

CITY COUNCIL REPORT



Meeting Date: 06/07/2022
 Charter Provision: *Provide for the orderly government and administration of the affairs of the City*
 Objective: *Adopt Budgets*

ACTION

Truth In Taxation Hearing and Public Hearing on the Proposed FY 2022/23 Property Tax Levy

- 1) SOLICIT public testimony on the proposed fiscal year 2022/23 property tax levy, and
- 2) By a roll call vote, APPROVE a motion to levy the proposed property taxes, taxes to be assessed by ordinance on June 21, 2022.

BACKGROUND

The Arizona State Constitution and State law specify a two-tiered property tax system. The system consists of two levies, a primary property tax levy and a secondary property tax levy. The primary property tax levy is imposed by cities and towns for all general municipal purposes, while the secondary tax levy is only used to retire the principal and interest or redemption charges on bond indebtedness.

Per Arizona Revised Statutes (A.R.S.) § 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 A.R.S. § 42-17107 and the City Charter, if the proposed primary property tax levy (excluding growth) exceeds the prior year's primary property tax levy, a Truth In Taxation (TNT) hearing with more stringent guidelines would substitute for the regular property tax hearing. Additionally, a TNT hearing requires the governing body to consider a motion to levy the increased property taxes by a roll call vote. Since the FY 2022/23 proposed primary property tax levy (excluding growth) exceeds the FY 2021/22 primary property tax levy, the TNT hearing is required.

ANALYSIS & ASSESSMENT

Primary Property Tax Levy (General Fund and Risk Management Fund revenue):

The FY 2022/23 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 Risk Management Fund reserve of \$536,000 for tort liability claim payments made during calendar year 2021.

For FY 2022/23, the City's total proposed primary property tax levy of \$36.42 million is an increase of \$1.36 million over the current year levy of \$35.06 million. The increase is due to 1) tort liability

claim payments; 2) the 2 percent statutory adjustment; and 3) new construction. The current primary property tax rate of \$0.5039 per \$100 of assessed valuation is projected to decrease by \$0.0069 to \$0.4970 in FY 2022/23.

As required by A.R.S. § 42-17107 related to the Truth In Taxation Hearing, the City:

- 1) Published a Truth In Taxation Hearing Notice in the Arizona Republic on two separate dates:
 - Friday, May 20, 2022 and Saturday, May 28, 2022
- 2) Issued the Truth In Taxation press release prior to the June 7, 2022 Truth In Taxation Hearing and posted the press release to the City's website.

Additionally, as required by A.R.S. § 42-17103 related to Final Budget Adoption (including Proposed Tax Levies), the City published estimates of FY 2022/23 revenues and expenses and a Public Hearing Notice regarding the tax levies in the Arizona Republic once a week for two consecutive weeks on Wednesday, May 25, 2022 and Wednesday, June 1, 2022.

Further, as required by A.R.S. § 9-499.15, the City posted notice of the proposed tax levy increase with the schedule of the proposed increase and a written report that supports the proposed increase on April 22, 2022, which is 60 days before City Council will consider whether to adopt the ordinance fixing the levy (June 21, 2022).

Secondary Property Tax Levy (GO Bond 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 secondary property taxes is necessary to pay general obligation debt service (and fees related to the debt issuances). Secondary property tax is subject to limitation by the Arizona Constitution.

For FY 2022/23, the City's proposed secondary property tax levy is forecasted to decrease \$5.02 million from the FY 2021/22 adopted budget of \$35.08 million to \$30.06 million due to use of accumulated fund balance as a result of savings achieved through a general obligation debt refinancing. In addition, due to increased property values, the current secondary tax rate of \$0.5042 is expected to decrease by \$0.0941 to \$0.4101 per \$100 of assessed valuation in FY 2022/23.

The FY 2022/23 Secondary Property Tax levy was calculated to ensure the reserve meets the required limitation prescribed in A.R.S. § 35-458(A) – that the levy be net of all cash in excess of 10 percent of the annual payments of principal and interest in the current fiscal year from the previous year remaining in the fund or funds prescribed by A.R.S. § 35-458(B).

