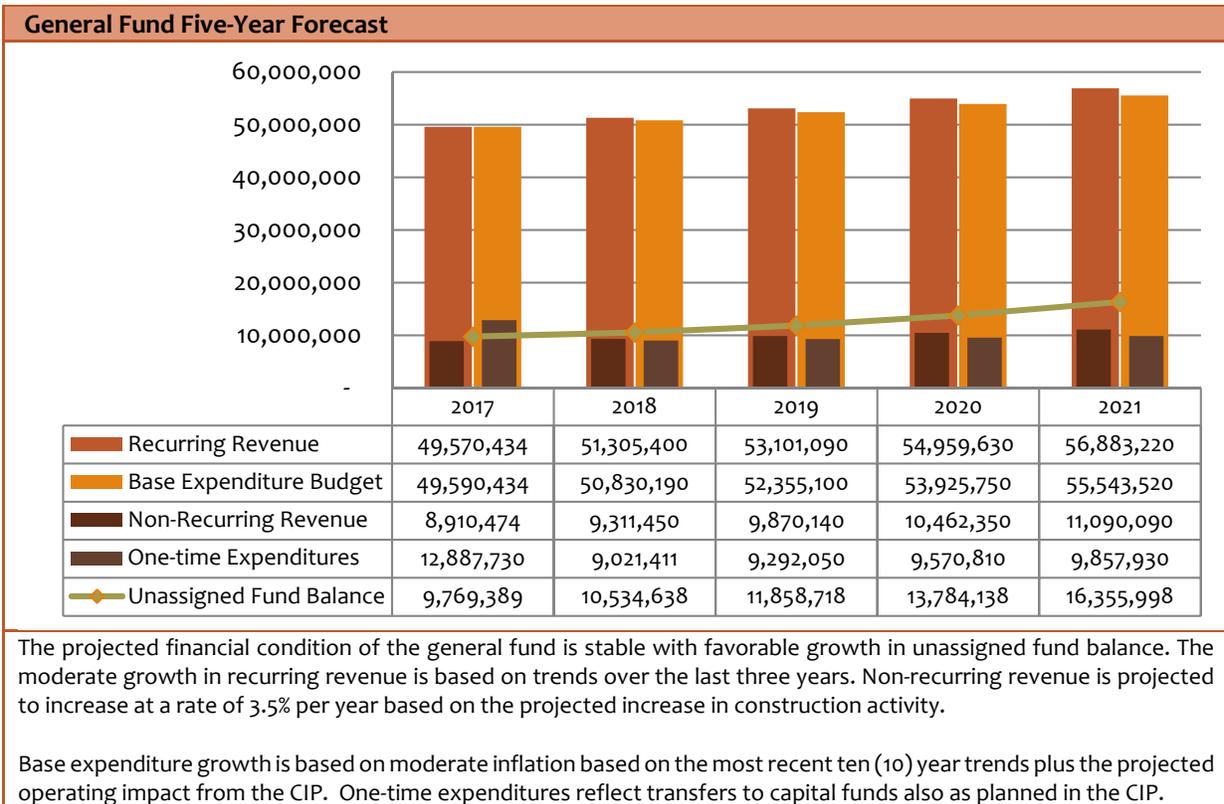
General Fund Budget Analysis FY 2016-17

Revenue	Recurring Revenue			OneTime Sources			Total Revenue
Taxes			28,423,380			5,332,440	33,755,820
Intergovernmental Revenues			18,155,844			1,882,914	20,038,758
Licenses and Permits			371,720			647,810	1,019,530
Charges for Services			630,050			610,010	1,240,060
Fines, Forfeitures and Penalties			1,336,190			24,810	1,361,000
Investment Income			82,500			127,500	210,000
Miscellaneous Revenue			570,750			284,990	855,740
Total Revenue			49,570,434			8,910,474	58,480,908
Expenditures	FY 2016 Base	Additions	Adjusted	Supplementals	All Other*	Total	Expenditures
General Government	11,992,430	171,835	12,164,265	2,463,243	384,000	2,847,243	15,011,508
Public Safety	23,623,440	861,290	24,484,730	338,900	96,080	434,980	24,919,710
Health and Welfare	1,529,900	303,970	1,833,870	97,000	45,360	142,360	1,976,230
Economic & Community Dev.	3,691,710	203,600	3,895,310	694,500	569,530	1,264,030	5,159,340
Culture and Recreation	3,391,500	662,850	4,054,350	484,740	-	484,740	4,539,090
Debt Principal	-	-	-	-	-	-	-
Debt Interest	-	-	-	-	-	-	-
Capital Outlay	-	47,000	47,000	136,857	39,000	175,857	222,857
Contingency	-	-	-	-	3,000,000	3,000,000	3,000,000
Sub-Total	44,228,980	2,250,545	46,479,525	4,215,240	4,133,970	8,349,210	54,828,735
Net Transfers	3,230,050	(119,141)	3,110,909	-	4,538,520	4,538,520	7,649,429
Grand Total Uses	47,459,030	2,131,404	49,590,434	4,215,240	8,672,490	12,887,730	62,478,164
Net Change in Fund Balance	-	-	(20,000)	-	-	(3,977,256)	(3,977,256)

