



# BUDGET NEWSLETTER

## FY 2014 BUDGET HIGHLIGHTS

By

Steve Thacker – City Manager

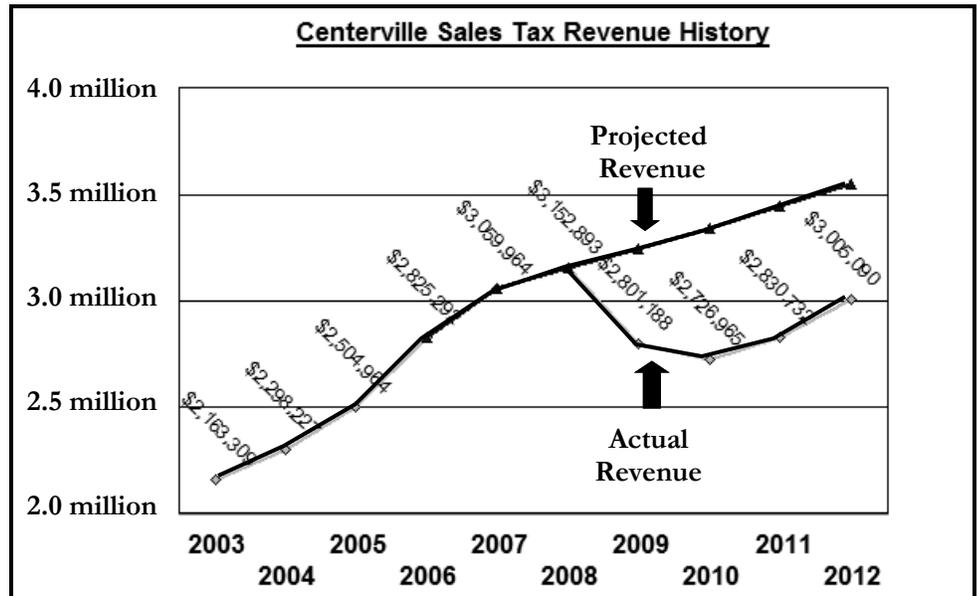
Blaine Lutz – Finance Director/Assistant City Manager



The City Council will hold a **public hearing** on the Fiscal Year (FY) 2014 Tentative Budget (July 1, 2013 – June 30, 2014) on **Tuesday, June 4, 2013** at 7:00 p.m. at City Hall. The City Manager’s Budget Message, which provides a summary of the Tentative Budget, can be found on the City’s website: [www.centervilleut.net](http://www.centervilleut.net). The entire Tentative Budget can also be reviewed on the website or at City Hall. This Budget Newsletter, however, provides a few highlights.

The Tentative Budget reflects an improvement in the City’s ability to fund basic services when compared with the past few years. Sales tax revenues are increasing. However, compared to a conservative projection made in 2008 prior to the Great Recession, actual sales tax revenues are still falling short about \$500,000 per year (see graph). Unfortunately this occurs at a time when the City’s Streets

Maintenance Plan recommends a much greater investment to preserve this critical infrastructure—and when the City has begun paying its annual UTOPIA obligation. Unlike the City’s water system, garbage collection and drainage facilities—which are funded as “enterprise operations” with fees dedicated to those purposes—streets maintenance must compete in the General Fund for the same revenues used to support other vital services such as police, fire protection and parks. A portion of the state gasoline tax is distributed among Utah cities to help pay for street maintenance. Centerville’s allocation, however, has not increased in the past 10 years while the cost of asphalt has doubled.



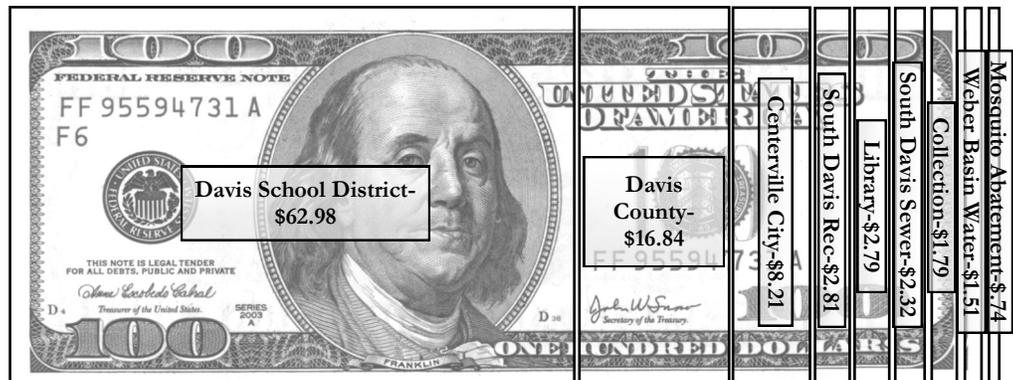
*Due to the Great Recession, sales tax revenues are still falling short of earlier projections*

Recently the City Council took a step in the direction of providing more General Fund revenue by approving an increase in the Energy Sales and Use Tax (applied to electric power and natural gas) from 5% to 6%. All but one of the other Davis County cities were already collecting the 6% allowed by State law. Centerville’s increase becomes effective July 1, 2013, and will provide an additional \$150,000 a year for streets maintenance, as reflected in the Tentative Budget. The State Legislature continues to discuss options for increasing transportation funding for the State and local governments. This may lead to 2014 legislation that could provide more revenue to cities for streets maintenance. However, if this does not occur next year, the City Council will need to consider ways to allocate more funding for this purpose.

