

PROPERTY TAX OVERSIGHT COMMISSION

Arizona Department of Revenue Building



Meeting Minutes December 21, 2022

Virtually meeting held on Google Meets

Douglas A. Ducey
Governor

Neeraj Deshpande
Chairman

Jim Brodnax Member	Kevin McCarthy Member
Chris Kelling Member	Vacant Member

Members in Attendance:

Jim Brodnax, Member
Kevin McCarthy, Member
Chris Kelling, Member

Staff:

Alexandra Kusen, PTOC
Elaine Smith, PTOC

1. Call to Order

Chairman Deshpande called the meeting to order at 3:01 p.m. and asked Commission members and staff to state their name for the record.

2. Approval of Minutes

The minutes of the September 12, 2022, meeting were reviewed. No additions or deletions were recommended. Mr. McCarthy made a motion to approve the minutes as distributed and Mr. Kelling seconded the motion. The motion passed unanimously. The minutes were approved unanimously.

3. 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

Worksheets reviewed showed school districts that adopted a tax rate greater than 150% of the Qualifying Tax Rate (QTR) and a combined primary tax rate of ten dollars after the subtraction of the Additional State Aid to Education (or homeowner's rebate) for at least half of the residential (class 3) properties. The QTR for 2022 is \$1.7133 for a high school or an elementary district not offering instruction in high school, and \$3.4266 for a unified district or a Type 03 elementary district.

Sixteen districts met both criteria in the current year compared to last year's twenty-two districts. Pomerene Elementary, Mobile Elementary, and Tucson Unified School Districts are no longer restricted from increasing their primary tax rate, because their total rate was less than one percent. Six districts in Cochise County's Elfrida Elementary, Bowie Unified, San Simon Unified, Pearce Elementary, Double Adobe Elementary, Ash Creek Elementary, McNeal Elementary, and Valley Union High School Districts met both criteria with the tax rate above ten dollars applying to 100% of the residential property of the districts. Other districts that met both criteria include Coconino County's Grand Canyon Unified, Gila County's Tonto Basin Elementary and Hayden-Winkelman Unified, Graham County's Bonita Elementary School Districts.

Maricopa County's Isaac Elementary School District \$5.3378 tax rate includes \$2.4857 for the desegregation levy that was billed as a primary tax levy. 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 Pima County's Redington Elementary, Santa Cruz County's Santa Cruz Elementary, and Yuma County's Somerton Elementary School Districts.

A three-year summary of the districts that met both criteria and had a frozen tax rates was reviewed. County School Superintendents and the County Board of Supervisors for the school districts that are restricted from increasing their primary tax rate in August 2023 will be notified in writing on or before December 31.

Mr. McCarthy made a conditional motion to approve the review as presented by staff. Mr. Kelling seconded the motion. The motion passed unanimously.

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

Secondary debt service levies were reviewed. Statute allows for an annual levy not to exceed the net amount necessary to make the annual principal and interest payments, including projected payments on new debt planned for the year, a reasonable delinquency factor, a correction on prior year shortages, and up to 10.0% of the annual principal and interest payments. The levy is net of all cash in excess of 10.0% of the annual principal and interest payments in the current fiscal year. All jurisdiction are in compliance.

Maricopa Community College has a 0.7% estimated delinquency factor and an allowable 2.6% additional cash reserves, Central Arizona College has a 4.9% estimated delinquency factor but no additional cash reserves, and Arizona Western College has a 3.0% estimated delinquency factor and an allowable 10% additional cash reserves.

The city of Flagstaff has a 1.2% delinquency factor and 9.9% additional cash reserves, the city of Chandler has a 1.5% delinquency factor and 10.0% additional cash reserves, the town of Gilbert has 8.3% in additional cash reserves, and the city of Mesa has a 5.0% delinquency factor and 10.0% additional cash reserves. The city of Phoenix has \$1,065,036 of other debt compared to \$650,000 last year. The city of Scottsdale has 9.6% additional cash reserves, the city of Surprise has 9.3% and a 4.7% delinquency factor, Tempe has 6.1% in cash reserves, and Tolleson has 8.9%. The city of Tucson has an 8.5% delinquency factor compared to last year's 2.2%, but has no additional cash reserves. The city of Casa Grande has a 10.0% cash reserve, and the city of Coolidge has a 3.7% delinquency factor and 10.0% cash reserve.

If a county, city, town, or community college district has levied a secondary property tax in violation of constitutional or statutory law, on or before December 31 the Commission will notify in writing the affected political subdivision, the County Board of Supervisors, the County Attorney and the Attorney General of the violation.

Mr. McCarthy asked a question regarding what is included in the \$1,065,036 other fees amount for the City of Phoenix. Mr. McCarthy made a motion to approve the review as presented by staff. Mr. Kelling seconded the motion. The motion passed unanimously.

5. Adjournment

With all agenda items for the meeting complete, Chairman Deshpande asked if there was a motion to adjourn. Mr. McCarthy made a motion to adjourn and it was seconded by Mr. Kelling. The motion passed unanimously. The meeting adjourned at 3:24 p.m.