

# COUNCIL DECISION REQUEST

SUBJECT: Public Hearings for Primary Tax Rate and Secondary Tax Rate for Fiscal Year 2010/2011 Budget

MEETING DATE: June 17, 2010

PAYSON GOAL: NEW:            EXISTING:

ITEM NO.:

TENTATIVE SCHEDULE:

SUBMITTED BY: Cindy Smith   
Chief Fiscal Officer

AMOUNT BUDGETED: \$0.00

SUBMITTAL TO AGENDA  
APPROVED BY TOWN MANAGER

EXPENDITURE REQUIRED: \$0.00

CONT. FUNDING REQUIRED: \$0.00

  
EXHIBITS (If Applicable, To Be Attached):

**Schedule B; Preliminary 2010 Levy Worksheet; TOP Worksheet to calculate Maximum Primary Tax Levy for Fiscal Year 2010/2011; TOP Worksheet for calculation of Secondary Tax Levy for Fiscal Year 2010/2011.**

## POSSIBLE MOTION

Not applicable – Public Hearing

## SUMMARY OF THE BASIS FOR POSSIBLE MOTION:

At the request of the Town Council, the Fiscal Year 2010/2011 Budget proposes that the Primary Tax rate be set at \$0.2560 per \$100/assessed value to levy an amount equal to \$606,315 for the Fiscal Year Budget 2010/2011. This tax rate is \$0.0345 more than last year and tax levy is \$74,405 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 \$145,000 for Green Valley Park Debt Service.

## BACKGROUND INFORMATION:

**Primary Tax Levy:** The Town received the Preliminary 2010 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 formula calculates the maximum tax rate, and the other one calculates 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 on June 1 & 8.

The maximum amount the Town can assess is \$606,315. The maximum assessable rate, without exceeding the Truth in Taxation hearing statute, is 0.22620 per \$100/assessed value or \$531,910. Levying the Primary Rate only by the increase for the assessed value of new construction (as has been done in the past), would be an increase in the levy rate of \$0.00466. Levying the Primary Rate by the statutorily allowed maximum would be an increase in the levy rate of \$0.0345 (see the attached worksheet).

## NOT LEVYING THE STATUTORY MAXIMUM

Primary Levy Rate: \$0.22616 per \$100 Assessed Value  
Primary Levy Amount: \$535,639  
Levy Rate Change over 2009/2010: +.00466  
Levy Rate Amount Change over 2009/2010: \$3,729

## LEVYING THE STATUTORY MAXIMUM

Primary Levy Rate: \$0.2560 per \$100 Assessed Value  
Primary Levy Amount: \$606,315  
Levy Rate change over 2009/2010: +.0345  
Levy Rate Amount Change over 2009/2010: \$74,405

JUN 17 2010 S.P.L.A

# ***COUNCIL DECISION REQUEST***

**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 \$145,000. According to the County, the 2010 Secondary Net Assessed Value for the Town of Payson is \$245,707,080. Therefore, the secondary tax rate will be .0590 per \$100 of assessed value, a decrease from 2009 of .0396 per \$100 assessed valuation.

**Combined Tax Rate:** The combined tax rate for 2009 is .3201 (.2215 primary rate plus .0986 secondary rate). If Council approves the maximum allowable rate for the primary property tax for 2010, the combined tax rate for 2010 will decrease to .3150 (.2560 primary rate plus .0590 secondary rate), a difference of .0051 per \$100 net assessed valuation.

The adoption of the Tax Ordinance is scheduled for the July 1, 2010 Special Town Council meeting. It must be adopted prior to the third Monday in August (August 16, 2010.)

