

FY 2018-19 PROPERTY TAXES: AN INTRODUCTION AND OVERVIEW

Town Council Meeting

April 4, 2018

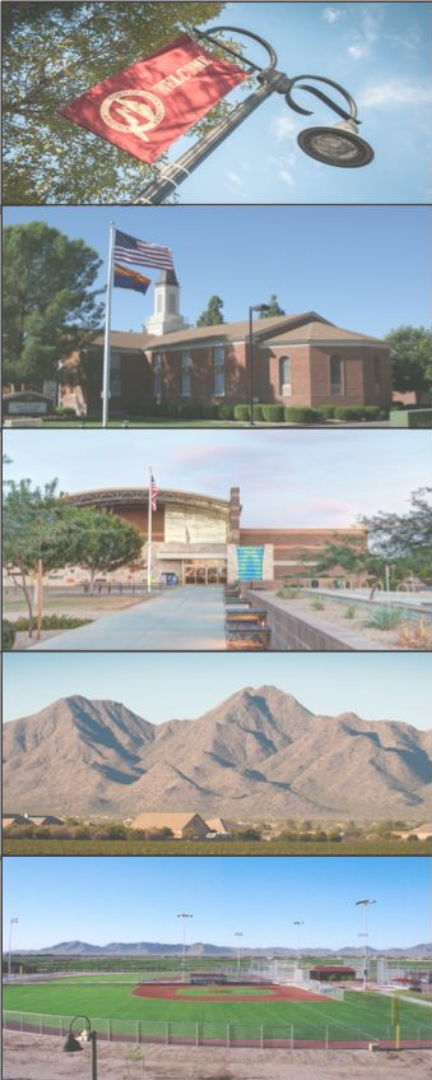
PURPOSE OF TONIGHT'S PRESENTATION

- Review the Role of Property Taxes in Funding Fire and Public Safety Services
- Provide Assessor's Information Regarding Assessed Valuations to be Used for FY 18-19 Property Tax Calculations



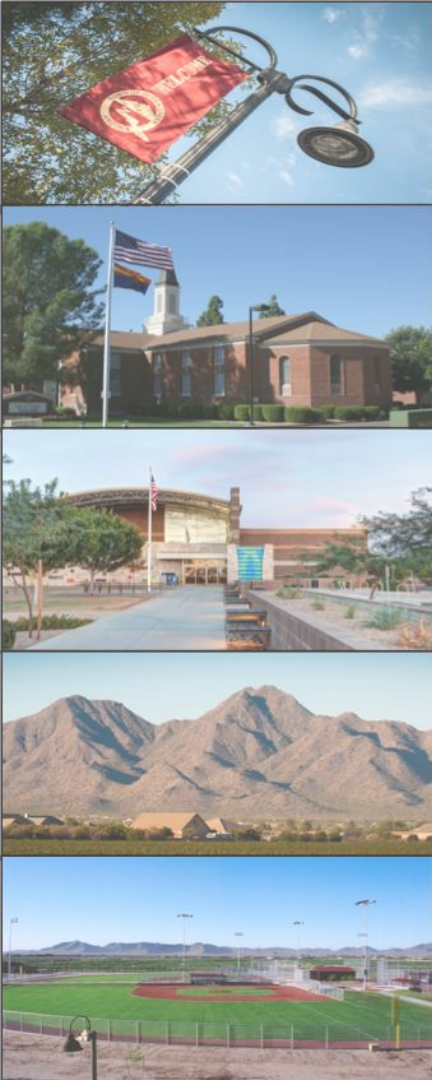


EMS FUND OVERVIEW



EMS FUND OVERVIEW

- Over the Next 5 Years, Annual Costs are Expected to Increase by ~\$10M for Additional Fire and MCSO Staffing
- The FY 2018-19 Budget Forecast Expenses are \$18.1M
 - Fire: \$11.5M
 - Public Safety (Sheriff): \$6.6M



EMS FUND OVERVIEW

(CONTINUED)

- **FY 18-19 Expense Increase = \$4.1 (28%)**
 - \$1.3M Expense Increase to Accommodate Up to One Full Beat
 - \$1.2M for Staffing (5 Deputies, 1 Sergeant)
 - \$0.1M for Vehicles and Equipment (51% Non Growth Share)
 - \$2.8M Expense Increase for New, Northeast Fire Station and Staffing
 - \$1.5M for Staffing (12 Firefighters, 1 Assistant Chief)
 - \$1.3M for Building / Truck (18% Non Growth Share)

EMS FUND OVERVIEW

(CONTINUED)

- \$1.2M Annual Expense Reduction for Unfunded Liability by Creating MCSO Pension Reserve
- New \$2.5M Annual Revenues from Town's Water and Wastewater Utilities (Franchise Fees, Property Taxes, and ROI)
- Property Taxes are the Largest Dedicated Funding Source for EMS
 - \$7M Annually (Covers 39% of Expenses at Maximum Amount)