*Includes carryovers, contingency, one-time credits and programs.

As stated in the financial policies section, the City makes every effort to match recurring revenues with ongoing expenditures (Base Budget). In FY2016-17 ongoing expenditures slightly exceed ongoing revenues but it is expected that income tax revenue will be greater than originally projected. One-time uses which are not funded by non-recurring revenues are funded by use of the unassigned general fund balance.

Budget Summary



Special Revenue Funds

The special revenue funds account for the proceeds of specific revenue sources, other than major capital projects, legally restricted to expenditures for specific purposes. This includes Highway User Revenues, grant funds, dedicated sales taxes, local transportation and environmental program funds.

In total, special revenue fund balances are projected to decrease to \$16.8 million from \$17.3 million by June 30, 2017. The decrease is mostly due to a lease payment in the Highway User Revenue Fund for the LED Street Light project. The major Special Revenue Funds are the Highway User Revenue Fund (HURF), 0.5% Dedicated Sales Tax, and the Public Safety Dedicated Sales Tax. Revenues in the major special revenue funds are projected to cover ongoing costs.

Departments by Function Supported by Special Revenue Funds	
General Government	Health & Welfare
Community Relations - Transit Operations	Neighborhood & Family Services
City Court	Economic & Community Development
Public Safety	Development Services and Engineering
Police	Culture & Recreation
Fire	Parks, Recreation & Libraries
Streets & Highways	
Public Works-Street Maintenance	

