

PROPERTY TAX OVERSIGHT COMMISSION

Arizona Department of Revenue Building



Douglas A. Ducey
Governor

Neeraj Deshpande
Chairman

Jim Brodnax Member	Kevin McCarthy Member
Chris Kelling Member	Vacant Member

Minutes of Meeting
November 29, 2021
Virtual meeting held on Google Meets

Members Present (Virtually)

Neeraj Deshpande, Chairman
Jim Brodnax, Member
Kevin McCarthy, Member
Chris Kelling, Member

Staff Present

Darlene Teller, Staff
Elaine Smith, Staff
Elizabeth St. Clair, Staff

Call to Order

Chairman Neeraj Deshpande called the meeting to order at 11:03 a.m. and asked Commission Members and staff to state their name for the record.

Approval of Minutes

The minutes of the September 9, 2021 meeting were reviewed. No additions or deletions were recommended. Jim Brodnax made a motion to approve the minutes as distributed and Chris Kelling seconded the motion. Members unanimously approved the minutes.

Review school districts with primary property tax rates greater than 150% of the Qualifying Tax Rate and a combined tax rate that exceeds the 1% Constitutional limit on at least half of the residential property per A.R.S. § 42-17151

Staff member Darlene Teller presented the worksheets prepared for the Commission's review. The worksheets include school districts that adopted a tax rate greater than 150% of the Qualifying Tax Rate (QTR) and the total combined tax rate exceeded \$10 in at least half of the residential property. The full QTR is \$3.5388 for the current year or \$1.7694 for half of the QTR (with 150% of the QTR equal to \$5.3082 and \$2.6541 for half of the QTR).

Twenty-two school districts met both criteria for the current year compared to 23 districts last year. Two districts met both criteria in the current year but not in the previous year. In Pinal County, Maricopa Unified District's tax rate was less than 150% of the QTR last year but their tax rate of \$5.5925 exceeds 150% of the QTR for the current year. In Santa Cruz County, Patagonia Elementary will have a frozen tax rate with a tax rate of \$4.3445. Their total tax rate last year was less than 1%. Three districts are no longer restricted because their total rate was less than 1%. (Pomerene ESD #64 in Cochise County, Mobile ESD #86 in Maricopa County, and Tucson USD #1 in Pima County).

Eight districts in Cochise County met both criteria with the tax rate above \$10 applying to 100% of the residential property of the districts. The districts include Elfrida ESD #12, Bowie USD #14, San Simon USD

#18, Pearce ESD #22, Double Adobe ESD #45, Ash Creek ESD #53, McNeal ESD #55, and Valley Union High School District #201.

Other districts that met both criteria include Grand Canyon USD #4 in Coconino County, Young ESD #5, Tonto Basin ESD #33, and Hayden-Winkelman USD #41 in Gila County, Bonita ESD #16 in Graham County, and Wenden ESD #19 in La Paz County.

The tax rate of \$5.3378 for Isaac ESD #5 includes \$2.8521 for the desegregation levy that was billed as a primary tax levy. Thus, next year's primary tax rate plus any primary levy for desegregation must not exceed \$5.3378.

The remaining districts that met both criteria include Redington ESD #44 in Pima County, Mammoth-San Manuel USD #8 and Maricopa USD #20 in Pinal County, Patagonia ESD #6, Sonoita ESD #25, and Santa Cruz ESD #28 in Santa Cruz County, and Hyder ESD #13 in Yuma County.

A worksheet with a three-year history was provided for the Commission's review. Letters will be sent by December 31, 2021 to the 22 impacted school districts that are prohibited from increasing their primary tax rate in August 2022 with copies to the County School Superintendents, County Board of Supervisors and County Finance Directors.

Kevin McCarthy made a motion to accept the review of school districts with instructions to notify the impacted school districts. Jim Brodnax seconded the motion. The motion passed unanimously.

Review secondary property tax levies for counties, community college districts, cities and towns

Darlene presented the materials to review the secondary debt service levies. Jurisdictions are allowed to levy an amount not to exceed the amount necessary to make the annual principal and interest payments including a reasonable delinquency factor. The levy is net of all cash in excess of 10% of the annual principal and interest payments in the current fiscal year. All jurisdictions were in compliance.

The reported debt service payments for Central Arizona College were reduced by \$530,000 based on a projected savings for refunding. The bonds for Yavapai College will be paid in full during FY 2022. Arizona Western College set their tax rate with the allowable 10% additional cash reserves and a 3% delinquency factor.

The City of Flagstaff has 10% cash reserves and a 2% delinquency factor. The City of Chandler has 10% cash reserves and a 4.2% delinquency factor. Although El Mirage reported \$485,362 in additional cash reserves (or 23% instead of only 10%), they have over the years transferred a total of \$900,000 from the General Fund. So all of the additional reserves is from General Fund transfers. Mesa has 10% cash reserves and a 5% delinquency factor.

Phoenix is planning a major general obligation debt defeasance in order to reduce any excess cash reserves by FY 2023. The current amount of excess cash is \$650,000. The reported additional cash reserves of \$13,550,000 is based on their estimated principal and interest in FY 2023 (compared to \$129,064,000 for the current fiscal year).

The City of Scottsdale has 9.5% cash reserves but no other estimate for a delinquency factor. The City of Casa Grande has 10% cash reserves and 4.2% delinquency factor. The City of Coolidge has 10% cash reserves but no other estimate for a delinquency factor.

Chris Kelling made a motion to accept the review of the secondary property tax levies as presented by staff. Kevin McCarthy seconded the motion. The motion passed unanimously.

Adjourn

Prior to adjourning, Kevin McCarthy thanked Darlene for the great work in staffing the Commission over the years based on her plan to retire. Chairman Deshpande indicated that for succession planning and knowledge transfer Darlene has agreed to come back on a consulting basis. Jim Brodnax and Chris Kelling also thanked Darlene for her service.

With all agenda items complete, Chairman Neeraj Deshpande asked if there was a motion to adjourn. Jim Brodnax made a motion to adjourn and it was seconded by Kevin McCarthy. The motion passed unanimously. The meeting adjourned at 11:32 a.m.