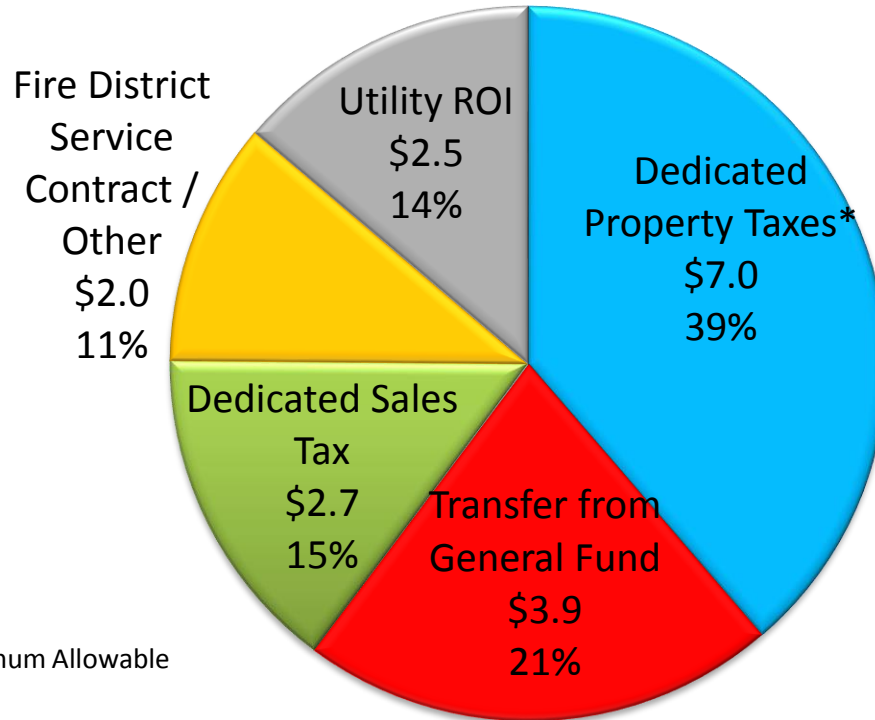
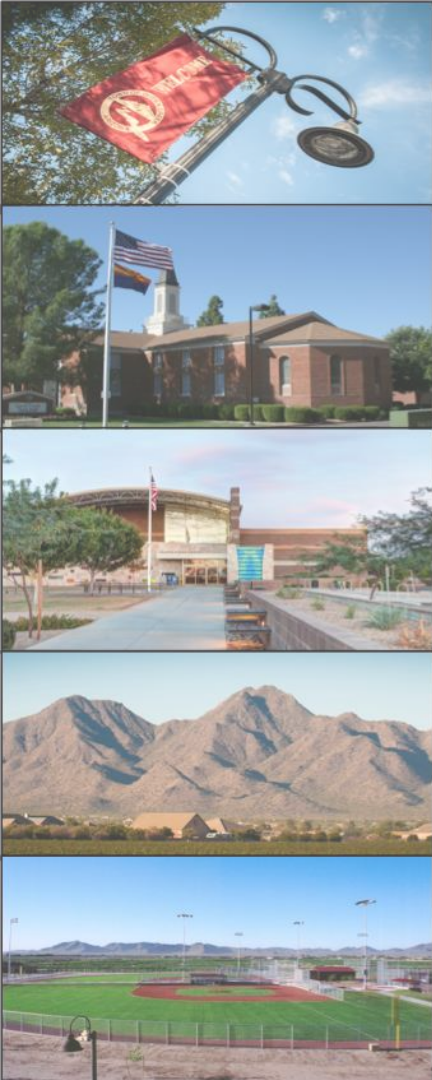
EMS FUND OVERVIEW

(CONCLUDED)

	FY 17-18	FY 18-19 Town Manager's Recommended Budget*
Expenses	\$14.7M	\$18.1M
Dedicated Revenues	<u>\$10.5M</u>	<u>\$11.7M*</u>
General Fund Transfer	<u>\$4.2M</u>	<u>\$6.4M</u>

