

COUNCIL DECISION REQUEST

SUBJECT: Public Hearings for Primary Tax Rate and Secondary Tax Rate for fiscal year 2009-10 budget

MEETING DATE: July 23, 2009

CSP ITEM: Yes No. X KRA#

ITEM NO.:

SUBMITTED BY: Debra A Galbraith

AMOUNT BUDGETED: N.A.

SUBMITTAL TO AGENDA

EXPENDITURE REQUIRED: N.A.

APPROVED BY TOWN MANAGER

CONT. FUNDING REQUIRED: N.A.



EXHIBITS (If Applicable, To Be Attached): Schedule B; Preliminary 2009 Levy Worksheet; TOP Worksheet calculate Maximum Primary Tax Levy for fiscal year 2009/10

RECOMMENDED MOTION

Not applicable - Public Hearing

SUMMARY OF THE BASIS FOR RECOMMENDED ACTION:

SUMMARY: At the request of the Town Council, the Fiscal Year 2009/2010 Budget proposes that the Primary Tax rate be set at \$0.2458 per \$100/assessed value to levy an amount equal to \$590,264 for the Fiscal Year Budget 2009/2010. This tax rate is \$0.0243 more than last year and tax levy is \$93,527 higher due to a combination of new construction and the proposal to levy the full amount allowed by state statutes. The Town has not levied the full amount allowable in the past. The Secondary rate is to be set just high enough to raise \$150,000 for Green Valley Park Debt Service.

BACKGROUND INFORMATION:

Primary Tax Levy: The Town received the Preliminary 2009 Levy Limit Worksheet from the Gila County Assessor's Office in February. The Preliminary Worksheet was used to calculate the maximum rate and amount that could be assessed. The maximum "increase" is calculated using two formulas. One calculates the maximum tax rate and one to calculate the maximum tax levy.

This year because the Budget is proposing to exceed either item from last year, we are holding a special "Truth in Taxation" Public Hearing. This special hearing requires the special publication of notice of the hearing. Notice of the Truth in Taxation hearing was published in the Payson Roundup and the Rim Country Gazette on July 7 & 14.

The maximum amount the Town can assess is \$590,264. The maximum assessable rate, without exceeding the Truth in Taxation hearing statute, is 0.22150 per \$100/assessed value or \$521,595. Levying the Primary Rate only by the increase for the assessed value of new construction (as has been done in the past), would be a decrease in the levy rate of \$0.00430. Levying the Primary Rate by the statutorily allowed maximum would be an increase in the levy rate of \$0.0243 (see the attached worksheet).

NOT LEVYING THE STATUTORY MAXIMUM

Primary Levy Rate: \$0.21720 per \$100 Assessed Value
Primary Levy Amount: \$521,595
Levy Rate Change over 2008/2009: - .00430
Levy Rate Amount Change over 2008/2009: \$24,858

LEVYING THE STATUTORY MAXIMUM

Primary Levy Rate: \$0.24580 per \$100 Assessed Value
Primary Levy Amount: \$590,264
Levy Rate change over 2008/2009: +.02430
Levy Rate Amount Change over 2008/2009: \$93,527

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Secondary Tax Levy: The Secondary tax levy is necessary to fund the retirement of voter-approved debt to build the Green Valley Park Project. The Secondary Tax levy will be set at a level sufficient to raise \$150,000. The actual rate will not be known until the County notifies the Town of the Secondary Assessed Value.

The adoption of the Tax Ordinance is scheduled for the August 6, 2009 Special Town Council meeting. It must be adopted prior to the third Monday in August (August 17, 2009.)

PROS: N.A.

CONS: N.A.

PUBLIC INPUT (if any):

BOARD/COMMITTEE/COMMISSION ACTIONS/RECOMMENDATIONS (if any) (give dates and attach minutes):

CITY/TOWN OF PAYSON
Summary of Tax Levy and Tax Rate Information
Fiscal Year 2009

	2008	2009
1. Maximum allowable primary property tax levy. A.R.S. §42-17051(A)	\$ 551,008	\$ 590,264
2. Amount received from primary property taxation in the current year in excess of the sum of that year's maximum allowable primary property tax levy. A.R.S. §42-17102(A)(18)	\$	
3. Property tax levy amounts		
A. Primary property taxes	\$ 497,200	\$ 590,264
B. Secondary property taxes	150,000	150,000
C. Total property tax levy amounts	\$ 647,200	\$ 740,264
4. Property taxes collected*		
A. Primary property taxes		
(1) Current year's levy	\$ 466,182	
(2) Prior years' levies	7,952	
(3) Total primary property taxes	\$ 474,134	
B. Secondary property taxes		
(1) Current year's levy	\$ 144,185	
(2) Prior years' levies		
(3) Total secondary property taxes	\$ 144,185	
C. Total property taxes collected	\$ 618,319	
5. Property tax rates		
A. City/Town tax rate		
(1) Primary property tax rate	0.2215	0.2458
(2) Secondary property tax rate	0.0598	0.0986
(3) Total city/town tax rate	0.2813	0.3444

B. Special assessment district tax rates

Secondary property tax rates - As of the date the proposed budget was prepared, the city/town was operating one special assessment districts for which secondary property taxes are levied. For information pertaining to these special assessment districts and their tax rates, please contact the city/town.

