

Budget Kick-Off Workshop

Fiscal Year 2014-15

Sedona Fire District Public Budget Workshop – January 22, 2014



AZ and Federal Laws Having Financial Implications

Concerning Budget Combination

- Proposition 117 (2013 Law)
 - Limiting the amount of increase to Assessed Value to no more than 5% annually
- Tax Levy Limits
 - Laws were put into place to limit the amount of Levy (8% max annually) citizens can be taxed (2009 Law)
 - SFD's Current Levy limit is \$ 19,275,661
 - SFD Actual Levy Limit amount is \$15,003,996
- Current cap on Mil Rate at \$3.25 (2005 Law)



Dangerous Combination

- When these three are added together – Prop 117, Tax Levy Limits, and Mil Rate Cap, a financial bottleneck is likely – to the point some Fire Districts may not be able to operate effectively
- SFD is currently in a good position based on the room in the tax levy limit amount and the room between \$2.02 and \$3.25 Mil Rate cap
- Prop 117 will have an immediate impact if the assessed values rise more than 5% in any one year which additionally could compound into further problems down the road
 - Current indications are we can expect a steady 5% growth in SFD AV
- Current legislation has been proposed to help fix this dangerous combination and provide some relief

2013 FIRE DISTRICT LEVY LIMIT WORKSHEET

COCONINO & YAVAPAI COUNTIES - SEDONA FIRE DISTRICT

ADJUSTMENTS FOR ANNEXED PROPERTY	COCONINO 2012	YAVAPAI 2012	COMBINED 2012
A.1. Net Assessed Value of Property Annexed for TY 2013	\$0	\$0	\$0
A.2. A.1. divided by 100	\$0	\$0	\$0
A.3. Prior Year Actual Tax Rate (excluding debt service tax rate)	\$1.6300	\$1.6300	\$1.6300
A.4. Adjustment for Annexed Property (A.2. multiplied by A.3.)	\$0	\$0	\$0
MAXIMUM ALLOWABLE LEVY LIMIT			2013
B.1. Prior Year Maximum Allowable Levy Limit (B.4 from prior year)			\$17,847,834
B.2. Line B.1. multiplied by 1.08			\$19,275,661
B.3. Plus amount attributable to annexed property (Line A.4.)			\$0
B.4. MAXIMUM ALLOWABLE LEVY LIMIT (Line B.2. + B.3.)			\$19,275,661
CURRENT YEAR NET ASSESSED VALUES	2013	2013	2013
C.1. Centrally Assessed Property	\$4,119,713	\$8,508,684	\$12,628,397
C.2. Locally Assessed Real Property	\$117,188,188	\$326,192,344	\$443,380,532
C.3. Locally Assessed Personal Property	\$1,562,707	\$4,089,765	\$5,652,472
C.4. Total Net Assessed Values (C.1. through C.3.)	\$122,870,608	\$338,790,793	\$461,661,401
C.5. C.4. divided by 100	\$1,228,706	\$3,387,908	\$4,616,614
CURRENT YEAR TAX RATE / LEVY LIMIT CALCULATION	2013	2013	2013
D.1. Current Year Net Assessed Values / 100 (Line C.5.)			\$4,616,614
D.2. Maximum Allowable Levy Limit (Line B.4.)			\$19,275,661
D.3. Tax Rate (D.2. divided by D.1.; rounded to 4 decimals)			\$4.1753
D.4. Maximum Tax Rate (lesser of D.3. or \$3.25)			\$3.2500
D.5. Current Year Allowable Tax Rate ^{†1}	\$3.2500	\$3.2500	\$3.2500
D.6. Current Year Allowable Levy Limit (D.5. multiplied by D.1.)	\$3,993,295	\$11,010,701	\$15,003,996
D.7. Prior Year Excess Collections			
D.8. Prior Year Excess Levy			
D.9. Current Year Allowable Levy Limit (D.6. - D.7. - D.8.)	\$3,993,295	\$11,010,701	\$15,003,996

^{†1} Adjusted D.5. to avoid a levy that exceeds the maximum allowable levy limit (Line B.4.)

Additional AZ and Federal Laws Having Financial Implications

- 2 year budget reporting requirement
 - As part of the new law, a current year budget and a tentative budget must be presented to the board and public for following fiscal year
 - Assist Board and Agency in forecasting and planning
- Pending Medicare Reimbursement decrease in Super Rural bonus payment
 - Looking at 22.6 reduction if no action taken (was extended until 3/31/14)
 - Could have reduction in revenues of \$150,000+ annually for SFD if no federal legislation assistance is initiated





So Where Does Sedona Fire District see things going?