*Assumes a maximum of \$7M from Primary Property Taxes

FY 18-19 FORECAST BUDGET EMS REVENUES: \$18.1M



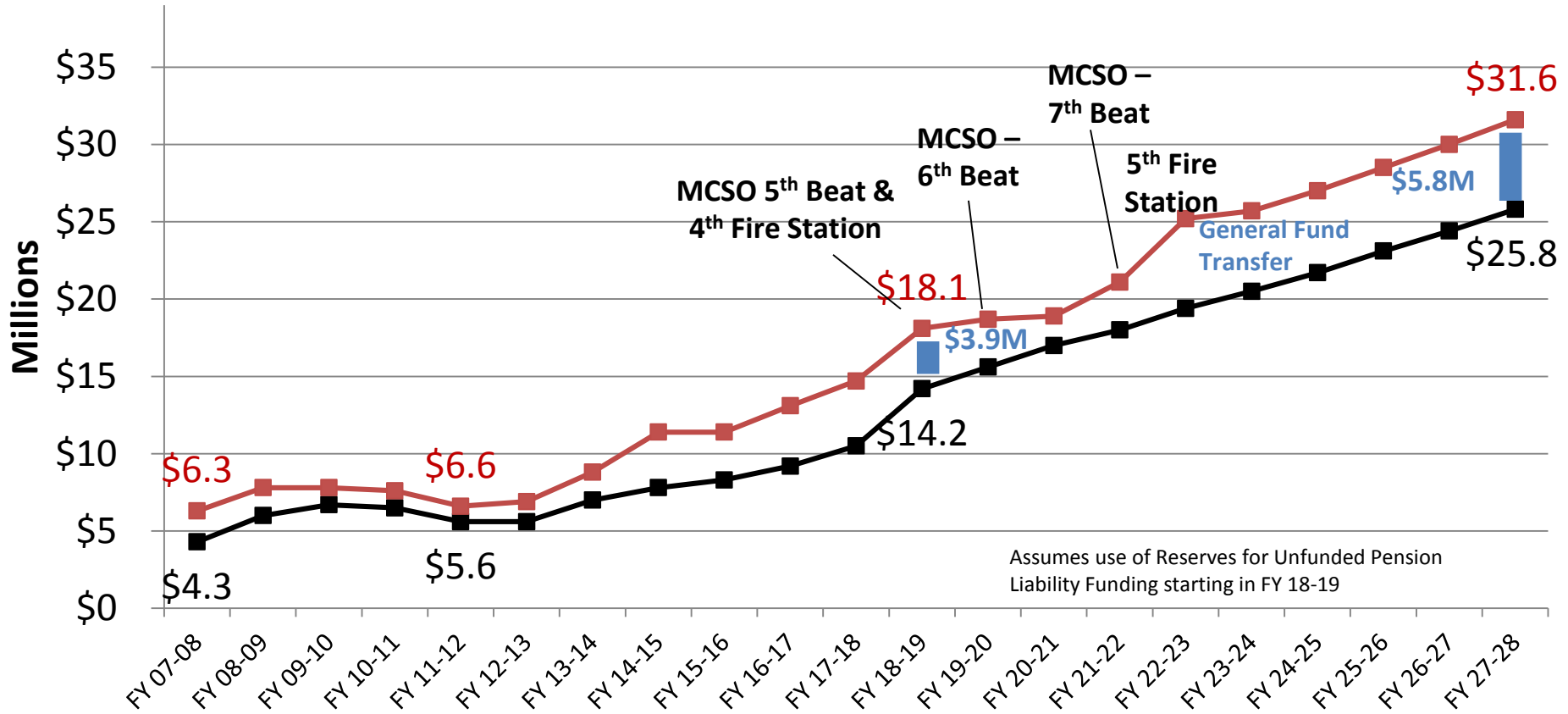
*Assumes Maximum Allowable



GENERAL FUND TRANSFER

- The General Fund Transfer is the Difference Between Dedicated EMS Revenues and Expenses
- The Transfer is Projected to Increase Because of the Expected ~\$10M Cost Increases Over the Next 5 Years
 - Increased Fire Staffing
 - 2 New Stations Within Next 5 Years
 - Increased MSCO Staffing
 - 3 Additional Staffing Beats Within Next 5 Years

