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 2, 2008

Meeting Date: June 17, 2008



TITLE: CONSIDERATION OF APPROVAL OF PROPERTY TAX LEVEL

RECOMMENDED ACTION:

Approve by roll-call vote the proposed change in property tax level as required through Truth in Taxation disclosure.

ACTION SUMMARY:

In accordance with the "Truth in Taxation" legislation, City Council, by roll-call vote, must approve the increase in property taxes over last year's level. The City Council will vote to adopt the property tax levy on July 22, 2008.

The "Truth in Taxation" legislation requires cities to report as an increase in primary taxes, any increase in the amount of total property tax levied, exclusive of a primary property tax level due to new construction. For FY 2009, the primary property tax rate is slated to decrease to a mil rate of \$0.6803 from \$0.7153, however the City is receiving additional property tax receipts (excluding new construction) over the amount received in FY2008.

	Primary AV	Rate	Primary Property Tax	
2008	\$722,368,245	0.6803	\$4,914,271	
2007	651,031,896	0.7153	4,656,831	
Total Increase	71,336,349	10.957%	257,440	5.528%
Less: New Constru:	24,152,708	3.710%	164,311	3.528%
Increased AV	<u>\$ 47,183,641</u>	7.247%	<u>\$ 93,129</u>	2.000%

DISCUSSION:

Background/History:

As illustrated above, primary assessed valuation (AV) has increased by 10.957% (\$71,336,349). Of this total increase, 3.710% (\$24,152,708) is due to new construction and the remaining 7.247% (\$47,183,641) is due to increased assessed value throughout the City.

The primary property tax levy is decreasing from a mil rate of \$0.7153 to \$0.6803, This will realize a savings of \$10.50 to a home with an assessed value of \$300,000. The City has the ability to increase the amount received from primary property tax by a maximum of 2% excluding new construction due to increased assessed values. The City has opted to do this. If the City would choose to leave the primary property tax amount equal to FY2008, then the property tax levy would further decrease to a mil rate of \$0.6670, realizing an additional savings of \$3.99 to a home with a \$300,000 assessed value. Should the council choose to hold the City equal to the FY2008 receipts (excluding new construction), the City may have to cut services equal to the lost revenue of approximately \$93,129.

Key Considerations:

The key dates in the Property Tax Levy and Budget process are:

Tentative budget adoption public hearing
Tentative adoption of budget by Council
Truth in taxation hearing and roll call vote
Final budget and tax levy hearing
Final budget adoption
Adoption of Property Tax Levy

Community Benefits and Considerations:

The revised primary property tax rate will enable the City to fund all, or in part, certain additions to the City budget for FY2009 that includes police, fire, community development, and administrative positions that better situate the City to meet Community needs.

Community Involvement:

The Community has an opportunity for input during the Public Hearing held on this same date.

Financial Implications:

The City has budgeted a total of \$4,914,271 in FY09 primary property tax, an approximate 6.0% increase over the FY2008 budget. Primary property tax funds any general purpose use of the city government.

Options and Alternatives:

Options include:

Option 1: Approve by roll call vote the proposed change in property tax level.

Option 2: Do not approve the proposed change in property tax level and reduce the property tax levy to a mil rate of \$0.6670 which would decrease general fund revenue by approximately \$93,129 for FY2009.

Ontion 2.	Approve the		1	:		1	0 000 100
ODUON 5:	Approve the	property tax i	ever	increase	somewnere	nerween s	.0 = 894 179
- F	pp ,	property tours		TITOI CUDE	POTITO MITOTO	DOCT TOOLS OF	$\psi = \psi - \omega_{1} + \omega_{2}$

Atta	chm	ents	Exh	ibits:
Aua	CHIH	CH (S/	LAH	IDIUS.

Truth in Taxation Publication

Department Head

INITIALS	RESPONSIBILITY	DATE	INITIALS	RESPONSIBILITY	DATE
	BIDS/PURCHASES GRANTS/CONTRACTS			FINANCE/BUDGET IGAS	
	LEGAL		-	***	
DATE OF C	COUNCIL APPROVAL:				

TRUTH IN TAXATION HEARING NOTICE OF TAX INCREASE

In compliance with section 42-17107, Arizona Revised statutes, the City of Flagstaff is notifying its property taxpayers of City of Flagstaff's intention to raise its primary property taxes over last year's level. The City of Flagstaff is proposing an increase of \$93,129 or 2.00%.

The proposed tax increase will cause City of Flagstaff's 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).

This proposed increase is exclusive of increased primary property taxes received from new construction. The increase is also exclusive of any changes that may occur from property tax levies for voter approved bonded indebtedness or budget and tax overrides.

All interested citizens are invited to attend the public hearing on the tax increase that is scheduled to be held June 17, 2008 at 6:00 in the City Council Chambers at 211 W. Aspen, Flagstaff, Arizona.

