



City of Maricopa

Legislation Text

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The Mayor and City Council shall discuss and possibly take action on financing approximately \$350,000 in debt service expenditures with either secondary property taxes or budgeted General Fund transfers. Several options will be discussed including the possibility of a transfer from General Fund, Contingency (10010000-99000) into the Debt Service Fund. Discussion and Action.

In FY10-11, the City established the Debt Service Fund to account for debt service payments relative to the City's General Obligation debt. As of June 30, 2011, the Debt Service Fund had an audited deficit fund balance of \$334,556. Additionally, FY11-12 budgeted debt service funding sources are expected to only fund FY11-12 debt service expenditures. Therefore, the June 30, 2011 deficit fund balance is estimated to be approximately \$350,000. Through discussion with the City's Financial Advisor, Piper Jaffray, this situation is not uncommon with government agencies and typically is resolved through future secondary property tax levies.

Funding of the deficit by June 30, 2012 is not necessary. Based on this, two options are available.

- Utilize future secondary property tax levies to eventually cover the deficit.
 - FY12-13 secondary property tax levy - If the FY 12-13 secondary property tax levy is adjusted to recover this deficit, this would require notice on the City's web site to be posted no later than April 19, 2012.
 - Future secondary property tax levies - Currently, the city is planning on issuing approximately \$17.2 million in G.O. bonds in FY12-13. This will require a planned increase in secondary property tax rates beginning in FY13-14. The FY13-14 property tax levy could be set at a rate to recovery the \$350,000 fund deficit.
- Utilize General Fund monies. This could be through a FY11-12 General Fund transfer or a future year General Fund transfer.

Staff recommends Mayor and Council consider utilizing either secondary property tax or General Fund monies to finance the deficit. If directed to utilize secondary property tax funding, staff seeks direction on utilizing a FY12-13 levy increase or a FY13-14 levy increase.