EMS FUND REVENUES AND EXPENSES





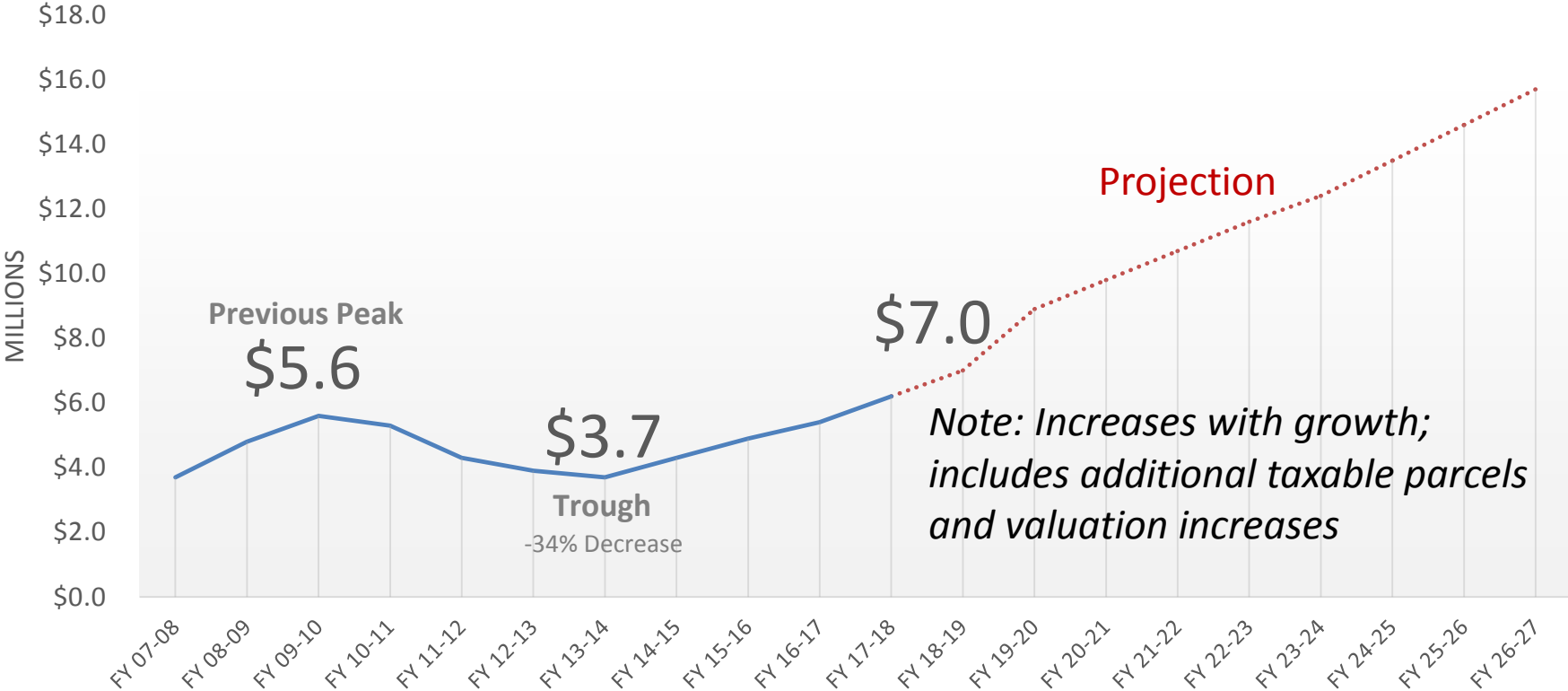
PROPERTY TAXES



QC PROPERTY TAX HISTORY

- 2007 Voter Approved Primary Property Tax
 - Dedicated for Public Safety
 - Created to Provide a Stable Revenue Source to Pay for Public Safety
 - “Not to Exceed to \$1.95 Levy”
- QC Does Not Have a Secondary Property Tax (Voter Approved for Capital)

PROPERTY TAX REVENUES @ \$1.95 PER \$100 AV



Current Property Tax Allocation in Queen Creek (Maricopa County)



Higher
Government

4¢ State
10¢ County

14¢



Municipal
Government

15¢ Town – QC

15¢

\$1.95 per
\$100 AV for
EMS



Education

55¢ Local School District
11¢ Community College

66¢



County-Wide
Special Districts

2¢ Healthcare
1¢ Flood Control
1¢ CAWCD
1¢ Other – Library, Fire

5¢

HOW IS PROPERTY TAX CALCULATED?

The Property Taxes are the Result of Two Components:

1. Assessed Value (County Determined)
2. Levy Rate (Town Council Determined)



FY 18-19 ASSESSED VALUE INCREASE

(COMBINED PINAL AND MARICOPA COUNTIES)



	Assessed Value	% Change
FY 17-18	\$317.4M	
FY 18-19 Increases:		
Existing Property	\$17.3M	+5%
New Construction	<u>\$22.3M</u>	+7%
FY 18-19 Increase	\$39.6M	
FY 18-19*	\$357M	+12%

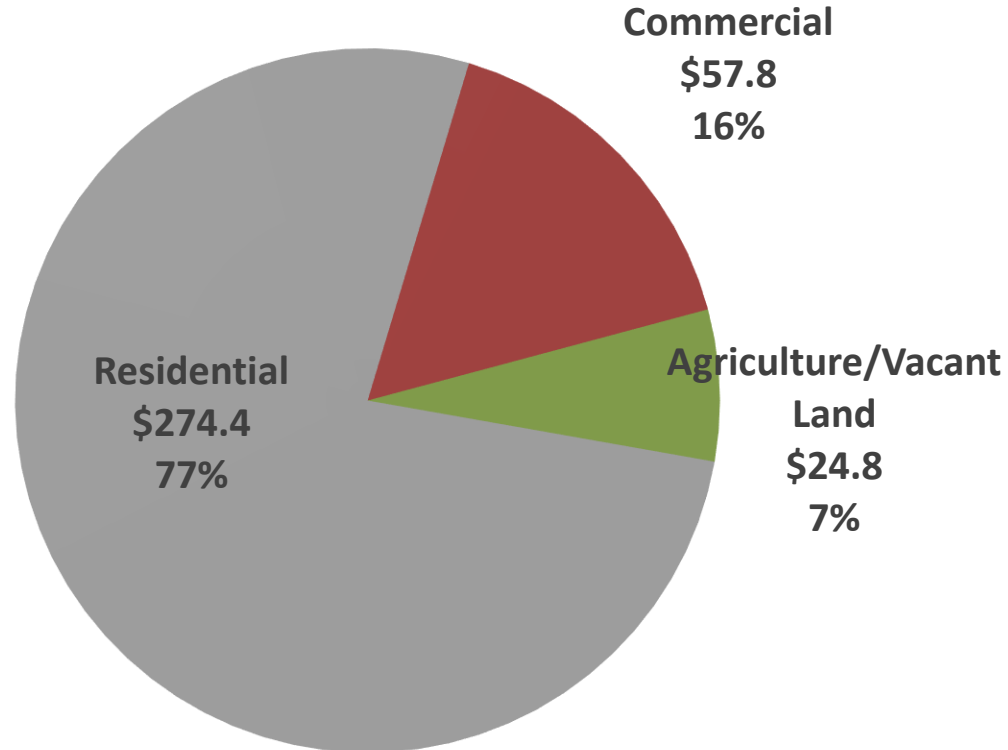
*Does not include annexations in progress

FY 18-19 ASSESSED VALUE INCREASE (BY PROPERTY CLASSIFICATION)



Property Class	\$ Change in Assessed Value	% Change in Assessed Value
Residential	\$36.3M	15%
Commercial	\$10.7M	23%
Agriculture/Vacant	<u>(\$7.4M)</u>	<u>-23%</u>
Total	\$39.6M	12%

