



Town of Chino Valley Roads Maintenance Program Property Tax Rate Study 2018

This report is prepared to meet the requirements of ARS 9-499.15

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Introduction

The Town of Chino Valley has determined that the current funding available to maintain its existing road network is insufficient. The Town is proposing to establish a primary property tax to be used to provide additional funding for Road Maintenance Program.

Currently the main source of funding for road and street maintenance comes from Highway User Revenue Fund revenues, commonly referred to as HURF funding. These funds are maintained in a separate fund and are required to be used exclusively for road and street maintenance.

HURF Fund Cash Flow Projections

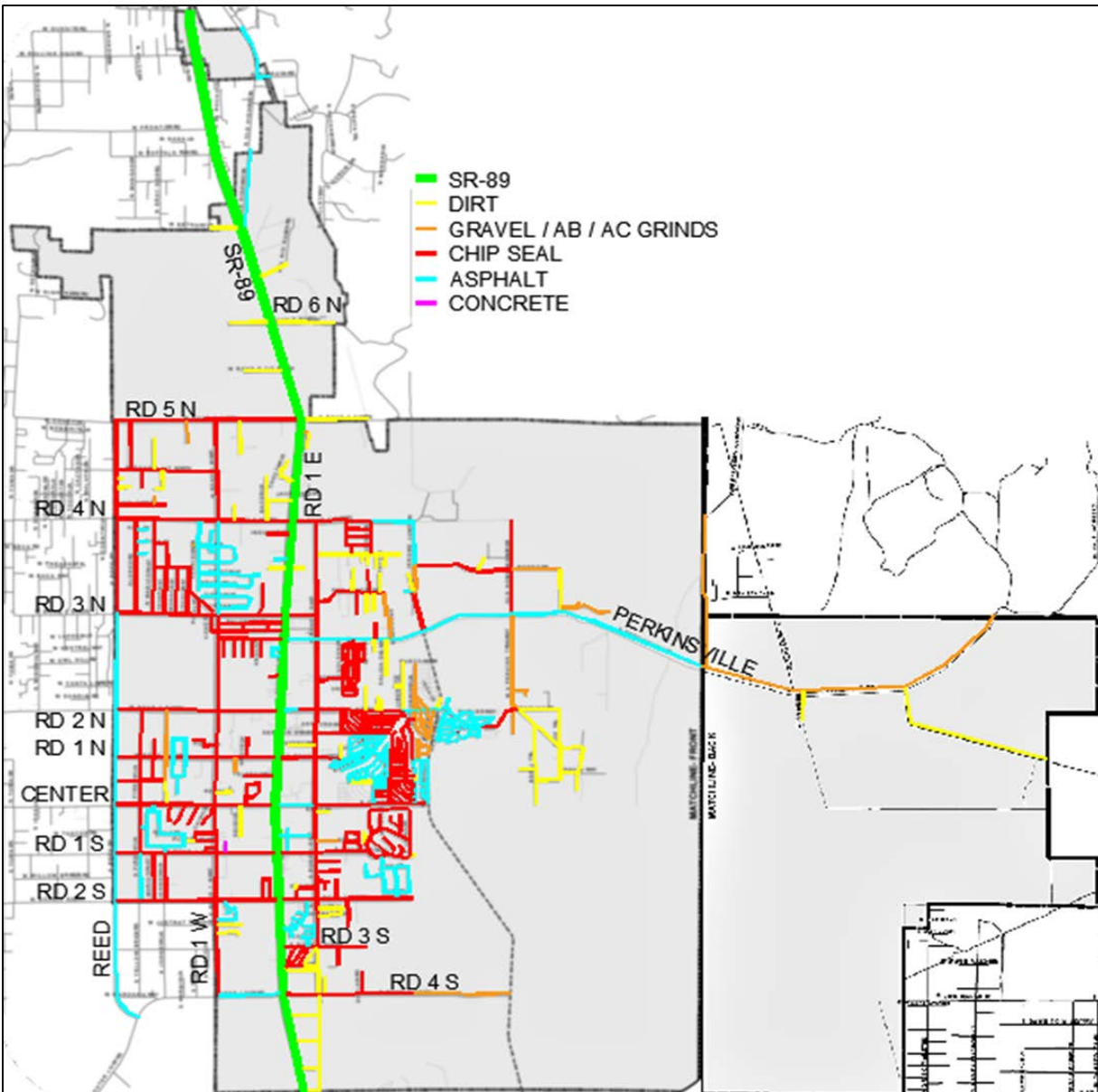
Highway User Revenue – The table below summarizes the projected HURF fund revenues and expenses for the next three fiscal years. The Road Materials line item summarizes the total amount of funds available each year for road and street maintenance. This table *excludes* any funding from the proposed property tax.

Town of Chino Valley			
Projected HURF Department Revenues and Expenses			
	Budget 6/30/19	Budget 6/30/20	Budget 6/30/21
Revenue			
HURF Revenue	\$ 899,000	\$ 926,000	\$ 954,000
Other Revenues	\$ 3,500	\$ 3,500	\$ 3,500
Transfers from General Fund	\$ 75,000	\$ 100,000	\$ 150,000
Total Revenues	\$ 977,500	\$ 1,029,500	\$ 1,107,500
Expenses			
Salaries and Wages	\$ 423,400	\$ 431,900	\$ 440,500
Maint Machinery and Equipment	\$ 30,000	\$ 30,000	\$ 30,000
Other Operating Costs	\$ 55,800	\$ 55,800	\$ 56,800
Gas/Oil	\$ 20,000	\$ 21,000	\$ 22,000
Lease Purchase Payments	\$ 132,500	\$ 70,300	\$ 49,500
Contingencies	\$ 56,000	\$ 47,000	\$ 60,000
Total Operating Expenses	\$ 717,700	\$ 656,000	\$ 658,800
Road Materials	\$ 450,000	\$ 330,000	\$ 410,000
Equipment	\$ 155,000		
Total Road Materials	\$ 605,000	\$ 330,000	\$ 410,000
Total Expenses	\$ 1,322,700	\$ 986,000	\$ 1,068,800
Net Revenues/Expenses	\$ (345,200)	\$ 43,500	\$ 38,700

How Much Funding is Needed for the Roads Maintenance Program

The Town Currently maintains 153 miles of roads consisting of asphalt, chip seal, gravel and dirt.

