

City of San Luis, Arizona

November 2018

Primary Property Tax Information

General Obligation Bond Information

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PRIMARY PROPERTY TAX INFORMATION

- Limitation on amount of primary property tax levied by municipalities is rooted in Arizona Constitution
- Limitation is referenced in terms of tax dollars not tax rate
- Limitation is “an amount two per cent greater than the amount levied in the preceding year”
 - If change in value of existing property is greater than 2%, tax rate declines
 - Annual increases exceed 2% by amount of taxes levied against property not subject to taxation in prior year
 - Increased each year to maximum permissible limit, regardless of whether maximum amount is levied

- Statute authorizes Governing Body of City that did not levy primary property taxes in preceding year to submit issue for voter approval
- Election must be held on third Tuesday in May for following fiscal year (ARS 42-17056)
 - If approved in May 2019, property taxes are collected beginning FY 2019-20
- Proposed amount of levy determined by City Council
 - If approved by voters, dollar amount is maximum that may be levied in following fiscal year
- Ballot required to state that approved amount will be basis for determining levy limitations in subsequent years

- Levy amount submitted to voters is both
 - Maximum levy for initial year
 - Base for determining levy limitations for subsequent years
- Council should consider immediate revenue needs and needs in future years when determining proposed initial levy
- In future years, maximum tax levy amount and associated primary property tax rate will depend on both
 - Annual growth of value of property in existence in prior year
 - Annual change in total property value in the City

Tax Year	Fiscal Year	Limited AV	Annual Growth
2010	2010-11	67,053,909	
2011	2011-12	64,920,996	-3.18%
2012	2012-13	65,736,668	1.26%
2013	2013-14	55,927,068	-14.92%
2014	2014-15	57,987,600	3.68%
2015	2015-16	59,838,177	3.19%
2016	2016-17	61,528,683	2.83%
2017	2017-18	65,766,322	6.89%
2018	2018-19	70,342,158	6.96%

Tax Levy Estimate Scenarios

Assumes maximization of 2% levy limitation.

	SCENARIO A		SCENARIO B		SCENARIO C	
Initial Tax Rate	\$1.75		\$1.80		\$1.85	
Limited Property Value Overall Growth Rate	3.00%		3.00%		3.00%	
Existing Property Growth Rate	2.50%		2.50%		2.50%	
	Levy	Rate	Levy	Rate	Levy	Rate
FY 19-20	\$1,267,917	\$1.7500	\$1,304,144	\$1.8000	\$1,340,370	\$1.8500
FY 20-21	\$1,299,584	\$1.7415	\$1,336,715	\$1.7912	\$1,373,846	\$1.8410
FY 21-22	\$1,332,042	\$1.7330	\$1,370,101	\$1.7825	\$1,408,159	\$1.8320
FY 22-23	\$1,365,311	\$1.7245	\$1,404,320	\$1.7738	\$1,443,329	\$1.8231
FY 23-24	\$1,399,410	\$1.7161	\$1,439,394	\$1.7651	\$1,479,377	\$1.8142

NOTE: Based on tax year 2018 (FY 2018-19) property values and identified property value growth assumptions.

Estimated Taxpayer Impacts FY 2019-20

			SCENARIO A		SCENARIO B		SCENARIO C	
			FY 19-20 Tax Rate: \$1.75		FY 19-20 Tax Rate: \$1.80		FY 19-20 Tax Rate: \$1.85	
			FY 19-20 Max Levy: \$1,267,917		FY 19-20 Max Levy: \$1,304,144		FY 19-20 Max Levy: \$1,340,370	
(Average value properties estimated from FY 2018-19 State abstract.)	Limited Property Value	Assessed Valuation	Estimated Annual Tax Impact	Estimated Monthly Tax Impact	Estimated Annual Tax Impact	Estimated Monthly Tax Impact	Estimated Annual Tax Impact	Estimated Monthly Tax Impact
Owner Residential Property: 10% assessment ratio								
estimated average property owner:	\$79,837	\$7,984	\$140	\$11.64	\$144	\$11.98	\$148	\$12.31
	\$100,000	\$10,000	\$175	\$14.58	\$180	\$15.00	\$185	\$15.42
	\$150,000	\$15,000	\$263	\$21.88	\$270	\$22.50	\$278	\$23.13
Commercial Property (locally assessed): 18% assessment ratio								
estimated average property owner:	\$336,755	\$60,616	\$1,061	\$88.40	\$1,091	\$90.92	\$1,121	\$93.45
	\$250,000	\$45,000	\$788	\$65.63	\$810	\$67.50	\$833	\$69.38
	\$1,000,000	\$180,000	\$3,150	\$262.50	\$3,240	\$270.00	\$3,330	\$277.50
Agricultural/Vacant Property: 15% assessment ratio								
estimated average property owner:	\$24,724	\$3,709	\$65	\$5.41	\$67	\$5.56	\$69	\$5.72
	\$50,000	\$7,500	\$131	\$10.94	\$135	\$11.25	\$139	\$11.56
	\$75,000	\$11,250	\$197	\$16.41	\$203	\$16.88	\$208	\$17.34

Tax Levy Estimates – A NOTE OF CAUTION

At any tax levy selected, the estimates are only as good as the assumptions related to property value growth. As an illustration, below, the future implications for tax rate and tax levy for the \$1.80 Scenario B tax rate with growth assumption 2 are compared to alternative property value growth assumptions.