\$357M AV (BY PROPERTY CLASSIFICATION)



PROPERTY TAX FORMULA

Assessed
Value (AV)

\$357M

Maricopa
County

X

Levy Rate
(per \$100 AV)

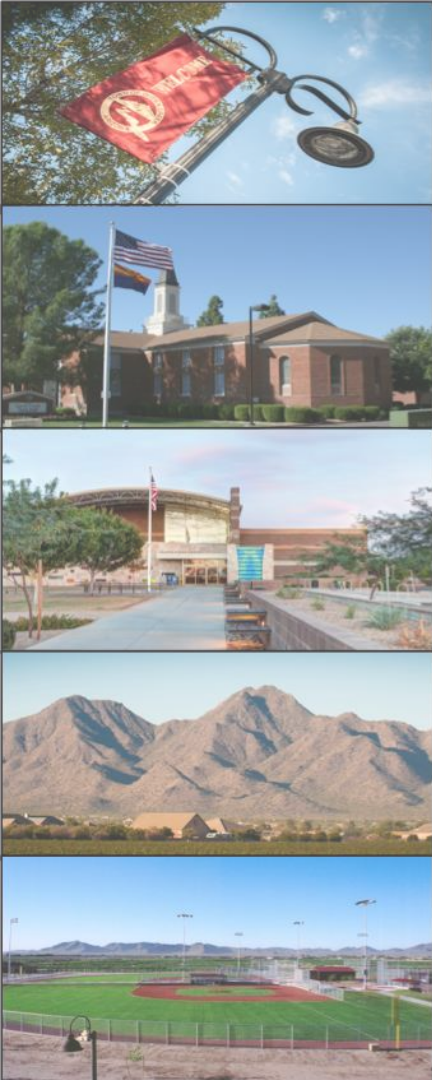
\$1.95

=

Annual
Revenues

\$7M

Town
Council



DISCUSS FINANCIAL IMPACTS

1. Aggregate Impact
2. Individual Parcel Impacts



AGGREGATE IMPACT

(CONTINUED)

Three Options

- Option A: Same Revenue as Current Year
 - \$772K Less than the Maximum
- Option B: Same Revenue as Current Year Plus New Construction
 - \$359K Less than the Maximum
- Option C: Maximum Revenue
 - \$772K Increase Over Current Year
 - \$435K Increase From New Construction
 - \$337K Increase From Existing Properties



AGGREGATE IMPACT (CONCLUDED)

	Revenue	Increase From New Properties	Increase from Existing Properties	Total Increase from FY17-18	Levy Rate*	% of EMS Funded
FY 17-18 Amount	\$6.2M				\$1.95	
Options:						
A. Same <u>Revenue</u> as Current Year	\$6.228M -\$772K	\$0K	\$0K	\$0K	\$1.73	34%
B. Same <u>Revenue</u> as Current Year from Existing Properties plus New Construction Only	\$6.641M -\$359K	\$413K -\$22K	\$0K -\$337K	\$413K -\$359K	\$1.85	37%
C. Maximum Revenue Amount	\$7.0M	\$435K	\$337K	\$772K	\$1.95	39%

* Ballot language stated "Under no circumstances shall the primary property tax rate exceed \$1.95 per \$100 of assessed valuation"

INDIVIDUAL PARCEL IMPACTS

- Amount is Unique for Each Parcel
- 18,636 Parcels of Land
 - 18,295 in Maricopa County
 - 341 in Pinal County
- The 18/19 Median Value Home AV is 7% Less Than FY 08-09 Peak
 - \$211K AV vs. \$227K AV
 - \$33 Lower Property Taxes