Budget Summary

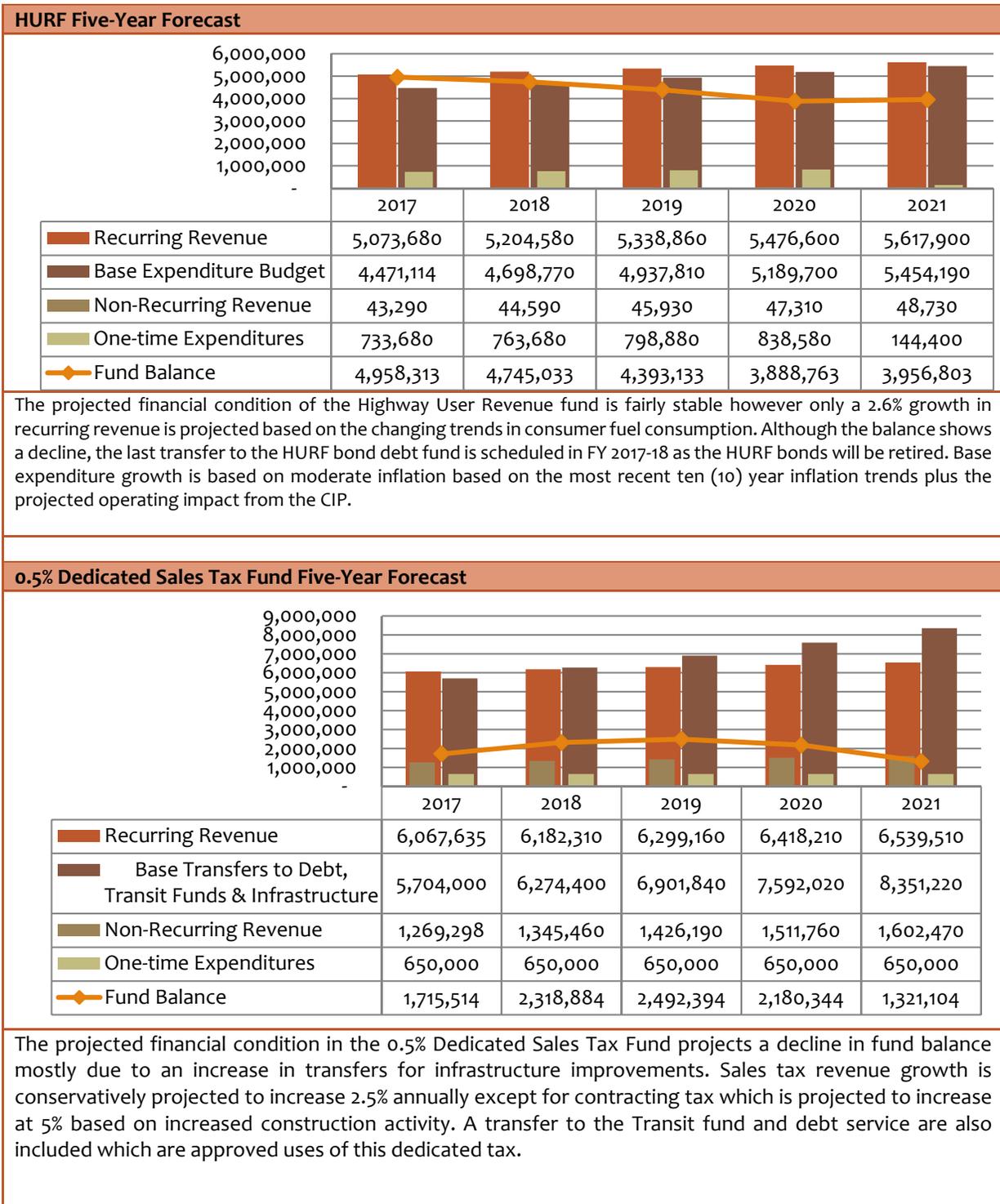
Special Revenue Funds Budget Analysis FY 2016-17

Revenue	Recurring Revenue		Non-Recurring Revenue		Total Revenue		
Taxes	12,405,678		2,268,168		14,673,846		
Intergovernmental	5,297,140		2,956,372		8,253,512		
Charges for Service	268,370		0		268,370		
Development Fees	0		54,840		54,840		
Fines, Forfeits & Penalties	142,110		0		142,110		
Investment Income	1,780		5,400		7,180		
Miscellaneous Revenue	0		6,023,400		6,023,400		
Total Revenue	18,115,078		11,308,180		29,423,258		
Expenditures	FY 2016		FY 2017	Total		Total	
	Base	Additions	Base	Supplemental	All Other*	One-Time	Expenditures
General Government	389,480	65,400	454,880	58,970	5,056,950	5,115,920	5,570,800
Public Safety	5,983,090	1,267,020	7,250,110	112,200	49,000	161,200	7,411,310
Highways & Streets	1,482,050	65,124	1,547,174	0	0	0	1,547,174
Health and Welfare	982,830	(2,686)	980,144	0	2,342,980	2,342,980	3,323,124
Economic & Community Dev.	2,319,960	55,610	2,375,570	117,000	126,500	243,500	2,619,070
Transportation	852,700	3,200	855,900	190,000	0	190,000	1,045,900
Debt Service	0	0	0	400,000	0	400,000	400,000
Capital Outlay	17,250	(5,000)	12,250	340,500	185,590	526,090	538,340
Contingency	0	0	-	-	795,000	795,000	795,000
Total Expenditures	12,027,360	1,448,668	13,476,028	1,218,670	8,556,020	9,774,690	23,250,718
Transfers In	(1,161,120)	7,081	(1,154,039)	0	(32,200)	(32,200)	(1,186,239)
Transfers Out	6,913,340	114,830	7,028,170	0	894,180	894,180	7,922,350
Net Transfers	5,752,220	121,911	5,874,131	0	861,980	861,980	6,736,111
Projected Change in Net Position FY 2017			(1,235,081)			671,510	(563,571)