FY15 Budget Preparation and BEYOND.....

SFD FY15 Objectives

- Maintain Fiscal Responsibility
- Continue to Enhance Transparency
- Long Term Planning Success
- Develop a New Strategic Plan
- Sustainability is Critical
- Control Annual Budget Growth



The Budgeting Process

- Budget Kick-Off meeting
- Staff meets with section heads to see what things are needed to be budgeted
- Staff and Labor meet through Meet and Confer process to address Wages, Benefits and Working Conditions
- The Counties provide actual Assessed Value numbers in mid-February

The Budgeting Process (cont.)

- Taxes and other revenues are estimated
- Management works on determining the priorities. Any appropriate cuts are made to the proposed budget
- A levy amount is determined – hence the Mil Rate is calculated
- Final budget is approved by Fire Board and is filed with the County

The Budget

- Critical to understand and appreciate the history of knowing the budget and what it really means.
 - In the past, we have discussed the importance of controlling the budget with a slow growth curve
 - Must identify the core goal and purpose for SFD's mission
 - Look at current and future needs (short and long term planning)
 - Maintain a competitive edge to employee salaries and benefits
 - Evaluate capital needs for organization

The Budget

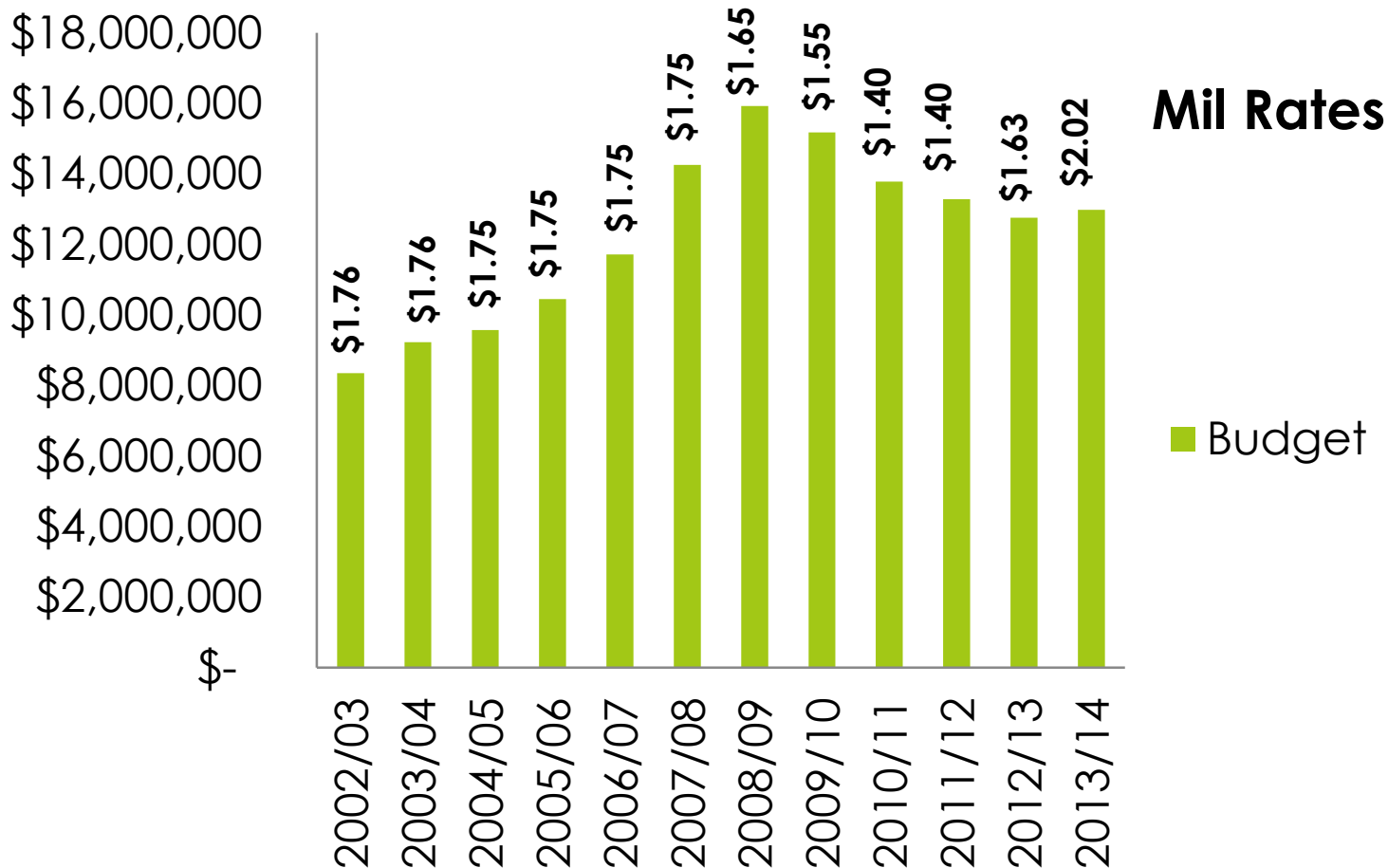
- We must establish the correct tax levy that matches the slow growth approach
 - We are faced with making up for the years we had double digit decreases in A/V and the reduction of the Mil Rate by past decision makers at SFD
 - These reductions have created a significant compounding effect on our levy needs
 - We are now working to get the levy back to where we could have responsibly targeted if there had been long range planning like we are currently doing
 - We must safely operate and be responsible to our mission of providing fire and life safety to our community