Combined Property Tax Levy and Taxpayer Impact:

The combined tax levy is the aggregate of the primary and secondary levies. For FY 2022/23, the City's total proposed combined property tax levy is forecasted to decrease over the current year by approximately \$3.66 million from \$70.14 million in FY 2021/22 to \$66.48 million in FY 2022/23.

In FY 2022/23, citizen tax bills will reflect an estimated combined property tax rate of \$0.9071,

which is \$0.1010 less than the FY 2021/22 combined rate of \$1.0081. 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 assessed value of \$100,000 will pay approximately \$90.71 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 assessed values used to calculate property tax bills.

About nine 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.

RESOURCE IMPACTS

For FY 2022/23, the proposed combined property tax rate is estimated at up to \$0.9071 and the combined levy of up to approximately \$66.48 million is detailed by tax tier and fund below:

Tax Tier	Estimated Tax Rate	General Fund*	Risk Management Fund*	Debt Service Fund*	Total Property Tax Levy*
Primary	\$0.4970	\$35.89	\$0.54	-	\$36.42
Secondary	\$0.4101	-	-	\$30.06	\$30.06
Combined	\$0.9071	\$35.89	\$0.54	\$30.06	\$66.48

For comparison, the current FY 2021/22 property tax rate and levy and the FY 2022/23 proposed property tax rate and levy are below:

Tax Tier	FY 21/22 Tax Rate	FY 21/22 Tax Levy*	FY 22/23 Est. Tax Rate	FY 22/23 Est. Tax Levy*
Primary	\$0.5039	\$35.06	<i>Up to \$0.4970</i>	<i>Up to \$36.42</i>
Secondary	\$0.5042	\$35.08	<i>Up to \$0.4101</i>	<i>Up to \$30.06</i>
Combined	\$1.0081	\$70.14	<i>Up to \$0.9071</i>	<i>Up to \$66.48</i>

*Note: \$ in millions; rounding differences may occur.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

City Council Report | Public Hearing and TNT Hearing on Proposed FY 2022/23 Property Tax Levy

Staff recommends that City Council discuss all components (including consideration of any taxpayer input) of the total, combined FY 2022/23 proposed property tax levy and corresponding tax rate and then, by roll call (as required by Arizona State Statute), approve a motion to levy the proposed taxes and to fix the levy by ordinance at the June 21, 2022 Council meeting (Arizona State law requires a period of at least fourteen days between the Truth In Taxation hearing and public hearing on the tax levy and adoption of the tax levy).

As an alternative, at the June 21, 2022, City Council meeting, City Council may choose to approve a motion adopting a lesser tax levy.

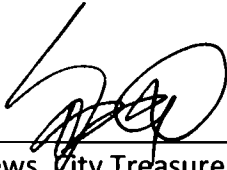
RESPONSIBLE DEPARTMENT(S)

City Treasurer Division

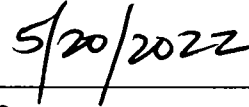
STAFF CONTACT(S)

Judy Doyle, Budget Director, 480-312-2603, JDoyle@ScottsdaleAZ.gov

APPROVED BY



Sonia Andrews, City Treasurer
(480) 312-2364, SAndrews@ScottsdaleAZ.gov



Date

ATTACHMENTS

1. Truth In Taxation Notice
2. Truth In Taxation Press Release
3. Schedule B from FY 2022/23 Tentative Budget

TRUTH IN TAXATION HEARING NOTICE OF TAX INCREASE

In compliance with section 42-17107, Arizona Revised Statutes, the City of Scottsdale is notifying its property taxpayers of Scottsdale's intention to raise its primary property taxes over last year's level. Scottsdale is proposing an increase in primary property taxes of \$931,256 or 2.66 percent.

For example, the proposed tax increase will cause Scottsdale's primary property taxes on a \$100,000 home to be \$49.70 (total proposed taxes including the tax increase). Without the proposed tax increase, the total taxes that would be owed on a \$100,000 home would have been \$48.41.

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 on Tuesday, June 7, 2022, at 5:00 p.m., at the City of Scottsdale City Hall Kiva, 3939 N. Drinkwater Blvd., Scottsdale, Arizona.