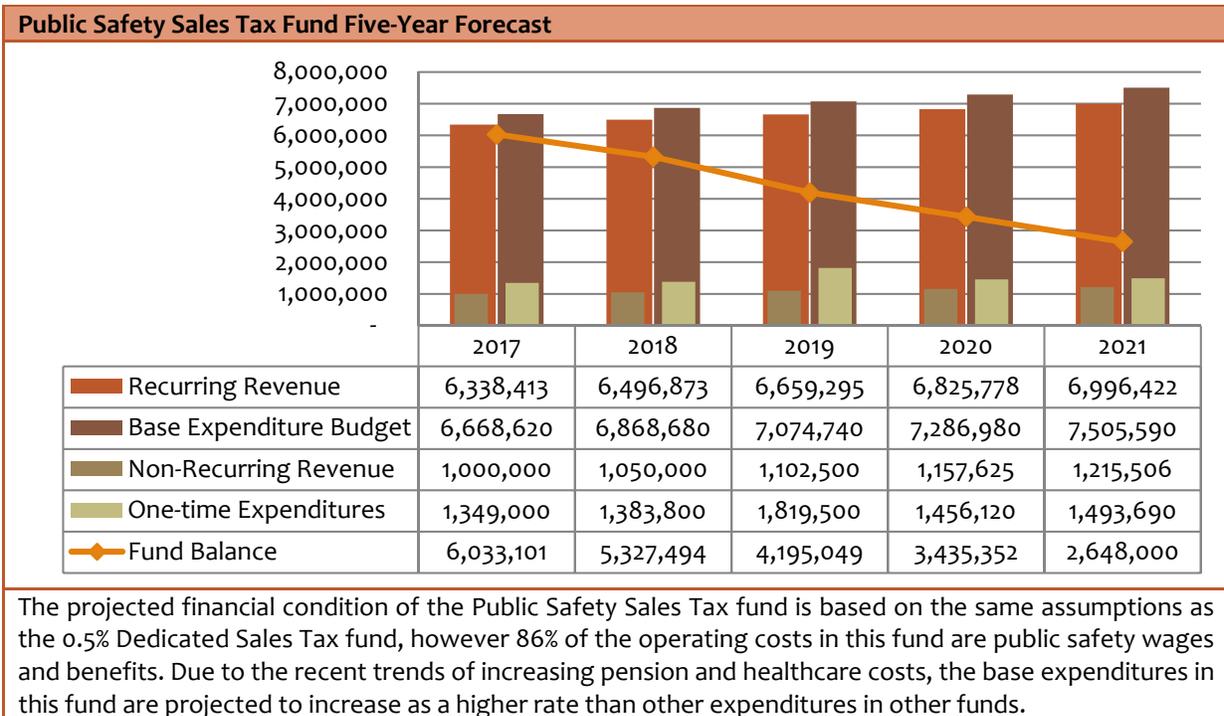
*Includes carryovers, contingency, onetime credits and grant/contribution based programs.

Grant programs are included in the one-time budget as the City considers most grant revenues to be non-recurring; the exception being certain grants that have been awarded consistently for five years or more. The forecast for the special revenue funds classified as major funds indicate stability as shown in the following charts.