Town of Chino Valley		
Existing Road Surfacing		
	# of Miles	% of Total Miles
Asphalt	39	25%
Chip Seal	78	51%
Improved - Gravel	16	10%
Unimproved - Dirt	20	13%
Total	153	100%



The Town Engineer has estimated that the cost to maintain the Town's roads range from \$30,000 to \$250,000 per mile depending on the type of maintenance performed.

Town of Chino Valley	
Estimated Maintenance Costs Per Mile - Over 20 Years	
	Cost Per Mile
Arterial - overlay and sealcoats	\$250,000
Local Streets - mostly sealcoats	\$175,000
Dirt or Gravel - routine maintenance	\$30,000 - \$50,000

In order to maintain the Town's roads, the total amount of funding required each fiscal year is \$1.625,000.

Town of Chino Valley	
Total Estimate Maintenance Cost over 20 Years	
Arterial/Collector	\$16,000,000
Residential/Rural	\$16,500,000
Total	\$32,500,000
Average Annual	\$1,625,000

Proposed Property Tax

The Town is proposing to ask the citizens of Chino Valley to approve a Primary Property Tax in order to fund the \$1,600,000 annual shortfall for road maintenance. The Town is considering a Primary Property Tax Rate between 1 and 2 percent. The Town Council will determine the exact proposed rate, not-to-exceed 2%, after receiving input from the public.

The table below summarizes the amount of funding available at a 1%, 1.5% and 2% tax rate.

Town of Chino Valley			
Projected HURF Department Revenues			
	1% Tax Rate	1.5% Tax Rate	2% Tax Rate
Road Materials HURF FUND	\$400,000	\$400,000	\$400,000
Property Tax Funding	\$762,000	\$1,143,000	\$1,524,000
Total Funds Available	\$1,162,000	\$1,543,000	\$1,924,000
Funds Needed for Maintenance	\$1,625,000	\$1,625,000	\$1,625,000
Additional Funds Available for Upgrades			\$299,000

Note that a 1% rate will not fully fund the required road maintenance, thus the Town's roads will continue to deteriorate. The 1.5% rate will fund the current anticipated needs. The 2.0% rate will provide the Town additional funds to upgrade and/or expand the existing road system.

Property Tax Calculation

The table below summarizes the impact on a \$100,000 assessed home for each proposed tax rate.

Town of Chino Valley				
Property Tax Calculation				
Net Primary Assessed Value 2018	\$76,176,661			
Property Tax Revenue by Tax Rate:	Tax Rate	Tax Levy*	Annual Cost on a \$100,000 Primary Assessed Home	Monthly Cost on a \$100,000 Primary Assessed Home
	1.0000	\$762,000	\$100.00	\$8.33
	1.5000	\$1,143,000	\$150.00	\$12.50
	2.0000	\$1,524,000	\$200.00	\$16.67
* Rounded				

The table below summarizes the average annual tax increase for each proposed rate.

Town of Chino Valley					
Average Annual Cost per Taxpayer					
Property Tax Calculation					
Net Primary Assessed Value 2018			\$76,176,661		
Property Tax Revenue by Tax Rate:		Average Assessed Value	1.00%	1.50%	2.00%
Commercial - 255	18.00%	\$267,000	\$804	\$1,207	\$1,609
Vacant Land - 2202	15.00%	\$38,000	\$30	\$45	\$60
Residential - 3535	10.00%	\$117,000	\$115	\$172	\$230
Non Primary Residential - 909	10.00%	\$93,000	\$93	\$139	\$186
Total - 6901		\$101,000	\$110	\$166	\$221

How The Funds Will Be Used

Summarized below is how the funds will be accounted for.

- **Funds will be used exclusively for Road Maintenance and Construction**
 - Funds will not be used for Employee Salaries and Wages
 - Funds will not be used for Services and Supplies
 - Funds will not be used for Overhead

- **Funds will be accounted for in a separate fund**
 - An annual report will be made to Council and published on the Town's website detailing how the funds were used
 - The Town's independent auditors will issue a report to verify the funds were used as intended

- **Tax will be assessed for 20 years**

Establishing the New Property Tax Levy and Future Years

To establish a new primary property tax, the Town must present the proposed levy to the voters at an election on the third Tuesday in May. The ballot must state that the amount on the ballot will be the base for determining levy limitations for the Town in subsequent years.

After selecting the rate, the Town will determine the levy amount to be put on the ballot not to exceed \$1,524,000. This will establish the Town's base amount. The primary tax levy is limited to an increase of two percent more than the previous year's maximum allowable primary levy, plus an increased dollar amount due to a net gain in property not taxed the previous year. The net new property factor is included to take into account all new construction and additional property added due to annexation.

Each year if the proposed primary tax levy, excluding amounts attributable to new construction, is greater than the amount levied by the Town in the previous year the council must go through the "Truth in Taxation" process that notifies the taxpayers of the proposed increase in primary tax levy.