**PROS:**

**CONS:**

**PUBLIC INPUT (if any):**

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

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**FUNDING:**

Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:
Acct:	Budget:	Available:	Expense:	Remaining:

3A: \_\_\_\_\_ Date: \_\_\_\_\_

**TOWN OF PAYSON**  
**Summary of Tax Levy and Tax Rate Information**  
**Fiscal Year 2010**

	<b>2009</b>	<b>2010</b>
1. Maximum allowable primary property tax levy. A.R.S. §42-17051(A)	\$ 590,264	\$ 606,315
2. Amount received from primary property taxation in the <b>current year</b> 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	\$ 531,910	\$ 606,315
B. Secondary property taxes	258,444	145,000
C. Total property tax levy amounts	\$ 790,354	\$ 751,315
4. Property taxes collected*		
A. Primary property taxes		
(1) <b>Current</b> year's levy	\$ 522,100	
(2) Prior years' levies	15,000	
(3) Total primary property taxes	\$ 537,100	
B. Secondary property taxes		
(1) <b>Current</b> year's levy	\$ 240,000	
(2) Prior years' levies		
(3) Total secondary property taxes	\$ 240,000	
C. Total property taxes collected	\$ 777,100	
5. Property tax rates		
A. City/Town tax rate		
(1) Primary property tax rate	0.2215	0.2560
(2) Secondary property tax rate	0.0986	0.0590
(3) Total city/town tax rate	0.3201	0.3150

B. Special assessment district tax rates

Secondary property tax rates - As of the date the proposed budget was prepared, the city/town was operating \_\_\_\_\_ 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.

## Calculation of Secondary Tax Levy 2010/11

### INTRODUCTION:

The two-tiered property tax system in Arizona includes a primary levy, and a secondary property tax levy. The secondary property tax allows a city or town to levy a property tax for the purpose of retiring the principal and interest on bonded indebtedness. This levy is referred to as the "unlimited" levy. In other words, this property tax may be levied in an amount necessary to retire the bonded indebtedness of a city or town as is deemed necessary by the city or town.

Not only is the dollar amount of the secondary property tax levy "unlimited," the actual full cash value of property will be used in determining the tax rate. This is unlike the primary tax system which uses a controlled assessment system to determine the tax rate for primary property tax purposes. The bottom line on the secondary property tax system is that a city or town can levy the amount necessary to pay off its debt service.

The assessed value (AV) for the PRIMARY property in Payson is determined by the Gila County Assessor's Office and sent to the Town in February. The net assessed value amount subject to secondary property tax is from the abstract from the Assessor's data.

### FY10/11 SECONDARY TAX CALCULATION

Secondary Net Assessed Value	\$ 245,707,080
FY10/11 Debt Service Payment	\$ 145,000
<i>Secondary Tax Rate</i>	0.0590%

## 2010 LEVY LIMIT WORKSHEET

GILA COUNTY	TOWN OF PAYSON
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MAXIMUM LEVY	2009
A.1. Maximum Allowable Primary Tax Levy	\$590,264
A.2. A.1 multiplied by 1.02	\$602,069

CURRENT YEAR NET ASSESSED VALUE SUBJECT TO TAXATION IN PRIOR YEAR	2010
B.1. Centrally Assessed	\$6,563,466
B.2. Locally Assessed Real Property	\$222,836,337
B.3. Locally Assessed Personal Property	\$5,793,037
B.4. Total Assessed Value (B.1 through B.3)	\$235,192,840
B.5. B.4. divided by 100	\$2,351,928

CURRENT YEAR NET ASSESSED VALUES	2010
C.1. Centrally Assessed	\$6,719,774
C.2. Locally Assessed Real Property	\$224,329,018
C.3. Locally Assessed Personal Property	\$5,793,037
C.3a. Exemptions	
C.4. Total Assessed Value (C.1 through C.3a)	\$236,841,829
C.5. C.4. divided by 100	\$2,368,418

LEVY LIMIT CALCULATION	2010
D.1. LINE A.2	\$602,069
D.2. LINE B.5	\$2,351,928
D.3. D.1/D.2 (MAXIMUM ALLOWABLE TAX RATE)	0.2560
D.4. LINE C.5	\$2,368,418
D.5. D.3 multiplied by D.4 = MAXIMUM ALLOWABLE LEVY LIMIT	\$606,315
D.6. Excess Collections/Excess Levy	
D.7. Amount in Excess of Expenditure Limit	
D.8. ALLOWABLE LEVY LIMIT (D.5 - D.6 - D.7)	\$606,315