### WHERE YOUR PROPERTY TAXES GO

Tax Year 2013

The property tax rate levied by Centerville City decreased from 0.002582 in 1994 to 0.001165 in 2012. During this period the City Budget relied more and more on sales tax. The accompanying illustration depicts the small portion of property taxes which actually goes to Centerville City. On a \$250,000 home, this is about \$160 per year.



For more explanation of what has happened to General Fund revenues and expenditures in the past 10 years, see the City Manager’s Budget Message found at the beginning of the Tentative Budget on the City’s website [www.centervilleut.net](http://www.centervilleut.net). The City’s Tentative Budget for FY 2014 is \$15,657,667. This figure includes the General Fund, several enterprise funds, debt service funds and capital improvement funds. The Tentative Budget maintains the current workforce—no new positions.

**PUBLIC HEARING**  
**For the FY 2014 Budget**  
**June 4, 2013 at 7:00 p.m.**  
**Centerville City Hall**

Enterprise Operations

Drinking water, garbage collection and drainage facilities are funded with user fees.

In 2011 the City implemented a three-step water rate increase over a three-year period to repay \$2.1 million in new bonds and to offset the impact of inflation on operational costs. The third step of the water rate increase—a 4% increase—takes effect with the July 2013 billing. A 5% increase in garbage collection and recycling fees is included in the Tentative Budget.

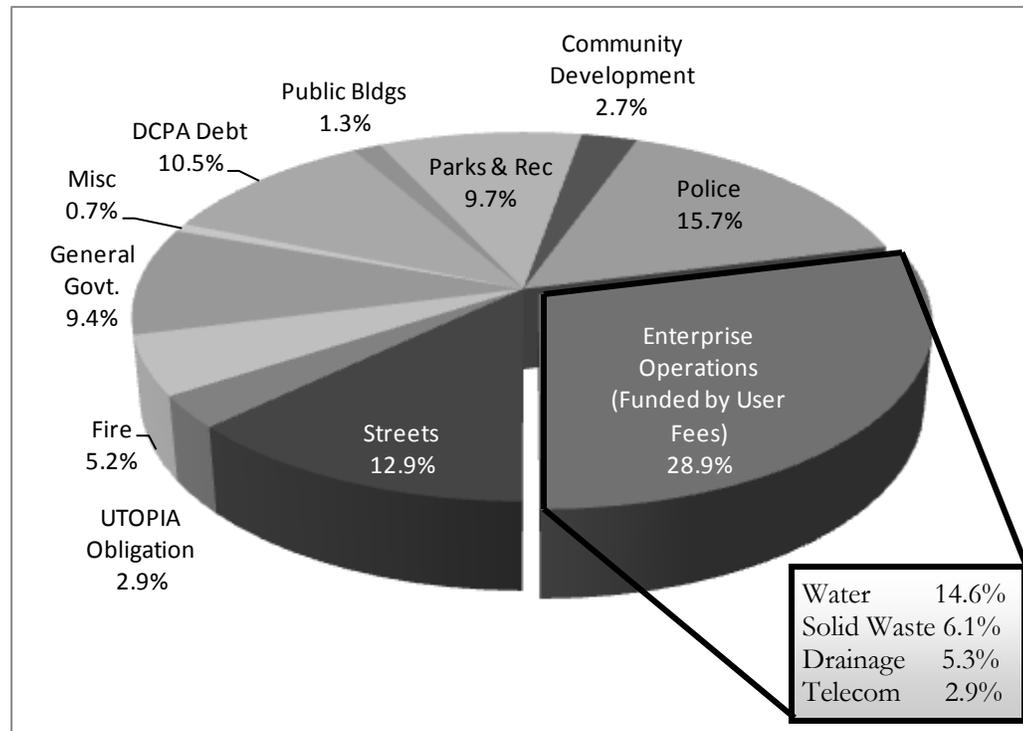
Drainage Utility fees—for storm drain and subdrain maintenance—have not increased since implemented in 1999 and 2001, respectively. The City Manager recommends raising the storm drain fee by 50 cents per month—from \$4.00 to \$4.50; and the subdrain fee from \$2.00 to \$2.25 per month for most homeowners, or from \$6.00 to \$6.75 for those in subdrain districts.

Long-Term Debt

The Tentative Budget includes payments on the following long-term obligations:

- Water Revenue Bond – Debt service of \$461,012 for FY 2014. Bonding is for water system and drainage improvements.
- UTOPIA – Telecommunications service over this fiber optic network is available to Centerville residents and businesses. The City’s FY 2014 payment for this long-term obligation is \$436,251. In addition, Centerville’s share of a declining short-term operating subsidy is estimated to be \$163,000 in FY 2014, which would come from General Fund reserves. This is a loan to be repaid from future UTOPIA revenues. For more explanation of these UTOPIA issues, see the Budget Message on the City website.
- Davis Center for the Performing Arts – The DCPA debt is being repaid with RAP taxes (approved in 2007 by Centerville and Bountiful voters), Redevelopment Agency revenues, Davis County tourism taxes and private donations.

**Tentative Budget Expenditures by Service Area  
 FY 2014**



These are not traditional sources of funding for the City’s operating budget. The DCPA debt service in FY 2014 is \$1,597,488.

*The pie chart to the left illustrates the allocation of the City’s Tentative Budget of \$15,657,667 among the various service areas, regardless of the source and type of funds. The Centerville Redevelopment Agency (RDA) is a separate governmental entity and its budget is not included in the pie chart, other than the RDA’s debt service contribution (approximately \$650,000) for the Davis Center for the Performing Arts. The RDA’s Tentative Budget for FY 2014 is \$1,847,000.*