Please note that due to the ongoing COVID-19 pandemic, Scottsdale City Council meetings may be held virtually with access by the public limited to virtual attendance through electronic means. However, the meeting is currently planned to be held in person at the City Hall Kiva and also broadcast electronically through Cox Cable Channel 11 and streamed online at [ScottsdaleAZ.gov](https://www.scottsdaleaz.gov) (search "live stream"). Please check the City Council website at <https://www.scottsdaleaz.gov/council/meeting-information/agendas-minutes> for the specific agenda for this meeting and the latest updates regarding meetings and the opportunity for public participation and comment at this meeting.

For immediate release, May 19, 2022

Kelly Corsette, communications & public affairs director, office: 480-312-2336, mobile: 602-359-5965

City of Scottsdale “Truth in Taxation” notice

This “Truth in Taxation” hearing notice regarding the City of Scottsdale primary property tax levy is being published as required by Arizona state law in the Arizona Republic on Friday, May 20, 2022 and Saturday, May 28, 2022.

A public hearing on Scottsdale’s proposed property tax levy will occur before final budget adoption, scheduled at 5 p.m. Tuesday, June 7, 2022, at Scottsdale City Hall, 3939 N. Drinkwater Blvd.

Meetings are broadcast electronically through Cox Cable Channel 11 and streamed online at ScottsdaleAZ.gov (search “live stream”). To find the agenda for this meeting and information about the opportunity for public participation and comment, visit ScottsdaleAZ.gov and search “City Council agenda”.

The City of Scottsdale will increase its proposed primary property tax levy \$931,256 (exclusive of new construction) due to tort liability claim payments and the 2 percent statutory adjustment. Because property valuations increased, the City of Scottsdale can decrease its primary property tax rate from \$0.5039 per \$100 of assessed valuation down to \$0.4970 in Fiscal Year 2022/23 and still achieve the proposed levy amount.

The city’s proposed secondary property tax levy will decrease \$5.02 million due to use of accumulated fund balance as a result of savings achieved through a general obligation debt refinancing. In addition, due to increased property values, the current secondary tax rate of \$0.5042 is expected to decrease by \$0.0941 to \$0.4101 per \$100 of assessed valuation in FY 2022/23.

In Fiscal Year 2022/23, citizen tax bills will reflect an estimated combined property tax rate of \$0.9071, which is \$0.1010 less than the Fiscal Year 2021/22 combined rate of \$1.0081.

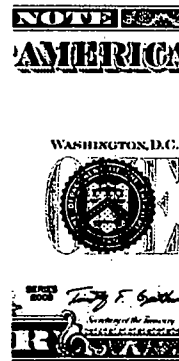
Where do your property taxes go in Scottsdale?



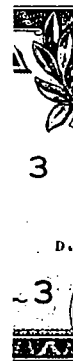
State Education - \$0.52



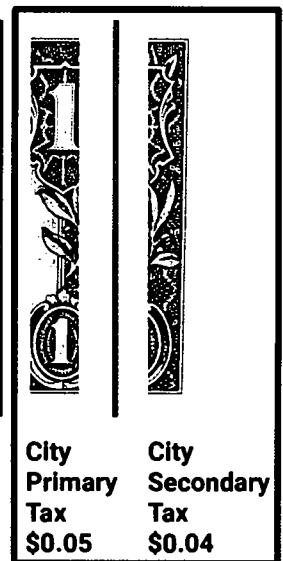
Community College \$0.19



Maricopa County \$0.13



Special Districts \$0.07*



City Primary Tax \$0.05
City Secondary Tax \$0.04

Primary property taxes are used by the City of Scottsdale to pay for city services and operational expenses and comprise about 11 percent of Scottsdale’s General Fund operating budget.

Secondary property taxes are restricted to pay only for debt service on voter approved general obligation bonds for such things as parks, libraries, streets, and police/fire stations.

*Excludes street lighting districts, which vary by geographical location, types of lights, and city vs. HOA ownership.

About 9 cents of every dollar in property taxes paid by Scottsdale property owners goes to the city, the remaining 91 cents goes to public schools, Maricopa County, community colleges and various special taxing districts. And of the 9 cents of every dollar paid by Scottsdale property owners, 4 cents goes to support voter approved bond programs.