SCENARIO B

Initial Tax Rate	\$1.80					
	GROWTH ASSUMPTION 1		GROWTH ASSUMPTION 2		GROWTH ASSUMPTION 3	
Limited Property Value Overall Growth Rate	5.50%		3.00%		2.00%	
Existing Property Growth Rate	4.00%		2.50%		1.00%	
	Levy	Rate	Levy	Rate	Levy	Rate
FY 19-20	\$1,335,798	\$1.8000	\$1,304,144	\$1.8000	\$1,291,482	\$1.8000
FY 20-21	\$1,382,165	\$1.7654	\$1,336,715	\$1.7912	\$1,330,354	\$1.8178
FY 21-22	\$1,430,142	\$1.7314	\$1,370,101	\$1.7825	\$1,370,397	\$1.8358
FY 22-23	\$1,479,785	\$1.6981	\$1,404,320	\$1.7738	\$1,411,644	\$1.8540
FY 23-24	\$1,531,150	\$1.6655	\$1,439,394	\$1.7651	\$1,454,133	\$1.8724

Primary Rates in Other Sample Cities (FY 18-19)

City/Town	Rate	Revenue
Somerton	1.7223	\$661,414
Yuma	2.2747	\$12,593,358
El Mirage	2.0603	\$2,200,493
Queen Creek	1.9500	\$6,860,579
Florence	1.1060	\$1,104,481
Sahuarita		\$0
Nogales		\$0
Douglas	1.1949	\$635,642

GENERAL OBLIGATION BOND INFORMATION

General Municipal Purpose Bonds		Water, Light, Sewer, Open Space, Public Safety, Law Enforcement, Fire/Emergency Services, Park, Street and Transportation Facilities Bonds	
FY 2018-19 Net Full Cash Assessed Value	83,758,172	FY 2018-19 Net Full Cash Assessed Value	83,758,172
Multiply by	6%	Multiply by	20%
Calculation Base	5,025,490	Calculation Base	16,751,634
Less: 6% GO Bonds Outstanding	0	Less: 20% GO Bonds Outstanding	0
Net 6% GO Bonding Capacity	\$5,025,490	Net 20% GO Bonding Capacity	\$16,751,634

Sample Debt Service Schedule

ASSUMPTIONS: All information subject to change.	
Bond Amount:	\$10,000,000
Issue Date:	7/1/2019
Annual Property Value Growth Assumption:	1.75%
Borrowing Rate Assumption:	4.50%

Tax rate is applied per \$100 of limited assessed property value.

Fiscal Year	Assessed Value	Principal	Interest	Debt Service	Tax Rate
FY 20	71,573,146	\$320,000	\$450,000	\$770,000	1.0758
FY 21	72,825,676	335,000	435,600	770,600	1.0581
FY 22	74,100,125	345,000	420,525	765,525	1.0331
FY 23	75,396,877	365,000	405,000	770,000	1.0213
FY 24	76,716,323	380,000	388,575	768,575	1.0018
FY 25	78,058,858	395,000	371,475	766,475	0.9819
FY 26	79,424,888	415,000	353,700	768,700	0.9678
FY 27	80,814,824	435,000	335,025	770,025	0.9528
FY 28	82,229,083	455,000	315,450	770,450	0.9370
FY 29	83,668,092	475,000	294,975	769,975	0.9203
FY 30	85,132,284	495,000	273,600	768,600	0.9028
FY 31	86,622,099	515,000	251,325	766,325	0.8847
FY 32	88,137,986	540,000	228,150	768,150	0.8715
FY 33	89,680,400	565,000	203,850	768,850	0.8573
FY 34	91,249,807	590,000	178,425	768,425	0.8421
FY 35	92,846,679	615,000	151,875	766,875	0.8260
FY 36	94,471,496	645,000	124,200	769,200	0.8142
FY 37	96,124,747	675,000	95,175	770,175	0.8012
FY 38	97,806,930	705,000	64,800	769,800	0.7871
FY 39	99,518,551	735,000	33,075	768,075	0.7718
		<u>\$10,000,000</u>		<u>\$15,374,800</u>	0.9154

(average tax rate)

Estimated Average Taxpayer Impact

Average Annual Tax Rate - \$0.9154

(Tax rate applied per \$100 of assessed value used for secondary tax purposes.)

Value for Tax Purposes	Assessed Value (a)	Estimated Average Annual Cost (b)	Estimated Monthly Cost
Owner Residential Property - Assessed at 10%			
\$79,837 ^(c)	\$7,984	\$73.09	\$6.09
\$100,000	\$10,000	\$91.54	\$7.63
Locally Assessed Commercial Property - Assessed at 18%			
\$336,755 ^(c)	\$60,616	\$554.90	\$46.24
\$500,000	\$90,000	\$823.89	\$68.66
Agricultural/Vacant Property - Assessed at 15%			
\$24,724 ^(c)	\$3,709	\$33.95	\$2.83
\$50,000	\$7,500	\$68.66	\$5.72

(a) Calculated based on FY 2018-19 values included in the State Property Tax Abstract.

(b) Cost based on estimated average tax rate over the life of the bonds and other financing assumptions, which are subject to change.

(c) Estimated average property value used for tax purposes within the City.

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