

CITY COUNCIL REPORT



Meeting Date: 06/02/2015
 Charter Provision: *Provide for the orderly government and administration of the affairs of the City*
 Objective: *Adopt Budgets*

ACTION

Public Hearing on the Proposed FY 2015/16 Property Tax Levy

- 1) SOLICIT public testimony on the proposed fiscal year 2015/16 property tax levy, and
- 2) APPROVE a motion to levy the proposed property taxes, taxes to be assessed by ordinance on June 16, 2015.

BACKGROUND

The Arizona State Constitution and State law specify a two-tiered property tax system. The system consists of two levies, a "limited" levy known as the primary property tax levy and an "unlimited" tax levy known as the secondary property tax levy. The primary tax levy is imposed by cities and towns for all general municipal purposes, while the secondary levy is only used to retire the principal and interest or redemption charges on bond indebtedness. Per Arizona Revised State Statute (ARS) §42-17104, a public hearing on any tax levy must be held at least 14 days prior to the actual levy of the tax. In addition, pursuant to ARS §42-17107, if the proposed primary levy (excluding growth), exceeds the prior year's primary levy, a Truth In Taxation (TNT) hearing with more stringent guidelines would substitute for this regular property tax hearing. As the FY15/16 proposed primary levy (excluding growth) does not exceed the FY14/15 primary levy, the TNT hearing is not required but a regular property tax hearing is required.

Primary Property Tax Levy (General Fund and Self-Insurance Fund revenue):

The FY 2015/16 proposed primary property tax levy will be used to support General Fund activities such as police and fire protection, operation and maintenance of parks and libraries, and other general governmental functions. The primary property tax levy also includes a repayment to the Self-Insurance Fund reserve of \$1,312,809 for tort liability claim payments made during calendar year 2014.

For FY 2015/16, the City's total proposed primary property tax levy of \$27.32 million is a decrease of \$.50 million over the current year levy mainly due to the decreased tort recovery of \$0.76 million

offset slightly by new growth on the tax roll of \$0.26. The primary tax rate (levy divided by assessed valuation) is also decreasing: the current primary property tax rate of \$0.5580 cents per \$100 of assessed valuation is projected to decrease by \$0.0287 to \$0.5293 cents in FY 2015/16.

As required by State Statute §42-17103, the City published a Public Hearing Notice for the Final Budget Adoption (including Proposed Tax Levies) in the local newspaper on two separate dates:

Friday, May 22, 2015

Friday, May 29, 2015

Secondary Property Tax Levy (debt repayment):

Under state law, cities and towns are allowed to levy a secondary property tax for the sole purpose of retiring the principal and interest on general obligation bonded indebtedness. A city or town may levy whatever amount of property taxes (i.e. unlimited) is necessary to pay general obligation debt service (and fees related to the debt issuances). Although the secondary property tax levy is unlimited in order to cover existing bonded indebtedness once issued, the ability to issue new bonds and incur new debt is subject to limitation by the Arizona Constitution.

For FY 2015/16, the City's proposed secondary property tax levy is forecasted to decrease over the FY 2014/15 adopted budget of \$35.60 million to \$32.23 million due to reduced debt service payments and the use of \$0.51M of debt service reserves. The current secondary tax rate of \$0.6869 is expected to decrease by \$0.0625 to \$0.6244 per \$100 of assessed valuation in FY 2015/16.

Combined Property Tax Levy and Taxpayer Impact:

The combined tax levy is the aggregate of the primary (limited) and secondary (unlimited) levies. For FY 2015/16, the City's total proposed combined property tax levy is forecasted to decrease over the current year by approximately \$3.83 million.

In FY 2015/16, citizen tax bills will reflect an estimated combined property tax rate of \$1.1537 which is \$0.0912 less than the FY 2014/15 combined rate of \$1.2449. The management of the combined property tax rate is included in the City's adopted financial policies for debt management, which states that the combined tax rate will not exceed \$1.50 per \$100 of assessed value. Based on this combined rate, an owner of a home with a County Assessor's real property value of \$100,000 will pay approximately \$115.37 in City property taxes, applying the proposed combined property tax rate. The Maricopa County Assessor's Office, not the City of Scottsdale, determines real property values used to calculate property tax bills.

About 14 cents of every dollar in property taxes paid by Scottsdale property owners goes to City government and City General Obligation debt repayment, and the remainder goes to public schools, the county, community colleges and various special districts.

ANALYSIS & ASSESSMENT

As noted in the Background section above, the City's proposed combined property tax rate would

decrease \$0.0912 in FY 2015/16. The City will realize a decrease in revenue from the combined primary and secondary property tax levies attributable to a combination of factors mentioned above.

RESOURCE IMPACTS

For FY 2015/16, the proposed combined property tax rate is estimated at \$1.1537 and the combined levy of approximately \$59.6 million is detailed by tax tier and fund below:

Tax Tier	Estimated Tax Rate	General Fund Revenue	Self Insurance Fund Revenue	Debt Service Fund Revenue	Total Property Tax Levy
Primary	\$0.5293	\$26,009,870	\$1,312,809	-	\$27,322,679
Secondary	\$0.6244	-	-	\$32,227,765	\$32,227,765
Combined	\$1.1537	-	-	-	\$59,550,444

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

Staff recommends Council discuss all components (including consideration of any taxpayer input) of the total, combined FY 2015/16 proposed property tax levy and corresponding tax rate and then approve a motion to levy the proposed taxes and to fix the levy at the June 16, 2015 Council meeting (State law requires a period of at least fourteen days between the public hearing on the tax levy and adoption of the tax levy).