Budget Summary



Budget Summary



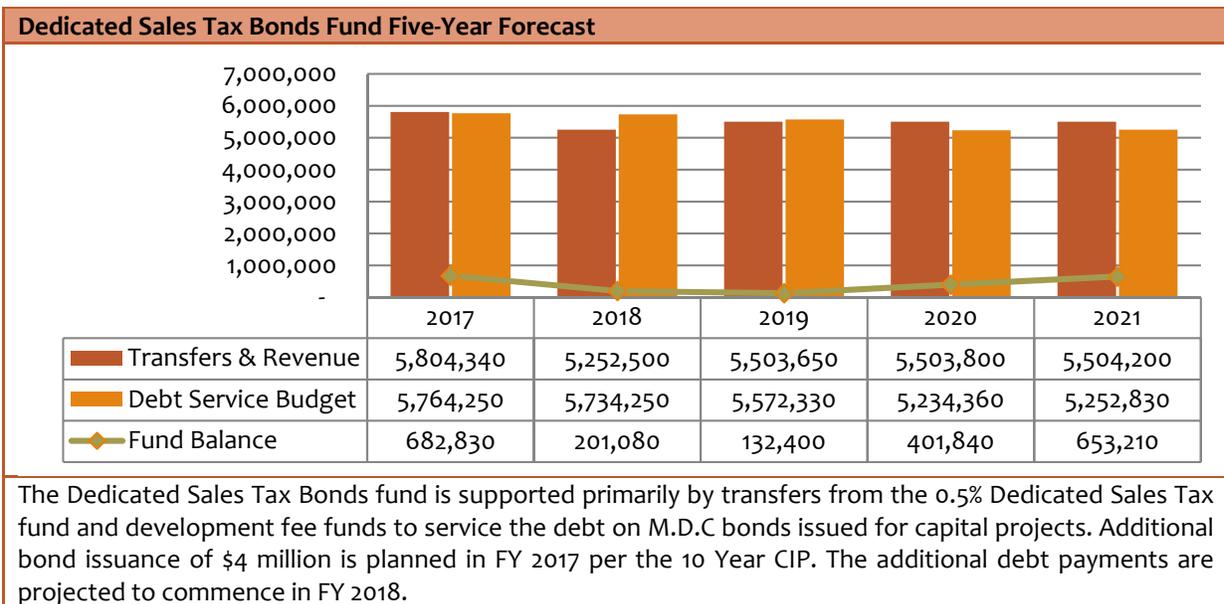
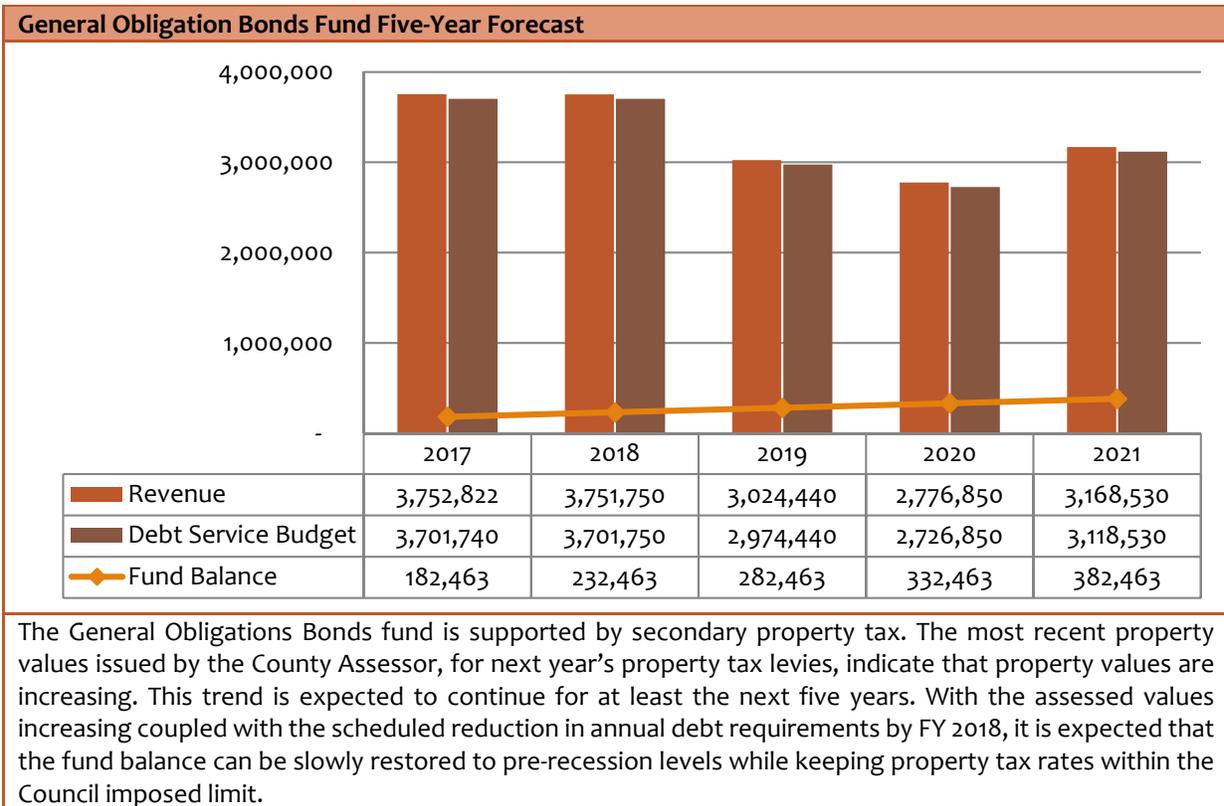
Capital Projects Funds

The capital projects funds account for resources to be used for the acquisition or construction of capital facilities, equipment and infrastructure other than those financed by the enterprise funds. The ending fund balance for this fund group in FY 2016-17 is projected to decrease to \$16.3 million from \$8.0 million due to the spending of accumulated impact fees, operating transfers and bond proceeds. The street construction fund is expected to drop due to the planned completion of several roadway projects. A summary along with detailed schedules of projected revenues and uses of these funds are presented in the Capital Improvement Plan section of this document.

