COUNCIL DECISION REQUEST

SUBJECT: Public Hearings for Primary Tax Rate and Secondary Tax Rate for Fiscal Year 2011/2012 Budget

MEETING DATE: June 16, 2011

PAYSON GOAL: NEW: EXISTING:

ITEM NO.:

TENTATIVE SCHEDULE:

SUBMITTED BY: Hope Cribb HC
Finance Manager

AMOUNT BUDGETED: $0.00

SUBMITTAL TO AGENDA
APPROVED BY TOWN MANAGER

DHS

EXPENDITURE REQUIRED: $0.00

CONT. FUNDING REQUIRED: $0.00

EXHIBITS (If Applicable, To Be Attached):
Schedule B; Preliminary 2011 Levy Worksheet; TOP Worksheet to calculate Maximum Primary Tax Levy for Fiscal Year 2011/2012.

POSSIBLE MOTION
Not applicable – Public Hearing

SUMMARY OF THE BASIS FOR POSSIBLE MOTION:
The Fiscal Year 2011/2012 Budget proposes that the Primary Tax rate be set at $0.30648 per $100/assessed value to levy an amount equal to $612,672 for the Fiscal Year Budget 2011/2012. This tax rate is $0.05048 more than last year and tax levy is $6,357 higher due to a combination of new construction and the proposal to levy the full amount allowed by state statutes. The Secondary rate is to be set just high enough to raise $61,921 for Green Valley Park Debt Service.

BACKGROUND INFORMATION:

Primary Tax Levy: The Town received the Preliminary 2011 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.

The maximum amount the Town can assess is $612,672. The maximum assessable rate, without exceeding the Truth in Taxation hearing statute, is 0.30648 per $100/assessed value or $612,672.

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 $61,921. According to the County, the 2011 Secondary Net Assessed Value for the Town of Payson is $199,908,740. Therefore, the secondary tax rate will be .0313 per $100 of assessed value, a decrease from 2010 of .0277 per $100 assessed valuation.

Combined Tax Rate: The combined tax rate for 2010 was .3150 (.2560 primary rate plus .0590 secondary rate). If Council approves the maximum allowable rate for the primary property tax for 2011, the combined tax rate for 2011 will be .33778 (.30648 primary rate plus .03130 secondary rate), a difference of .02278 per $100 net assessed valuation.

The adoption of the Tax Ordinance is scheduled for the July 7, 2011 Special Town Council meeting. It must be adopted prior to the third Monday in August (August 15, 2011.)

PROS:

Rescheduled to – JUN 21 2011 SP.1

CONS:

JUN 16 2011 SP.1

COUNCIL DECISION REQUEST

PUBLIC INPUT (if any):

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

FUNDING:

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

BA: _____ Date: _____

TOWN OF PAYSON
Summary of Tax Levy and Tax Rate Information
Fiscal Year 2012

	2011	2012
1. Maximum allowable primary property tax levy. A.R.S. §42-17051(A)	$ 606,315	$ 612,672
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	$ 606,315	$ 612,672
B. Secondary property taxes	145,000	61,921
C. Total property tax levy amounts	$ 751,315	$ 674,593
4. Property taxes collected*		
A. Primary property taxes		
(1) **Current** year's levy	$ 577,000	
(2) Prior years' levies	20,000	
(3) Total primary property taxes	$ 597,000	
B. Secondary property taxes		
(1) **Current** year's levy	$ 145,000	
(2) Prior years' levies		
(3) Total secondary property taxes	$ 145,000	
C. Total property taxes collected	$ 742,000	
5. Property tax rates		
A. City/Town tax rate		
(1) Primary property tax rate	0.2560	0.3065
(2) Secondary property tax rate	0.0590	0.0313
(3) Total city/town tax rate	0.3150	0.3378

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 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.

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 2011 fiscal year.

