



## NOTICE OF WORK SESSION

In accordance with §38-431.01 of the Arizona Revised Statutes of the State of Arizona, notice is hereby given to the Members of City Council and to the general public that the Mayor and Council of the City of San Luis, Arizona, will hold a Work Session meeting at 6:30 p.m., Wednesday, November 21, 2018. The Work Session will take place at the City Council Chambers, located at 1090 E. Union Street, San Luis, Arizona, 85349. Everyone from the public is invited to attend the open meeting.

In accordance with the Americans with Disabilities Act (ADA) and Section 504 of the Rehabilitation Act of 1973, the City of San Luis does not discriminate on the basis of disability in the admission of or access to, or treatment of employment in its programs, activities, or services. For information regarding rights and provisions of the ADA or Section 504, or to request reasonable accommodations for participation in City programs, activities or services contact: ADA/Section 504 Coordinator, City of San Luis Human Resources Department, 1090 E. Union Street, San Luis, Arizona, 85349; (928) 341-8520.

Notice is hereby given that pursuant to A.R.S. §1-602.A.9, subject to certain specified statutory exceptions, parents have a right to consent before the State or any of its political subdivisions make a video or audio recording of a minor child. Meetings of the City Council are audio and/or video recorded, and, as a result, proceedings in which children are present may be subject to such recordings. Parents in order to exercise their rights may either file written consent with the City Clerk to such recordings, or take personal action to ensure that their child or children are not present when a recording may be made. If a child is present at the time a recording is made, the City will assume that the rights afforded parents pursuant to A.R.S. §1-602.A.9 have been waived.

THIS NOTICE IS GIVEN BY:

/s/ Sonia Cornelio, City Clerk

## AVISO DE SESION DE TRABAJO

De acuerdo con los Estatutos del Estado de Arizona A.R.S. §38-431.01, se le informa a los miembros del Cabildo y al público en general que el Alcalde y el Cabildo, tendrán una Sesión de Trabajo a las 6:30 p.m., el día Miércoles, 21 de Noviembre del 2018. La junta se llevará a cabo en la Sala del Cabildo, ubicada en el 1090 E. Union Street, San Luis, Arizona, 85349. El público está cordialmente invitado a la junta.

De acuerdo con el Acta de Americanos con Discapacidades y la Sección 504 del Acta de Rehabilitación del 1973, la Ciudad de San Luis, Arizona no discrimina por causa de discapacidad la admisión y acceso a sus programas, actividades, servicios o en el trato en cuanto a empleo. Para más información referente a derechos y provisiones del Acta de Americanos con Discapacidades o Sección 504, o para solicitar adaptaciones que sean razonables para la participación en programas, actividades o servicios de la Ciudad, contactar al: Coordinador del Acta de Americanos con Discapacidades/Sección 504, Departamento de Recursos Humanos de la Ciudad de San Luis, Arizona, ubicado en el 1090 E. Union Street, San Luis, Arizona, 85349; (928) 341-8520.

Por medio de este aviso y de acuerdo con los Estatutos del Estado de Arizona A.R.S §1-602.A.9, sujeto a ciertas excepciones reglamentarias, los padres de familia tienen el derecho de dar el consentimiento ante el Estado o cualquiera de sus subdivisiones políticas para hacer una grabación de audio o video de su hijo menor de edad. Las juntas del Cabildo se graban en audio y/o video y como resultado, el hecho de que haya menores presentes puede ser sujeto a que sean grabados. Para que los padres de familia puedan ejercer sus derechos pueden dar el consentimiento por escrito con la Secretaria de la Ciudad a tal grabación, o tomar acción personal para asegurarse que su hijo menor no esté presente cuando la grabación se lleve a cabo. Si un menor de edad está presente en el momento de la grabación, la Ciudad asumirá que los padres de familia están cediendo los derechos sobre una posible grabación de acuerdo con los Estatutos del Estado de Arizona A.R.S. §1-602.A.9.

ESTE AVISO ES DADO POR:

/f/ Sonia Cornelio, Actuaría de la Ciudad



**AGENDA**  
**Work Session**  
**San Luis City Council**  
**San Luis Council Chambers**  
**1090 E. Union Street**  
**San Luis, AZ 85349**  
**November 21, 2018**  
**6:30 p.m.**

**PLEASE TAKE NOTICE THAT MEMBERS OF THE CITY COUNCIL WILL ATTEND EITHER IN PERSON, TELEPHONE, OR VIDEO CONFERENCE COMMUNICATION; THE MAYOR OR ACTING MAYOR FOR THIS MEETING MAY CHANGE THE ORDER OF THE ITEMS.**

- 1. CALL TO ORDER/ROLL CALL**
- 2. ITEM FOR DISCUSSION ONLY**
- 2. A.** Discussion and possible directions to staff on any and all matters regarding the informational presentation by Stifel, Public Finance Advisors on the process to raise revenue through a property tax to improve city services to the residents of San Luis, Arizona. **(Mark Reader, Managing Director at Stifel)**
- 3. ADJOURNMENT**

**IN THE EVENT A MAJORITY OF THE COUNCIL IS NOT PRESENT, AN INFORMAL WORK SESSION MAY BE HELD.**



## AGENDA ITEM REVIEW FORM

### Work Session

2.A.