Debt Service Funds

The debt service funds account for the accumulation of resources and the payment of general long-term debt principal, interest, and related costs. The fund balance estimate for the debt service funds is projected to increase slightly from \$8.6 million to \$8.7 million by June 30, 2017. Funding for debt service comes primarily from taxes and transfers from other funds. The Enterprise fund debt is included within each Enterprise fund. The primary use of debt by the City is for capital projects therefore, more information regarding the use of debt is included in the Capital Improvement Plan section of this document. Major funds in this group include the General Obligation Bonds and the Dedicated Sales Tax Bonds funds. The forecast for these funds is shown in the following charts.

Budget Summary



Enterprise Funds

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise funds are projected to decrease in fund balance from

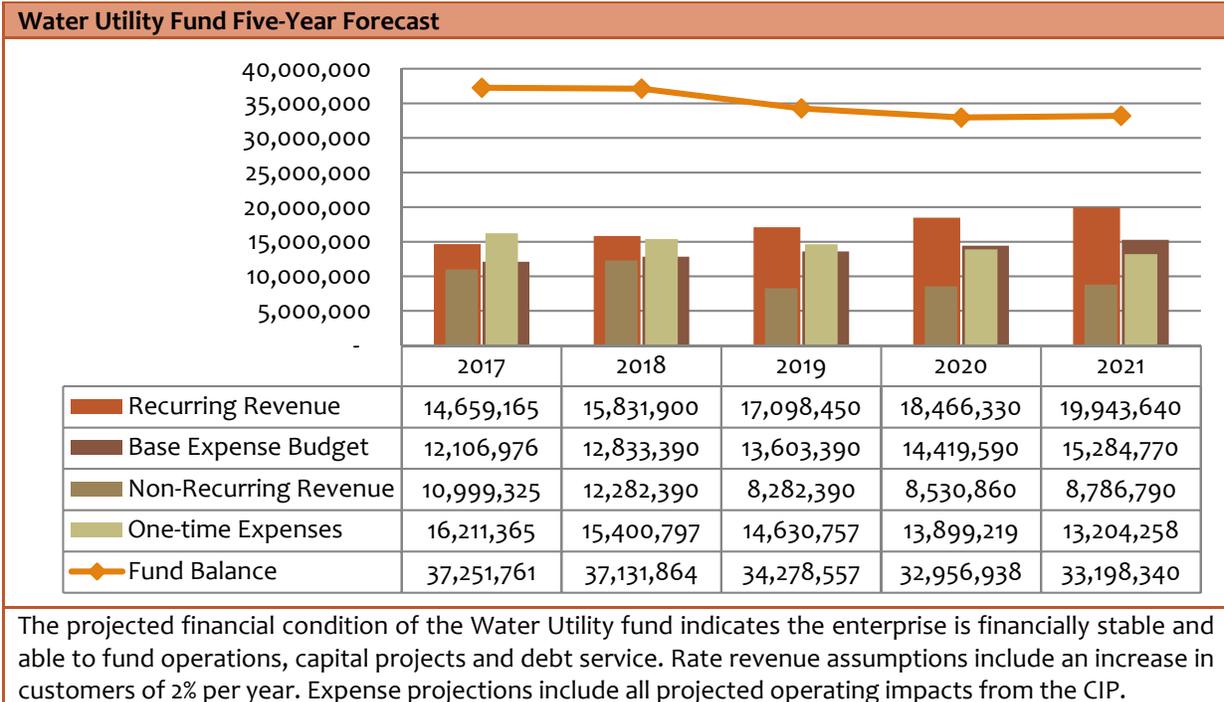
Budget Summary

\$61.1 million to \$57.8 million by June 30, 2017. This decrease is due to a sewer revenue bond issuance of \$9 million. These projects are detailed in the capital improvement section of this document. The Public Works Department’s water, wastewater and sanitation utilities are supported by Enterprise Funds all of which are considered major funds.