A) ***Maximum tax rate:*** Previous year's primary property tax levy / 2011 AV - minus estimated new construction AV

* Previous year's primary property tax levy	=	$ 606,300		
* 2011 AV = Preliminary	=	$ 199,908,740	$	197,829,467
* 2011 estimated new construction AV	=	$ 2,079,273		

2011 tax rate (Preliminary) = **0.0030648** **or** **0.30648** per $100/assessed value

1) Section B uses the levy rate established above to determine the levy for 2011 estimated new construction that can be added to the primary levy from last year.

B) ***2011/2012 Primary Levy:*** New construction AV $ times new levy rate plus last year's primary levy.

$2079273 * .0030648 =	$	6,372
Last year's primary levy	$	606,300
2011/2012 primary levy =	**$**	**612,672**

1) Section C compares the new levy rate to the levy rate imposed in 2010/2011. It also compares the maximum levy for 2011/2012 (as determined by the Assessor) to the maximum levy rate as established by these procedures.
2) If the levy amount for 2011/2012 (primary levy LESS amount for new construction) is higher than last year's levy, a TNT hearing is required.

C)

2010/2011 primary rate:		0.21120
2011/2012 primary rate		**(0.30648)**
Variance		**(0.09528)**

2010/2011 Maximum Levy (Assessor)	**$**	**606,315**	TNT Hearing required.	**612,672**
Maximum primary levy (from B)	**$**	**(612,672)**	**No TNT hearing required.**	**(6,372)**
Variance	**$**	**(6,357)**	(Exceeds Prior Year)	**606,300**

2011 LEVY LIMIT WORKSHEET

COUNTY OF: GILA **TAX AUTHORITY: Payson**

Effective Date: 2/4/2011 2011 NEW CONSTRUCTION = 2,079,273

SECTION A: 2010 MAXIMUM LEVY LIMIT

A.1	2010 MAXIMUM ALLOWABLE PRIMARY TAX LIMIT (AMOUNT ON LINE D.5 FROM 2010 WORKSHEET)		606,315
A.2	LINE A.1 MULTIPLIED BY 1.02 EQUALS		618,441

SECTION B: 2011 NET ASSESSED VALUE OF PROPERTY SUBJECT TO TAXATION IN 2010

B.1	CENTRALLY ASSESSED	6,332,653	
B.2	LOCALLY ASSESSED REAL	188,949,623	
B.3	LOCALLY ASSESSED PERSONAL PROPERTY.....	4,626,464	
B.4	TOTAL OF B.1 THROUGH B.4 EQUALS		199,908,740
B.5	B.4 DIVIDED BY 100 EQUALS		1,999,087

SECTION C: 2011 NET ASSESSED VALUE

C.1	CENTRALLY ASSESSED	6,473,701	
C.2	LOCALLY ASSESSED REAL	190,887,848	
C.3	LOCALLY ASSESSED PERSONAL PROPERTY.....	4,626,464	
C.4	TOTAL OF C.1 THROUGH C.4 EQUALS		201,988,013
C.5	C.4 DIVIDED BY 100 EQUALS		2,019,880

SECTION D: 2011 LEVY LIMIT CALCULATION

D.1	ENTER LINE A.2	618,441	
D.2	ENTER LINE B.5	1,999,087	
D.3	DIVIDE D.1 BY D.2 AND ENTER RESULT		0.3094
D.4	ENTER LINE C.5		2,019,880
D.5	MULTIPLY D.4 BY D.3 AND ENTER RESULT **LINE D.5 EQUALS 2011 MAXIMUM ALLOWANCE LEVY LIMIT**		624,951
D.6	ENTER EXCESS PROPERTY TAXES COLLECTABLE PURSUANT TO ARS 42-17051, SECTION B		0
D.7	ENTER AMOUNT IN EXCESS OF EXPENDITURE LIMITATION PURSUANT TO ARS 42-17051, SECTION C		0
D.8	LINE D.5 MINUS LINE D.6 AND LINE D.7 EQUALS **2011 ALLOWABLE LEVY**		624,951