* Includes actual property taxes collected as of the date the proposed budget was prepared, plus estimated property tax collections for the remainder of the fiscal year.

**Truth In Taxation Process
Calculation of Increased Primary Tax Levy 2009/10**

INTRODUCTION:

Arizona Revised Statutes (42.17051) requires the Town to compute a primary tax levy each year. The total tax levy is computed adding an estimate for the assessed value of new construction to the current assessed value. In the past, the Town has not increased the primary levy; only increased the total levy by the amount of the estimated assessed value of new construction. This means that the Town has not been receiving that total property tax revenue allowed.

Arizona Revised Statutes (42.17107) requires the Town to hold a "Truth In Taxation" (TNT) public hearing if the primary tax levy will be increased above the previous year's levy. The following procedures are used to determine if the levy will increase enough to require a TNT public hearing.

The assessed value (AV) for the property in Payson is determined by the Gila County Assessor's Office and sent to the Town in February. The amounts used in the procedures below come from the Assessor's data.

PROCEDURES:

1) Section A takes the AV (as determined by the Assessor) and removes the estimated AV for new construction from the total assessed value to determine the base primary levy rate for the 2009 fiscal year.

A) **Maximum tax rate:** $\frac{\text{Previous year's primary property tax levy}}{\text{2009 AV - minus estimated new construction AV}}$

* Previous year's primary property tax levy	=	\$ 496,737	
* 2009 AV = Preliminary	=	\$ 240,139,778	\$ 228,695,215
* 2009 estimated new construction AV	=	\$ 11,444,563	

2009 tax rate (Preliminary) = 0.0021720 or 0.21720 per \$100/assessed value

1) Section B uses the levy rate established above to determine the levy for 2009 estimated new construction that can be added to the primary levy from last year.

2) This assumes the Town does not increase the 2008/2009 primary levy, even though the Town may do so.

B) **2009/2010 Primary Levy:** $\text{New construction AV} \times \text{new levy rate plus last year's primary levy.}$

\$11,444,563 * .0021720 =	\$ 24,858
Last year's primary levy	\$ 496,737
2009/2010 primary levy =	\$ 521,595 ←

1) Section C compares the new levy rate to the levy rate imposed in 2008/2009. It also compares the maximum levy for 2009/2010 (as determined by the Assessor) to the maximum levy rate as established by these procedures.

2) If the levy for 2009/2010 is higher than last year's levy, a TNT hearing is required.

C) 2008/2009 primary rate: 0.22150 TNT Hearing required.
 2009/2010 primary rate: (0.21720) No TNT hearing required. ←

Variance	0.00430	(Exceeds Prior Year)
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2008/2009 Maximum Levy (Assessor)	\$ 590,264	TNT Hearing required.
Maximum primary levy (from B)	\$ (521,595)	No TNT hearing required. ←
Variance	\$ 68,669	

SUMMARY COMMENT: The Maximum allowable levy, assuming no further changes to the assessed value (AV), would be \$590,149 or .2458/\$100 assessed value (per the Assessor's Office). The Town did not impose the maximum allowable levy last year; a Truth In Taxation hearing would be required to impose the maximum allowable levy in 2009/2010.

Property Tax Levy Options

OPTION 1:

Increase the 2008/2009 property tax levy only by the amount of the assessed value (AV) for new construction.

2008/2009 property tax levy	\$	496,737
2009/2010 AV for new construction	\$	24,858
		521,595
2009/2010 property tax levy	\$	521,595
 2009/2010 levy rate:		 .2172/\$100 AV

This is what the Town has done in the past.

This option does NOT require a Truth In Taxation hearing as the property tax levy does not exceed the maximum allowable levy.

This option does NOT put the levy at the maximum amount that the Town is allowed to impose.

OPTION 2:

Impose the maximum allowable levy as determined by the Assessor's Office.

2% increase above the 2008/2009 maximum allowable property tax levy	\$	562,028
Maximum allowable property tax levy divided by the 2008/2009 AV*	\$	2,286,952
		0.2458
2009/2010 levy rate		
 Assessed value for 2009/2010	 \$	 2,401,398
Multiplied by the levy rate established above (2009/2010)		0.2458
		590,264
2009/2010 Maximum Allowable Levy		\$ 590,264

* This calculation establishes the 2009/2010 levy rate to be used to determine the maximum allowable levy for 2009/2010 based on the 2009/2010 AV.

This option DOES require a Truth In Taxation hearing because the levy increased by more than just the addition of the AV for new construction.

2008/2009 Levy	\$	496,737
2009/2010 Levy	\$	590,264
		93,527
		Above 2008/2009

This option imposes the maximum tax levy that the Town is entitled to levy.