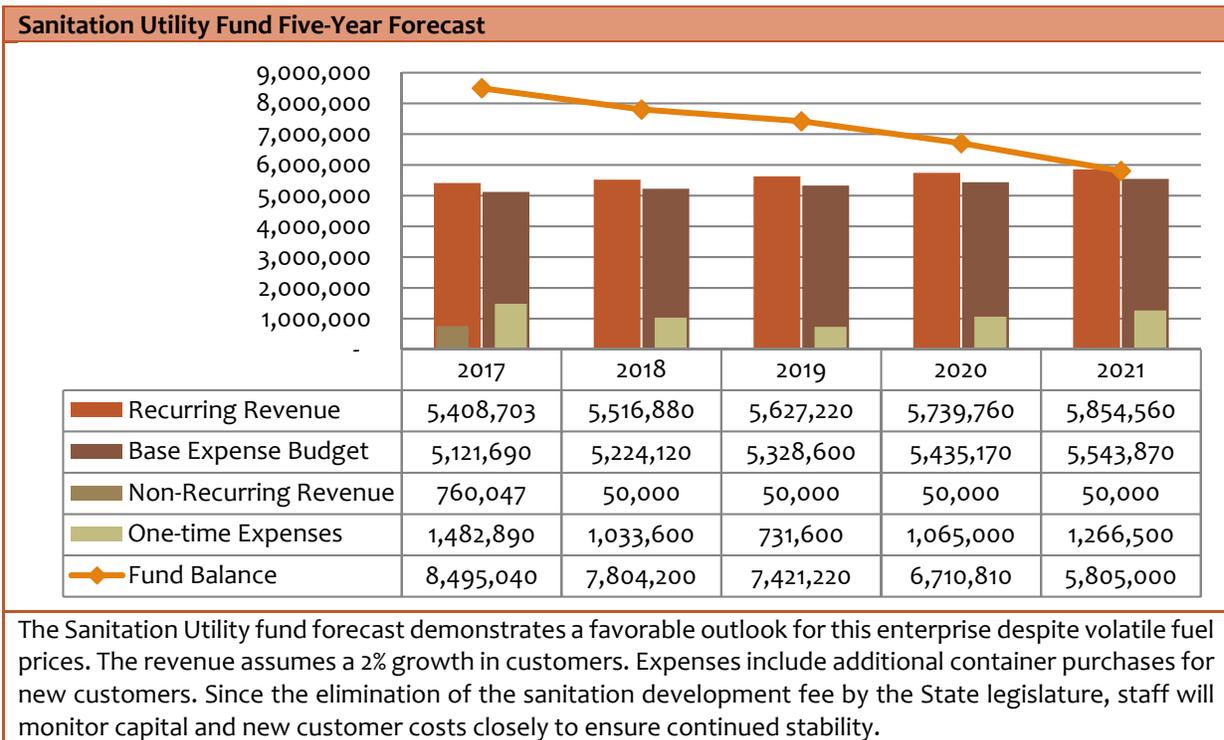
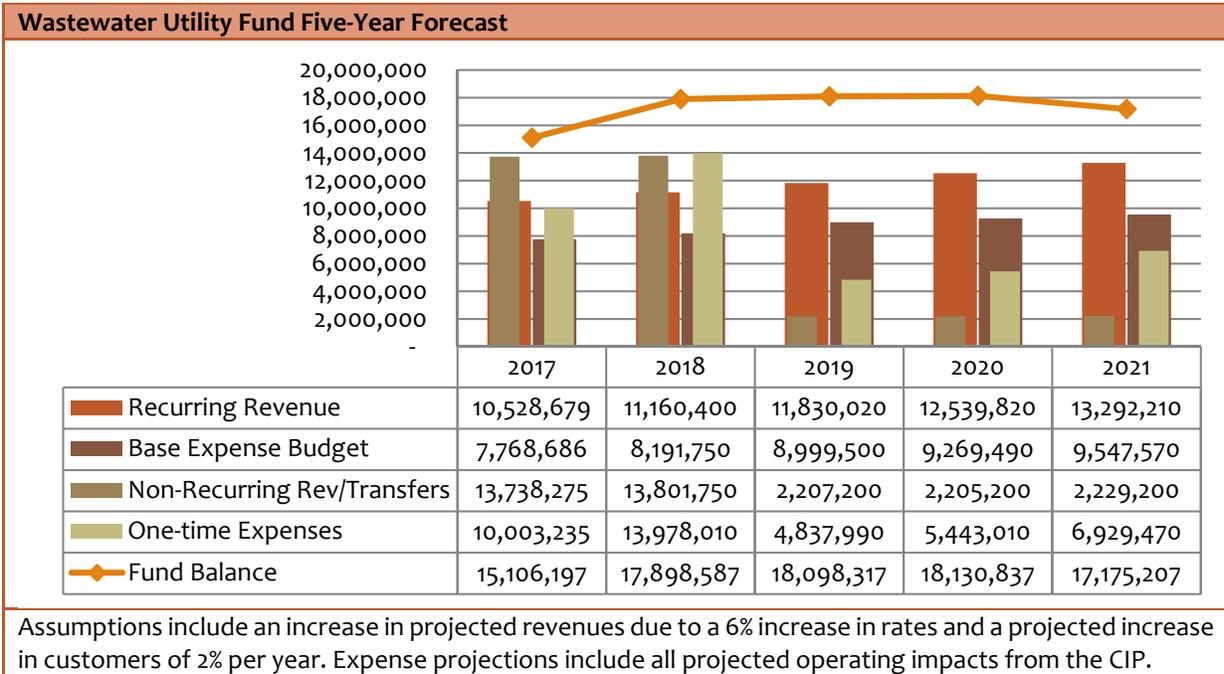
Enterprise Funds Budget Analysis FY 2016-17