Ingredients In A Budget

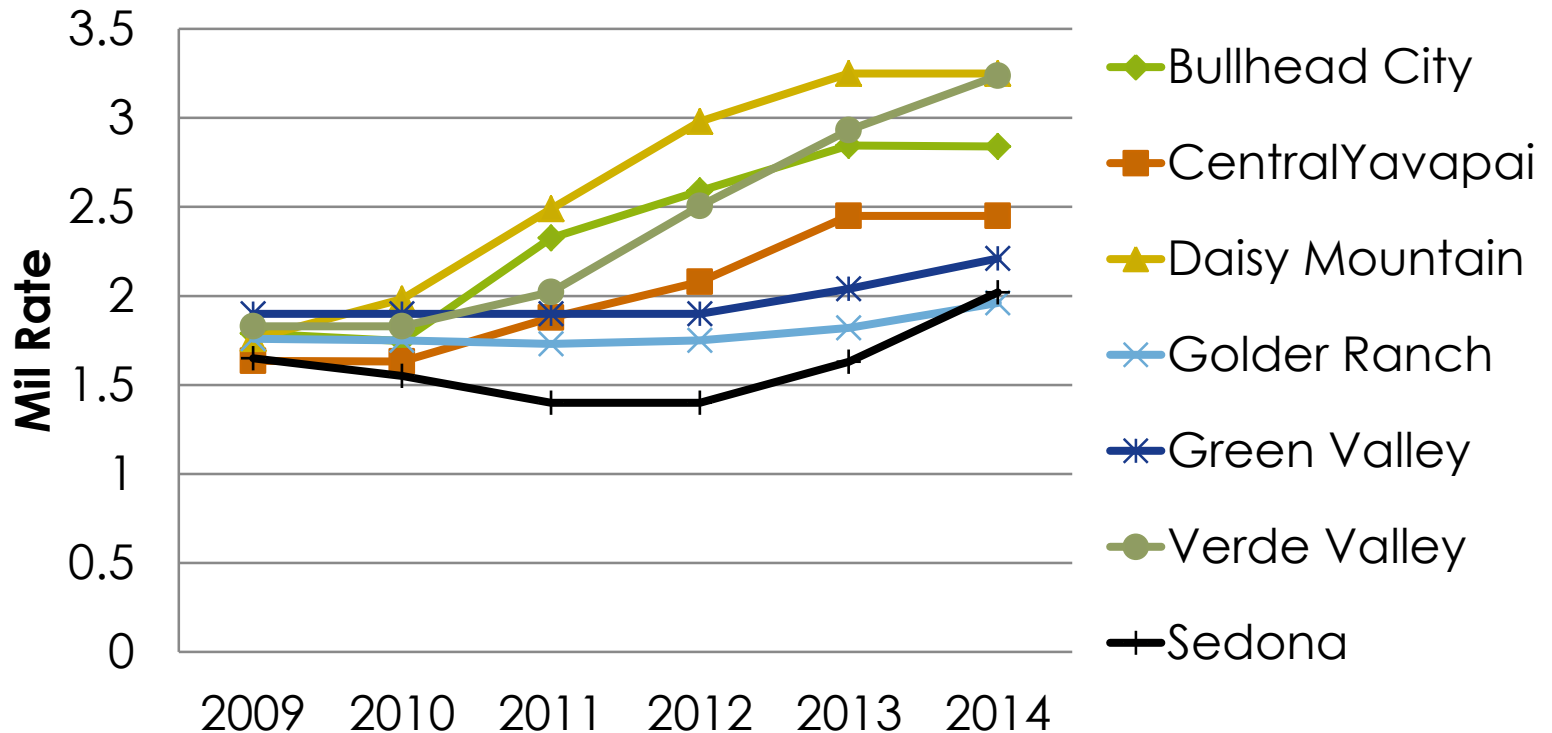
- SFD Budget – created to pay for what it needs to operate and provide services to the community
 - Levy – the amount collected from taxes (Mil Rate x Assessed Value)
 - Other Revenue – the funds that are generated through EMS billing, Rents, Wildland, Permits, Grants, etc.
 - Capital Reserves – money that has been set aside in past year's budget to pay for capital projects