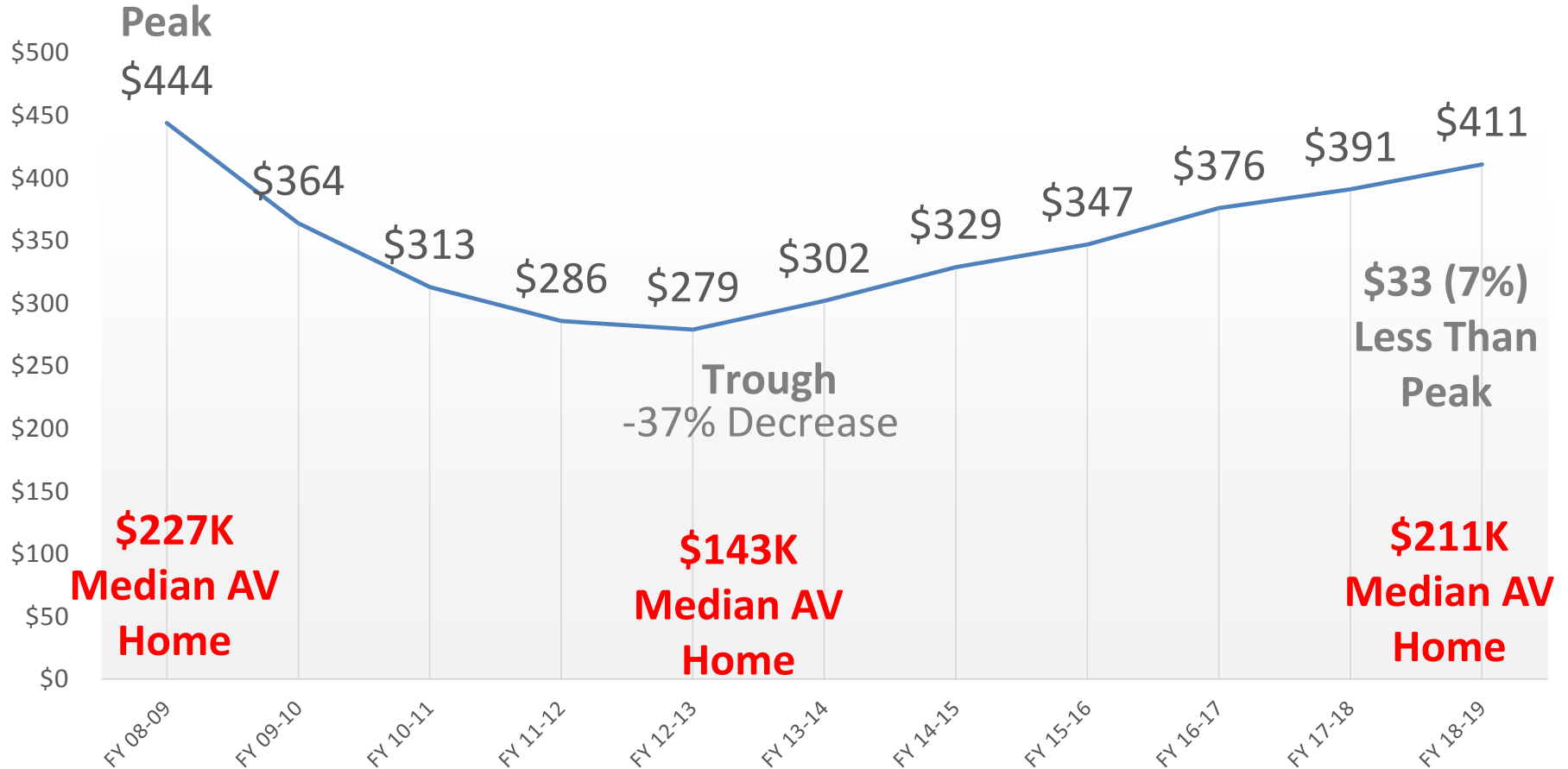


QUEEN CREEK PROPERTY TAX EXAMPLE SINGLE-FAMILY HOME



	Amount
A) Limited Property Value (LPV) FY 18/19 Median	\$210,728
B) Residential Assessment Ratio	<u>10%</u>
C) Assessed Value at 10% of LPV (A x B)	\$21,073
D) Conversion to a “per \$100” AV (C/\$100)	<u>\$211</u>
E)Primary Rate per \$100 AV	\$1.95
F) Property Tax (D x E)	\$411

QC PROPERTY TAX PAID ON A MEDIAN VALUE HOME



INDIVIDUAL PARCEL IMPACTS (CONCLUDED)

- Property Taxes Paid by Each Parcel Could Increase, Decrease, or Have No Change from the Prior Year (See Next Slide)
 - The Individual Parcel Appreciation Increase is Limited by State Statute to 5% (Assuming Land Use Remains the Same)

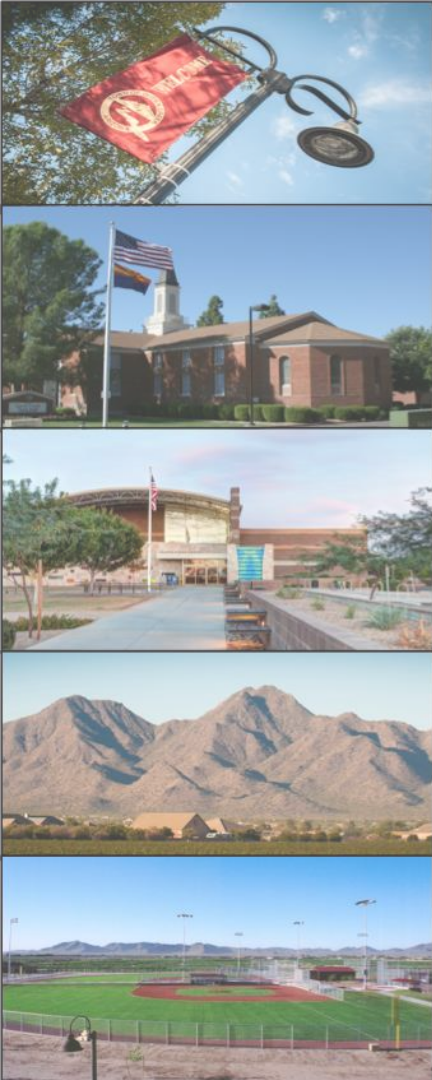


INDIVIDUAL PARCEL IMPACT

		Option A	Option B	Option C
	~Median Home Value	Same Revenue as FY 17-18 \$1.73 Levy	Same Revenue as FY 17-18 (plus new construction only) \$1.85 Levy	Maximum Revenue \$1.95 Levy
FY 18-19	\$201K			\$391
Scenarios:				
AV +5% (“Most Likely”)	\$211K	\$365 (-\$26)	\$390 (-\$1)	\$411 (+\$20)
AV +7%	\$216K	\$372 (-\$19)	\$397 (+\$6)	\$419 (+\$28)