**Meeting Date:** 11/21/2018

**Department Head:** Kay Macuil, City Attorney, Attorney's Office

**Submitted By:** Kay Macuil, City Attorney, Attorney's Office

**Action Requested:** Discussion Item - No Action to be Taken

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### ITEM:

Discussion and possible directions to staff on any and all matters regarding the informational presentation by Stifel, Public Finance Advisors on the process to raise revenue through a property tax to improve city services to the residents of San Luis, Arizona. **(Mark Reader, Managing Director at Stifel)**

### SUMMARY:

The City of San Luis is growing. With the growth comes more demand for the city's services. The city's revenue is not keeping pace with the demand. The Public Finance Advisors at Stifel will present information on the process to raise revenue through a property tax for consideration and discussion.

### RECOMMENDATION / SUGGESTED MOTION:

**Discussion and possible directions to staff only, no action.**

There will be a Power Point Presentation by Stifel, Public Finance Advisors

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### Fiscal Impact

**IS THERE FISCAL IMPACT ASSOCIATED WITH THIS ITEM:** No  
**CITY/STATE/FEDERAL FUNDS:** N/A  
**TOTAL:** N/A  
**BUDGETED AMOUNT:** N/A  
**AVAILABLE AMOUNT TO TRANSFER:** N/A  
**ACCT NAME & GL#/REMAINING BALANCE BEFORE PURCHASE:** N/A

### FISCAL IMPACT STATEMENT (IF THIS IS A BUDGET TRANSFER, YOU MUST ATTACH THE BUDGET ADJUSTMENT FORM):

There is no cost associated with this item. This presentation is offered free of charge from Stifel and there is no action to be taken.

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### Attachments

Presentation

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# City of San Luis, Arizona

November 2018

## *Primary Property Tax Information*

## *General Obligation Bond Information*

Mark Reader, Managing Director

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Randie Stein, Director

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- **Primary Property Tax Information**
  - Constitutional Limitation
  - Initial Base Levy Limit
  - Tax Levy Estimates
  - Taxpayer Impacts
  - Primary Rates in Other Sample Cities
- **General Obligation Bond Information**
  - Bonding Capacity
  - Sample Debt Service Schedule
  - Taxpayer Impacts

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

# 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

<b>ASSUMPTIONS: All information subject to change.</b>	
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
<b>Owner Residential Property - Assessed at 10%</b>			
\$79,837 <sup>(c)</sup>	\$7,984	\$73.09	\$6.09
\$100,000	\$10,000	\$91.54	\$7.63
<b>Locally Assessed Commercial Property - Assessed at 18%</b>			
\$336,755 <sup>(c)</sup>	\$60,616	\$554.90	\$46.24
\$500,000	\$90,000	\$823.89	\$68.66
<b>Agricultural/Vacant Property - Assessed at 15%</b>			
\$24,724 <sup>(c)</sup>	\$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.

Stifel, Nicolaus & Company, Incorporated (“Stifel”) has prepared the attached materials. Such material consists of factual or general information (as defined in the SEC’s Municipal Advisor Rule). Stifel is not hereby providing a municipal entity or obligated person with any advice or making any recommendation as to action concerning the structure, timing or terms of any issuance of municipal securities or municipal financial products. To the extent that Stifel provides any alternatives, options, calculations or examples in the attached information, such information is not intended to express any view that the municipal entity or obligated person could achieve particular results in any municipal securities transaction, and those alternatives, options, calculations or examples do not constitute a recommendation that any municipal issuer or obligated person should effect any municipal securities transaction. Stifel is acting in its own interests, is not acting as your municipal advisor and does not owe a fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, to the municipal entity or obligated party with respect to the information and materials contained in this communication.

Stifel is providing information and is declaring to the proposed municipal issuer and any obligated person that it has done so within the regulatory framework of MSRB Rule G-23 as an underwriter (by definition also including the role of placement agent) and not as a financial advisor, as defined therein, with respect to the referenced proposed issuance of municipal securities. The primary role of Stifel, as an underwriter, is to purchase securities for resale to investors in an arm’s-length commercial transaction. Serving in the role of underwriter, Stifel has financial and other interests that differ from those of the issuer. The issuer should consult with its’ own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

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