## Truth In Taxation Process Calculation of Increased Primary Tax Levy 2010/11

**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 2010 fiscal year.

A) *Maximum tax rate:* 
$$\frac{\text{Previous year's primary property tax levy}}{2010 \text{ AV} - \text{minus estimated new construction AV}}$$

* Previous year's primary property tax levy	=	\$ 531,910			
* 2010 AV = Preliminary	=	\$ 236,841,829			
* 2010 estimated new construction AV	=	\$ 1,648,989			
				\$	235,192,840

2010 tax rate (Preliminary) = 0.0022616 or 0.22616 per \$100/assessed value

1) Section B uses the levy rate established above to determine the levy for 2010 estimated new construction that can be added to the primary levy from last year.

2) This assumes the Town does not increase the 2009/2010 primary levy, even though the Town may do so.

B) *2010/2011 Primary Levy:* New construction AV \$ times new levy rate plus last year's primary levy.

\$1,648,989 * .0022616 =	\$	3,729			
Last year's primary levy	\$	531,910			
2010/2011 primary levy =	\$	535,639	←		

1) Section C compares the new levy rate to the levy rate imposed in 2009/2010. It also compares the maximum levy for 2010/2011 (as determined by the Assessor) to the maximum levy rate as established by these procedures.

2) If the levy for 2010/2011 is higher than last year's levy, a TNT hearing is required.

C) 2009/2010 primary rate:		0.22150	No TNT Hearing required.		
2010/2011 primary rate		(0.22616)	TNT hearing required.	←	
	Variance	(0.00466)	(Exceeds Prior Year)		
2009/2010 Maximum Levy (Assessor)	\$	606,315	TNT Hearing required.		
Maximum primary levy (from B)	\$	(535,639)	TNT hearing required.	←	
	Variance	\$ 70,676			

**SUMMARY COMMENT:** The Maximum allowable levy, assuming no further changes to the assessed value (AV), would be \$606,315 or .2560/\$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 2010/2011.

Arizona County Lodging Indicators															
County	Occupancy Rate			ADR			RevPAR			Room Demand			Room Supply		
	April 2009	April 2010	% Change	April 2009	April 2010	% Change	April 2009	April 2010	% Change	April 2009	April 2010	% Change	April 2009	April 2010	% Change
Apache County	63.1%	53.4%	-15.4%	\$74.04	\$74.25	0.3%	\$46.71	\$39.64	-15.1%	18,773	15,886	-15.4%	29,760	29,760	0.0%
Cochise County	53.8%	57.6%	7.2%	\$68.46	\$69.23	1.1%	\$36.80	\$39.90	8.4%	48,802	53,510	9.6%	90,780	92,850	2.3%
Coconino County	64.4%	64.4%	0.1%	\$80.93	\$78.69	-2.8%	\$52.08	\$50.68	-2.7%	199,777	206,425	3.3%	310,410	320,520	3.3%
Gila County	48.1%	58.4%	21.4%	\$72.26	\$72.26	0.0%	\$34.77	\$42.22	21.4%	16,930	20,561	21.4%	35,190	35,190	0.0%
Graham County	36.5%	39.8%	9.2%	\$70.08	\$70.99	1.3%	\$25.55	\$28.28	10.7%	6,826	7,457	9.2%	18,720	18,720	0.0%
Greenlee County	N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A	
La Paz County	N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A	
Maricopa County	58.0%	62.2%	7.2%	\$123.87	\$116.45	-6.0%	\$71.84	\$72.39	0.8%	982,908	1,085,506	10.4%	1,694,670	1,746,240	3.0%
Mohave County	56.1%	56.8%	1.3%	\$67.85	\$64.38	-5.1%	\$38.08	\$36.59	-3.9%	72,625	72,400	-0.3%	129,390	127,380	-1.6%
Navajo County	64.0%	48.6%	-24.2%	\$61.96	\$62.27	0.5%	\$39.68	\$30.24	-23.8%	65,593	49,741	-24.2%	102,420	102,420	0.0%
Pima County	55.7%	59.3%	6.3%	\$97.89	\$96.48	-1.4%	\$54.57	\$57.19	4.8%	257,500	283,998	10.3%	461,910	479,130	3.7%
Pinal County	50.7%	50.3%	-0.8%	\$72.33	\$71.16	-1.6%	\$36.69	\$35.81	-2.4%	30,843	29,875	-3.1%	60,810	59,370	-2.4%
Santa Cruz County	42.9%	49.0%	14.0%	\$70.31	\$72.74	3.5%	\$30.19	\$35.62	18.0%	13,423	16,262	21.2%	31,260	33,210	6.2%
Yavapai County	62.5%	60.5%	-3.2%	\$128.20	\$126.36	-1.4%	\$80.14	\$76.47	-4.6%	91,937	89,794	-2.3%	147,060	148,380	0.9%
Yuma County	50.7%	50.2%	-0.9%	\$75.13	\$73.32	-2.4%	\$38.09	\$36.82	-3.3%	54,367	56,128	3.2%	107,250	111,750	4.2%