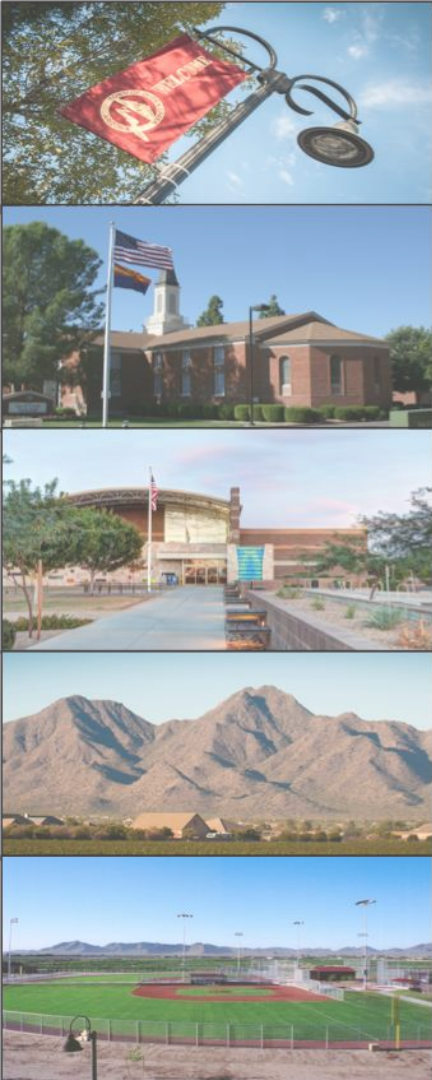
MORE ON OPTIONS A AND B

- If the Property Tax Levy is Set at an Amount Less than the Maximum Amount, It Can be Returned to Maximum Amount
 - The Requirement to Do So Varies Based on the Amount of the Annual Increase

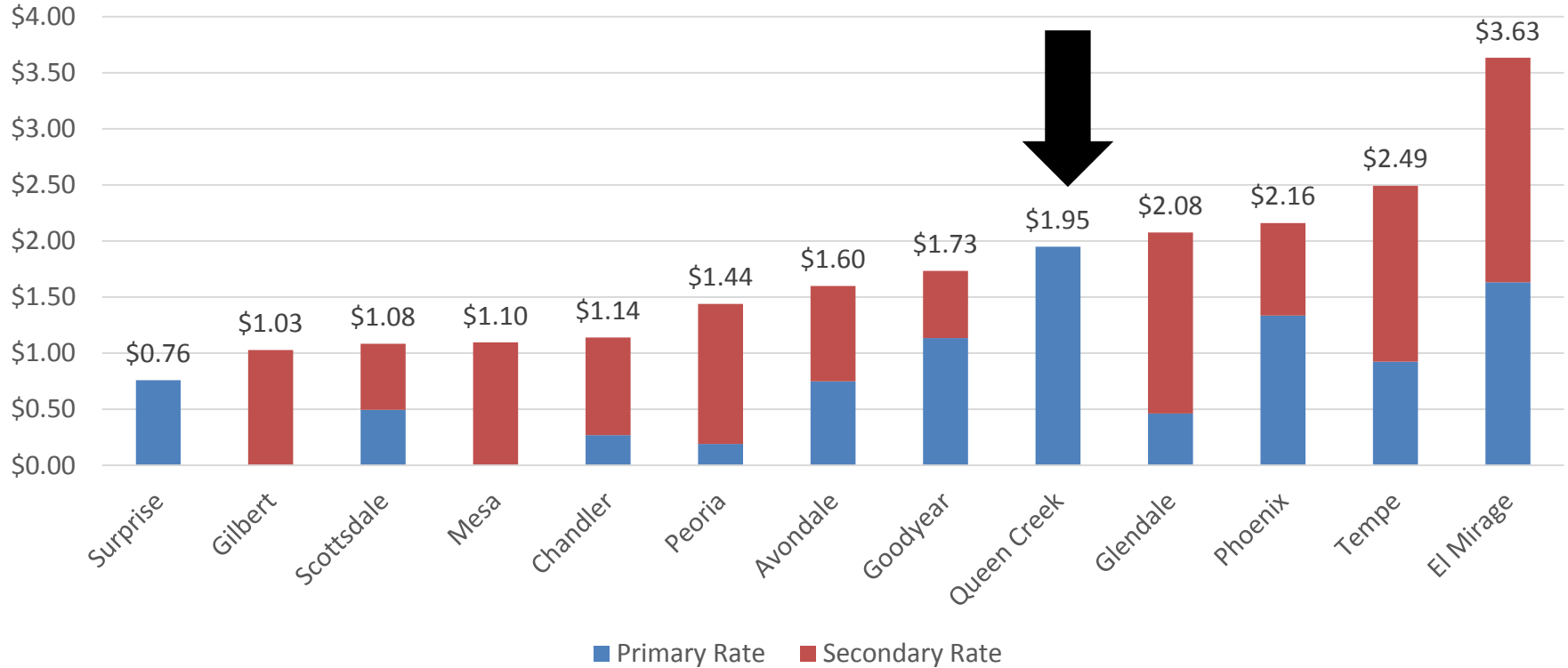


OPTIONS TO RETURN TO MAXIMUM AMOUNT

1. Majority Roll Call Vote of the Town Council if the Annual Revenue (Levy) Increase is Less Than 15% for Existing Properties
2. Unanimous Roll Call Vote of the Town Council if the Annual Revenue (Levy) Increase is Equal to 15% or more for Existing Properties (A.R.S. 42-17107 Section A4)



