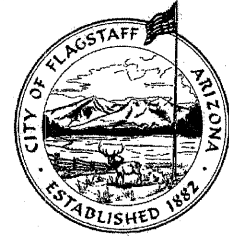


CITY OF FLAGSTAFF

STAFF SUMMARY REPORT



To: The Honorable Mayor and City Council

From: Barbara Goodrich, 913-3201
Management Services, Finance and Budget

Date: June 10, 2008

Meeting Date: June 17, 2008

TITLE: CONSIDERATION OF PUBLIC HEARING ON TRUTH IN TAXATION, PROPOSED FY 2008 – 2009 BUDGET, AND PROPERTY TAX LEVY

RECOMMENDED ACTION:

Open the public hearing, receive citizen input, and close the public hearing

ACTION SUMMARY:

In accordance with State Law and Truth in Taxation legislation, a public hearing is required as part of the tax increase, for final adoption of the budget, and the establishment of the property tax levy. This hearing provides citizen input prior to adoption. The full calendar for budget adoption includes:

June 3, 2008	Tentative budget adoption public hearing
June 3, 2008	Tentative adoption of budget by Council
June 17, 2008	Truth in taxation hearing and roll call vote
June 17, 2008	Final budget and tax levy hearing
June 17, 2008	Final budget adoption
July 22, 2008	Adoption of Property Tax Levy

DISCUSSION:

Background/History:

Truth and taxation:

Every year, the law requires that the county assessor, on or before February 10, transmit to each city and town an estimate of the total net assessed valuation of the city, including new property added to the tax roll. If the proposed primary tax levy amount, excluding amounts attributable to new construction, is greater than the levy amount in the previous year, the city must go through the 'truth in taxation' procedures. *It is important to note that it is the levy amount and not the rate which triggers the truth in taxation procedure.*

The City of Flagstaff has triggered the 'truth in taxation' notification and hearing. We have published a notice in the Arizona Daily Sun on June 2, 2008 and June 9, 2008. We have issued a press release concerning the increase.

Budget adoption:

The budget was presented for tentative adoption on June 3, 2008. The tentative adoption established the maximum appropriation for the City for the FY2009 budget year. The budget legal schedules were published in the Arizona Daily Sun on June 6, 2008 and June 13, 2008.

Property tax levy:

Primary property taxes are accumulated in the General Fund and pay for general services which include but are not limited to public safety, parks and recreation, other public work services, and general administrative and management functions within the City. Secondary property taxes are assessed and collected to pay for general obligation debt of the City as approved by voters. The current and proposed property rates are shown in the 'Financial Implications' section below.

Key Considerations:

The key dates for budget and property tax levy adoption have been determined and have been followed throughout this process. The budget must be adopted by the third week of July. The County adopts the property tax levy as proposed by the City on or about August 1, 2008.

Community Benefits and Considerations:

Public investment into the budget process is necessary as a tool for the Council to use when determining the current year goals and objectives. The budget translates City priorities into fiscal reality. The FY2009 budget is balanced; it maintains current service levels; and it offers growth to a number of City services.

Community Involvement:

The first public hearing was held on June 3, 2008 for the tentative budget adoption.

This is the second public hearing in the budget adoption process and it is open to public comment on the property tax level, the property tax levy, and the final budget adoption.

The truth in taxation notice was published in the Arizona Daily Sun on June 2, 2008 and June 9, 2008. The budget legal schedules were published in the Arizona Daily Sun on June 6, 2008 and June 13, 2008. These notices indicated the time and day of this public hearing.

Financial Implications:

The City of Flagstaff is proposing a primary property tax increase over the 2008 base levy of \$4,656,831. The increase is \$93,129 or 2.00% on existing properties for FY2009, the legal limit. This proposed increase will cause City of Flagstaff primary property taxes on an \$100,000 home to increase from \$66.70 (total taxes that would be owed without the proposed tax increase) to \$68.03 (total proposed taxes including the tax increase). Valuation of existing properties actually increased 7%.

This proposed increase is exclusive of increased primary property taxes received from new construction, estimated at \$164,311. The increase is also exclusive of any changes that may occur from property tax levies for voter approved bonded indebtedness or budget or tax

overrides. The City of Flagstaff has no other changes in the secondary property tax rate for FY2009.

Once again – the ‘truth in taxation’ has been triggered as the *levy amount has increased* – it is not dependent on rate. This is evidenced as the City has decreased the combined property tax levy over the last several years by 8.8% as shown in the table below:

Property Tax Rates	FY2006	FY2007	FY2008	FY2009 Proposed
Primary	\$0.7861	\$0.7563	\$0.7153	\$0.6803
Secondary	0.8766	0.8366	0.8366	0.8366
Total	\$1.6627	\$1.5929	\$1.5519	\$1.5169

While the rate has decreased, the City continues to see revenue increases due to new construction within the City and the 2% growth allowance on existing property. The FY2008 estimated actual to the FY2009 budget for primary property tax is anticipated to grow by 6% or approximately \$260,000.

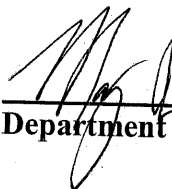
There have been no changes in the final budget recommended for adoption from that presented as the tentative budget. The recommended City of Flagstaff appropriation for FY 2008 – 2009 is \$230,158,982.

Options and Alternatives:

1. Adopt the proposed property tax level and final budget amount. The property tax levy will be adopted on July 22, 2008.
2. Reduce the property level increase which would reduce the primary property tax levy. This would reset in motion draft and final budget adoption as the legal schedules would be altered.

Attachments/Exhibits:

NONE



 Department Head

INITIALS	RESPONSIBILITY	DATE	INITIALS	RESPONSIBILITY	DATE
_____	BIDS/PURCHASES	_____	_____	FINANCE/BUDGET	_____
_____	GRANTS/CONTRACTS	_____	_____	IGAS	_____
_____	LEGAL	_____	_____		_____

DATE OF COUNCIL APPROVAL: _____