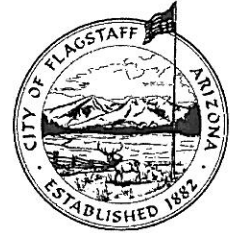


**CITY OF FLAGSTAFF  
STAFF SUMMARY REPORT**



**To:** The Honorable Mayor and City Council  
**From:** Barbara Goodrich, 913-3201  
 Interim Management Services Director  
**Date:** June 2, 2009  
**Meeting Date:** June 16, 2009

**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 28, 2009.

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 2010, the primary property tax rate is slated to decrease to a mil rate of \$0.6547 from \$0.6803, however the City is receiving additional property tax receipts (excluding new construction) over the amount received in FY2009.

	<u>Primary AV</u>		<u>Rate</u>		<u>Primary Property Tax</u>
2009	\$781,985,576		0.6547		\$5,119,660
2008	<u>721,550,798</u>		0.6803		<u>4,908,710</u>
Total Increase	60,434,778	8.376%			210,949    4.297%
Less: New Constr:	<u>16,364,184</u>	<u>2.268%</u>			<u>107,136</u> <u>2.183%</u>
<b>Increased AV</b>	<u>\$ 44,070,594</u>	<u>6.108%</u>			<u>\$ 103,813</u> <u>2.114%</u>

**DISCUSSION:**

**Background/History:**

As illustrated above, primary assessed valuation (AV) has increased by 8.376% (\$60,434,778). Of this total increase, 2.268% (\$16,364,184) is due to new construction and the remaining 6.108% (\$44,070,594) is due to increased assessed value throughout the City.

The primary property tax levy is decreasing from a mil rate of \$0.6803 to \$0.6547. This will realize a savings of \$7.68 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%

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excluding new construction as based on prior year assessed values. The City has opted to do this. If the City would choose to leave the primary property tax amount equal to FY2009, then the property tax levy would further decrease to a mil rate of \$0.6419, realizing an additional savings of \$3.84 to a home with a \$300,000 assessed value. Should the council choose to hold the City equal to the FY2009 receipts (excluding new construction), the City may have to cut services equal to the lost revenue of approximately \$103,813.

**Key Considerations:**

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

June 2, 2009	Tentative budget adoption public hearing
June 2, 2009	Tentative adoption of budget by Council
June 16, 2009	Truth in taxation hearing and roll call vote
June 16, 2009	Final budget and tax levy hearing
June 16, 2009	Final budget adoption
July 28, 2009	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 FY2010 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 \$5,113,881 in FY10 primary property tax, an approximate 4.0% increase over the FY2009 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 \$0.6419 which would decrease general fund revenue by approximately \$103,813 for FY2010.

Option 3: Approve the property tax level increase somewhere between \$0 - \$103,813.

**Attachments/Exhibits:**

Truth in Taxation Publication

  
 \_\_\_\_\_  
 Department Head

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

DATE OF COUNCIL APPROVAL: \_\_\_\_\_