PROPERTY TAX COMPARISONS (FY17-18 RATES)*

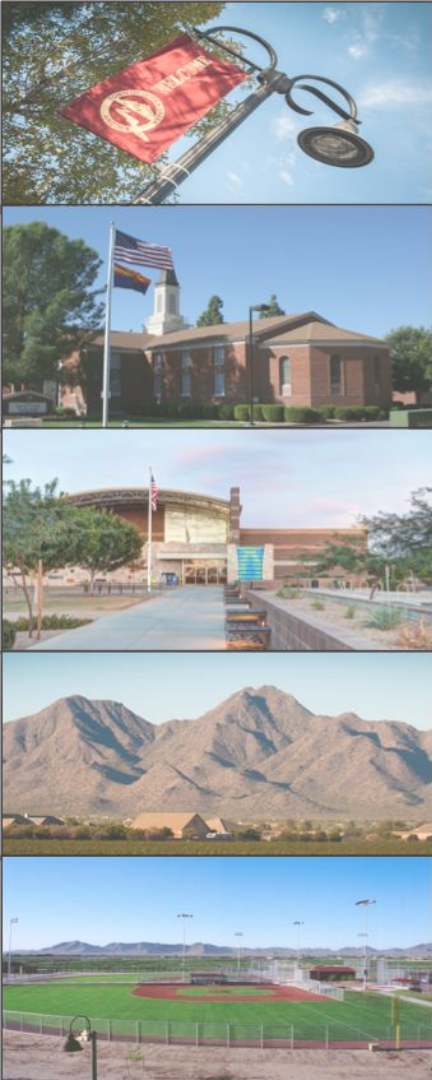


*All cities are currently in the process of setting the FY 18-19 rates.
Does not include Community Facility Districts.

RELATED INFORMATION .

- Central Arizona Groundwater Replenishment District (CAGRD)
 - New Town Council Policy to Use \$35.2M Credits Over 5 Years (Rather than 10 Years)
 - \$900K Additional Credits Used to Lower Customer Payments
 - ~8K In-Town Parcels Totaling \$500K Lower Payments





RELATED INFORMATION . . .

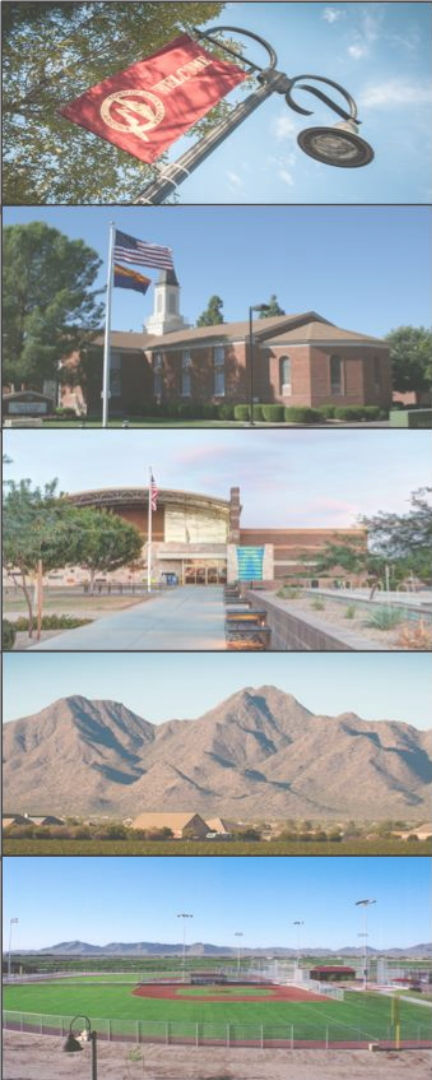
ISO Rating Increased from 4 to 2 (Insurance Service Office)

- 1 to 10 Scale (1 Being the Highest)
- Used by Insurance Companies to Set Property Insurance Rates
- Rating Factors include
 - Emergency communications (10%) — 911 telephone systems, adequacy of telephone lines, operator supervision and staffing, and the dispatching hardware and software systems
 - Fire department (50%) — adequacy of equipment, sufficient staffing, evaluation of training, existence of automatic aid, and geographic distribution of fire companies
 - Water supply (40%)— condition and maintenance of hydrants, existence of alternative sources, and a careful evaluation of the amount of available water — in volume and pressure — compared with the amount needed to suppress fires
- *Property Insurance Rate Reduction Research Pending*

STAFF DIRECTION

- Options
 - Option A: \$6.228M
 - Option B: \$6.641M
 - Option C: \$7.0M





BUDGET CALENDAR

Date	Action Item
April 5	Town Manager's Recommended Budget Released
April 25, 26	Budget Committee Meetings
May 16	FY 18/19 Tentative Budget Approval
June 6	Truth in Taxation Hearing Set Property Tax Levy Date Adopt FY 18/19 Final Budget
June 20	Set Property Tax Levy for FY 18/19



QUESTIONS AND COMMENTS