The amount of property tax paid is based on two factors: the tax levy set by the city and the assessed valuation of the property (as determined by the county).

The City Treasurer's Office at 480-312-2427 can answer questions regarding the city property tax levy or other budget issues.

Truth in Taxation Hearing: Notice of Tax Increase

In compliance with section 42-17107, Arizona Revised Statutes, the City of Scottsdale is notifying its property taxpayers of Scottsdale's intention to raise its primary property taxes over last year's level. Scottsdale is proposing an increase in primary property taxes of \$931,256 or 2.66 percent.

For example, the proposed tax increase will cause Scottsdale's primary property taxes on a \$100,000 home to be \$49.70 (total proposed taxes including the tax increase). Without the proposed tax increase, the total taxes that would be owed on a \$100,000 home would have been \$48.41.

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CITY OF SCOTTSDALE
Summary of Property Tax Levy and Property Tax Rate Information
Fiscal Year 2022/2023
Schedule B

	Fiscal Year 2021/2022	Fiscal Year 2022/2023
1. Maximum allowable primary property tax levy. A.R.S. §42-17051(A)	35,061,021	36,425,125
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	35,057,021	36,421,125
B. Secondary property taxes	35,078,990	30,055,758
C. Total property tax levy amounts	70,136,011	66,476,883
4. Property taxes collected*		
A. Primary property taxes		
(1) 2021/2022 levy	34,597,327	
(2) Prior years' levies	526,863	
(3) Total primary property taxes	35,124,190	
B. Secondary property taxes		
(1) 2021/2022 levy	34,664,031	
(2) Prior years' levies	527,879	
(3) Total secondary property taxes	35,191,910	
C. Total property taxes collected	70,316,100	
5. Property tax rates		
A. City tax rate		
(1) Primary property tax rate	0.5039	0.4970
(2) Secondary property tax rate	0.5042	0.4101
(3) Total city tax rate	1.0081	0.9071

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 City Treasurer Division.

*Includes actual property taxes collected as of the date the tentative budget was prepared, plus estimated property tax collections for the remainder of the fiscal year.



FY 2022/23 PROPERTY TAX LEVY AND RATE

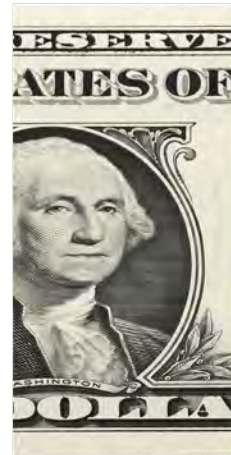
TRUTH IN TAXATION
HEARING & PUBLIC
HEARING

CITY COUNCIL
JUNE 7, 2022

Scottsdale Property Taxes



State Education - \$0.52



**Community College
\$0.19**



**Maricopa County
\$0.13**



**Special Districts
\$0.07***



**City Primary Tax
\$0.05**

**City Secondary Tax
\$0.04**

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PROPERTY TAX – NET ASSESSED VALUE (in millions)

	FY 2021/22	FY 2022/23	\$ Change	% Change
Net Assessed Value	\$6,957.0	\$7,328.8	\$371.8	5%
New Property	\$74.7	\$86.8	\$12.1	16%

PROPERTY TAX – TNT HEARING

FY 21/22 Primary Tax Rate	0.5039
Max Rate Allowed w/o TNT Hearing	0.4841
Proposed Rate – <i>Requiring TNT Hearing</i>	0.4970

PROPERTY TAX - COMPREHENSIVE

	FY 2021/22	FY 2022/23	\$ Chg	% Chg
SECONDARY				
Levy	\$35.1	\$30.1	-\$5.0	-14%
Rate	0.5042	0.4101	-0.0941	-19%
PRIMARY				
Levy	\$35.1	\$36.4	\$1.4	4%
Rate	0.5039	0.4970	-0.0069	-1%
TOTAL				
Levy	\$70.1	\$66.5	-\$3.7	-5%
Rate	1.0081	0.9071	-0.1010	-10%

- Solicit public testimony on the proposed FY 2022/23 property tax levy.
- By a roll call vote, approve a motion to levy the proposed property taxes, taxes to be assessed by ordinance on June 21, 2022.

ACTION