In the alternative, at the June 16, 2015, Council meeting, Council may choose to approve a motion adopting a lesser tax levy.

RESPONSIBLE DEPARTMENT(S)

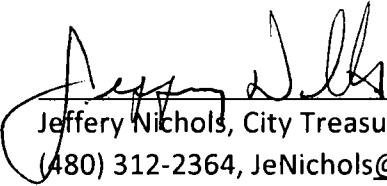
City Treasurer's Office

STAFF CONTACTS (S)

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APPROVED BY


Jeffery Nichols, City Treasurer
(480) 312-2364, JeNichols@ScottsdaleAZ.gov

5/19/15
Date

ATTACHMENTS

1. Schedule B from FY15/16 Tentative Budget

CITY OF SCOTTSDALE
Summary of Property Tax Levy and Property Tax Rate Information
Fiscal Year 2015/16

	<u>2014/15</u> <u>FISCAL YEAR</u>	<u>2015/16</u> <u>FISCAL YEAR</u>
1. Maximum allowable primary property tax levy A.R.S. §42-17051(A).	<u>\$ 29,943,828</u>	<u>\$ 30,022,358</u>
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).	<u>\$ -</u>	
3. Property tax levy amounts		
A. Primary property taxes	\$ 27,821,197	\$ 27,322,679
B. Secondary property taxes	<u>35,559,287</u>	<u>32,227,765</u>
C. Total property tax levy amounts	<u>\$ 63,380,484</u>	<u>\$ 59,550,444</u>
4. Property taxes collected*		
A. Primary property taxes		
(1) 2014/15 levy	27,264,773	
(2) Prior years' levies	343,756	
(3) Total primary property taxes	<u>\$ 27,608,529</u>	
B. Secondary property taxes		
(1) 2014/15 levy	34,848,101	
(2) Prior years' levies	491,922	
(3) Total secondary property taxes	<u>\$ 35,340,023</u>	
C. Total property taxes collected	<u>\$ 62,948,552</u>	
5. Property tax rates		
A. City tax rate		
(1) Primary property tax rate	\$ 0.5580	\$ 0.5293
(2) Secondary property tax rate	0.6869	0.6244
(3) Total city tax rate	<u>\$ 1.2449</u>	<u>\$ 1.1537</u>
B. Special assessment district tax rates		

Secondary property tax rates - As of the date the tentative budget was prepared, the city was operating 355 special assessment districts (streetlight improvement districts) for which secondary property taxes are levied. For information pertaining to these special assessment districts and their tax rates, please contact the City of Scottsdale's Treasurer's Office.

* 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.

FY 2015/16 Property Tax Rates and Levies



City Council, June 2, 2015

Property Taxes (\$ in millions, except rate)

Primary	GF Primary Levy	Growth	2% Allowance	Total GF Primary Levy	Tort Recovery	Total Primary Levy	Primary Assessed Valuation	Primary Rate
FY14/15	\$ 25.5	\$ 0.2	\$ -	\$ 25.7	\$ 2.1	\$ 27.8	\$ 4,986.0	\$ 0.5580
FY15/16	25.7	0.3	-	26.0	1.3	27.3 -1.7%	5,161.7 3.5%	0.5293 -5.1%

Secondary	Debt Service	Use of Debt Service Reserve	Total Secondary Levy	Secondary Assessed Valuation	Secondary Rate
FY14/15	\$ 35.6	-	\$ 35.6	\$ 5,176.8	\$ 0.6869
FY15/16	32.7	(0.5)	32.2 -9.6%	5,161.7 -0.3%	0.6244 -9.1%

Total	Total Levy	Total Rate
FY14/15	\$ 63.4	\$ 1.2449
FY15/16	59.6 -6.0%	1.1537 -7.3%

Action

Approve a motion to levy the proposed FY15/16 property taxes,
taxes to be assessed by ordinance on June 16, 2015

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FY 2015/16 Property Tax Rates and Levies



City Council, June 2, 2015

Property Taxes (\$ in millions, except rate)

Primary	GF			Total GF		Tort	Total		Primary	Primary
	Primary	Growth	2%	Primary	Levy		Primary	Levy	Assessed	Rate
	Levy		Allowance	Levy	Recovery				Valuation	
FY14/15	\$ 25.5	\$ 0.2	\$ -	\$ 25.7	\$ 2.1		\$ 27.8		\$ 4,986.0	\$ 0.5580
FY15/16	25.7	0.3	-	26.0	1.3		27.3 -1.7%		5,161.7 3.5%	0.5293 -5.1%
Secondary	Debt		Use of	Total			Secondary		Secondary	Secondary
	Service	Reserve		Secondary	Levy		Assessed	Valuation		
FY14/15	\$ 35.6	-			\$ 35.6		\$ 5,176.8		\$ 0.6869	
FY15/16	32.7	(0.5)			32.2 -9.6%		5,161.7 -0.3%		0.6244 -9.1%	
Total							Total Levy		Total Rate	
FY14/15							\$ 63.4		\$ 1.2449	
FY15/16							59.6 -6.0%		1.1537 -7.3%	

Action

Approve a motion to levy the proposed FY15/16 property taxes,
taxes to be assessed by ordinance on June 16, 2015