Arizona County Lodging Indicators															
County	Occupancy Rate			ADR			RevPAR			Room Demand			Room Supply		
	2009 YTD	2010 YTD	% Change	2009 YTD	2010 YTD	% Change	2009 YTD	2010 YTD	% Change	2009 YTD	2010 YTD	% Change	2009 YTD	2010 YTD	% Change
Apache County	51.1%	45.1%	-11.8%	\$72.19	\$71.87	-0.4%	\$36.87	\$32.39	-12.2%	60,796	53,644	-11.8%	119,040	119,040	0.0%
Cochise County	57.8%	58.1%	0.4%	\$69.15	\$69.31	0.2%	\$39.99	\$40.24	0.6%	210,020	215,611	2.7%	363,120	371,400	2.3%
Coconino County	49.9%	50.0%	0.2%	\$71.56	\$70.28	-1.8%	\$35.72	\$35.16	-1.6%	617,556	630,290	2.1%	1,237,333	1,260,026	1.8%
Gila County	48.8%	50.1%	2.6%	\$69.07	\$68.95	-0.2%	\$33.68	\$34.51	2.5%	68,640	70,452	2.6%	140,760	140,760	0.0%
Graham County	36.7%	34.0%	-7.5%	\$72.41	\$68.13	-5.9%	\$26.60	\$23.16	-12.9%	27,513	25,458	-7.5%	74,880	74,880	0.0%
Greenlee County	N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A	
La Paz County	N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A		N/A	N/A	
Maricopa County	61.8%	66.6%	7.7%	\$133.99	\$120.63	-10.0%	\$82.78	\$80.30	-3.0%	4,156,055	4,639,483	11.6%	6,727,216	6,970,143	3.6%
Mohave County	54.3%	55.1%	1.6%	\$63.43	\$60.21	-5.1%	\$34.44	\$33.20	-3.6%	277,458	280,957	1.3%	510,990	509,520	-0.3%
Navajo County	52.2%	42.8%	-18.0%	\$60.37	\$60.40	0.0%	\$31.53	\$25.86	-18.0%	213,965	175,402	-18.0%	409,680	409,680	0.0%
Pima County	60.2%	63.0%	4.7%	\$109.22	\$101.40	-7.2%	\$65.71	\$63.85	-2.8%	1,109,611	1,206,868	8.8%	1,844,447	1,916,551	3.9%
Pinal County	59.5%	57.7%	-3.1%	\$78.75	\$74.75	-5.1%	\$46.88	\$43.10	-8.1%	144,793	136,929	-5.4%	243,240	237,480	-2.4%
Santa Cruz County	44.3%	50.3%	13.8%	\$72.58	\$72.44	-0.2%	\$32.12	\$36.47	13.5%	55,338	66,881	20.9%	125,040	132,840	6.2%
Yavapai County	50.4%	49.3%	-2.0%	\$114.33	\$113.18	-1.0%	\$57.59	\$55.85	-3.0%	296,060	292,665	-1.1%	587,761	593,100	0.9%
Yuma County	61.3%	59.2%	-3.6%	\$77.35	\$73.08	-5.5%	\$47.44	\$43.23	-8.9%	261,072	264,409	1.3%	425,652	447,000	5.0%

n/a= not available

\* % change compared to last year

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