Revenue	Recurring Revenue		Non-Recurring Revenue			Total Revenue	
Licenses and Permits		3,090			9,270	12,360	
Charges for Services		29,366,864			64,660	29,431,524	
Development Fees		0			6,372,625	6,372,625	
Fines & Penalties		1,660			1,660	3,320	
Sale of Assets		1,213,060			0	1,213,060	
Investment Income		11,873			51,842	63,715	
Other Financing Sources		0			13,000,000	13,000,000	
Miscellaneous		0			43,750	43,750	
Total Revenue		30,596,547			19,543,807	50,140,354	
Expenditures	FY 2016 Base	Additions	FY 2017 Base	Supplementals	All Other*	Total One-Time	Total Expenditures
Cost of sales & services	19,315,830	895,112	20,210,942	0	4,500	4,500	20,215,442
Contingency	0	0	0	0	2,500,000	2,500,000	2,500,000
Capital Outlay	530,000	53,000	583,000	55,000	20,624,640	20,679,640	21,262,640
Debt Principal	973,170	665,560	1,638,730	0	0	0	1,638,730
Interest on Debt	508,380	-502,960	5,420	0	0	0	5,420
Total Expenditures	21,327,380	1,110,712	22,438,092	0	23,129,140	23,184,140	45,622,232
Net Transfers	2,869,100	-1,523,450	1,345,650	0	-3,019,100	-3,019,100	1,345,650
Projected Change in Net Position FY 2017			6,812,805			-621,233	3,172,472

*Includes capital projects and carryforwards which are a planned use of Net Position.



Budget Summary



Budget Summary

Internal Service Funds

These funds account for activities and services performed primarily for other organizational units within the City. This includes the Risk Management fund, the Printer – Copier Service fund and the Fleet Services fund. The intent of these funds is to “break even” and therefore costs are matched annually with the internal charges. The internal service funds’ net position is projected to remain relatively unchanged with only a small decrease in fund balance due to a projected increase in risk management claims. Departments supported by Internal Service Funds include City Administration – Risk Management Division, Public Works – Fleet Services Division and the printer/copier service which is assigned to the Non-Departmental Division.

Conclusion

The overall analysis of the City’s financial condition indicates that the local economy has improved steadily and with prudent fiscal management, the City can continue to provide the services, programs and infrastructure the community both needs and expects. All of the major funds have been structurally balanced and the forecast indicates the current levels of service and capital programs can be sustained. While the budget incorporates the legislative changes in Sales Tax collections, all forecasts assume no legislative actions will be taken to alter the City’s revenue sources. In addition, no economic contractions are assumed during this five year period.