SFD Historical Budget Overview

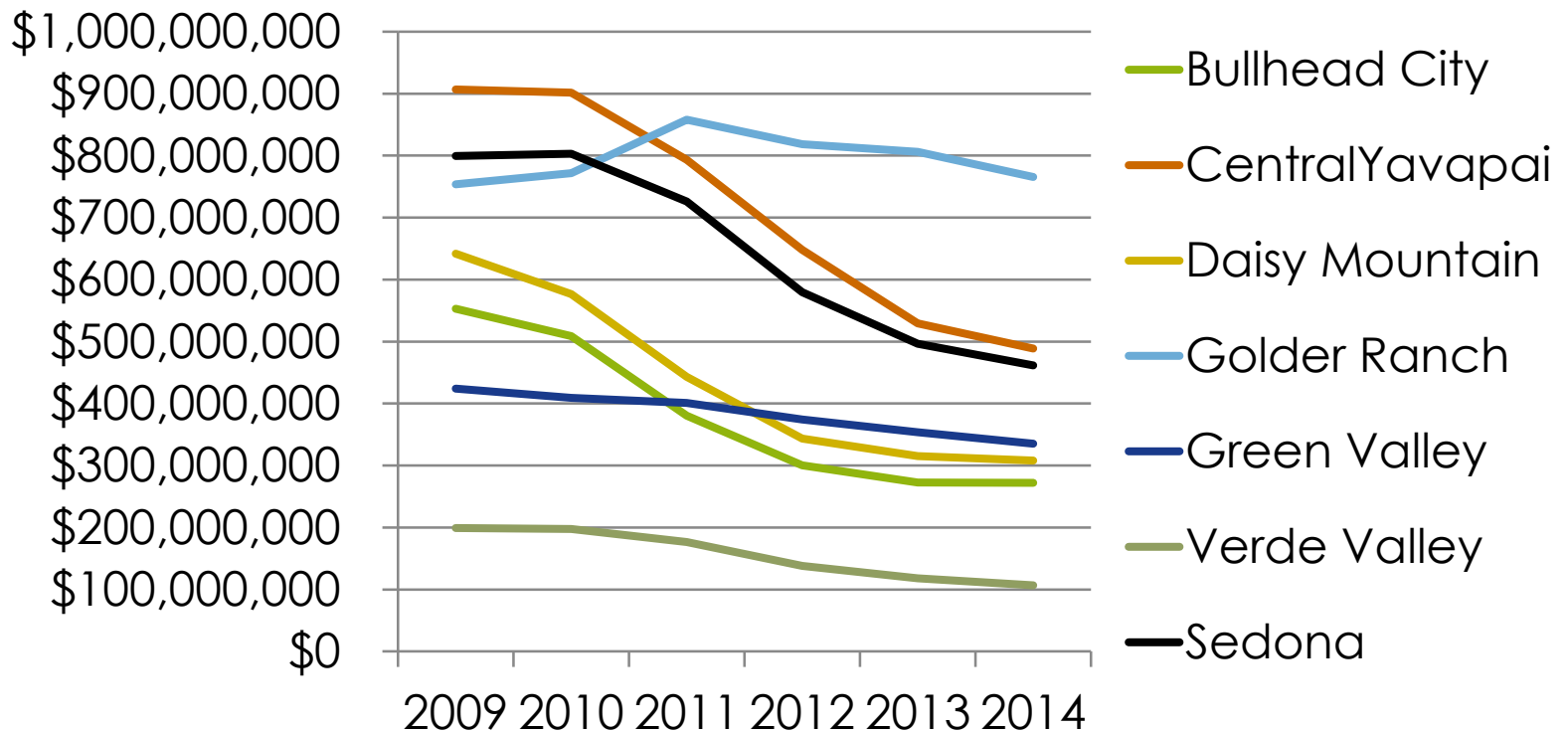


Mil Rate Comparisons



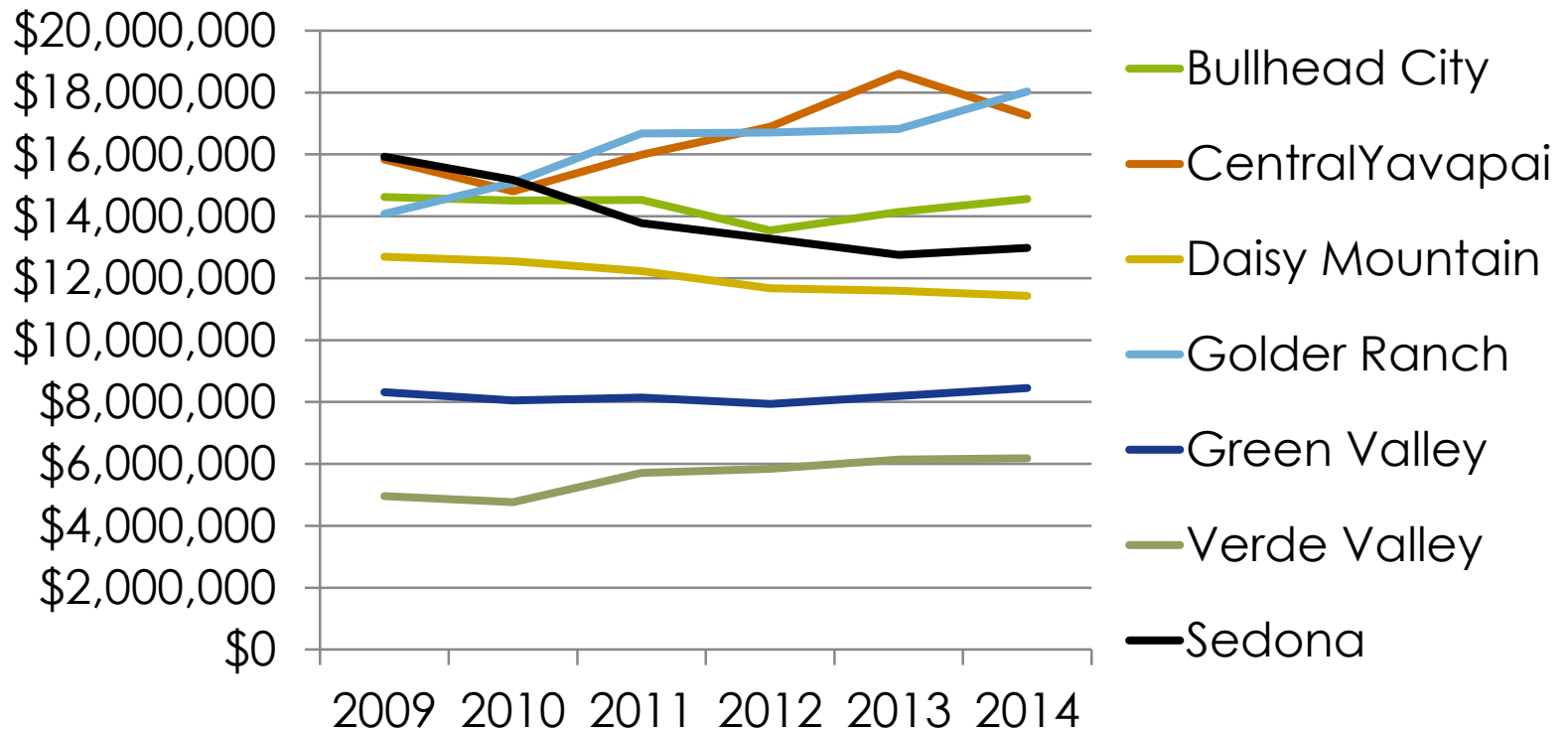
Disclaimer: This information was compiled from individual county websites, district websites, and AFDA and may not be 100% accurate.

Assessed Values Comparisons



Disclaimer: This information was compiled from individual county websites, district websites, and AFDA and may not be 100% accurate.

Annual Budget Comparisons



Paradigm Shift

- SFD has undergone a shift in the philosophy and approach over the past few years. It has been a healthy opportunity for self reflection and prioritization of needs, wants, and must-haves for the organization
- Focusing on the mission specific needs of SFD is the first and foremost priority
- Aiming for sustainable solutions for our long-term financial concerns and needs

Budget- Contributing Factors

Controllable Factors

- Cost of Living Adjustments
- Pay Scale
- What type of capital replacement plan we want to have
- Finding opportunities for additional revenue funding
- What we determine as an appropriate budget for SFD

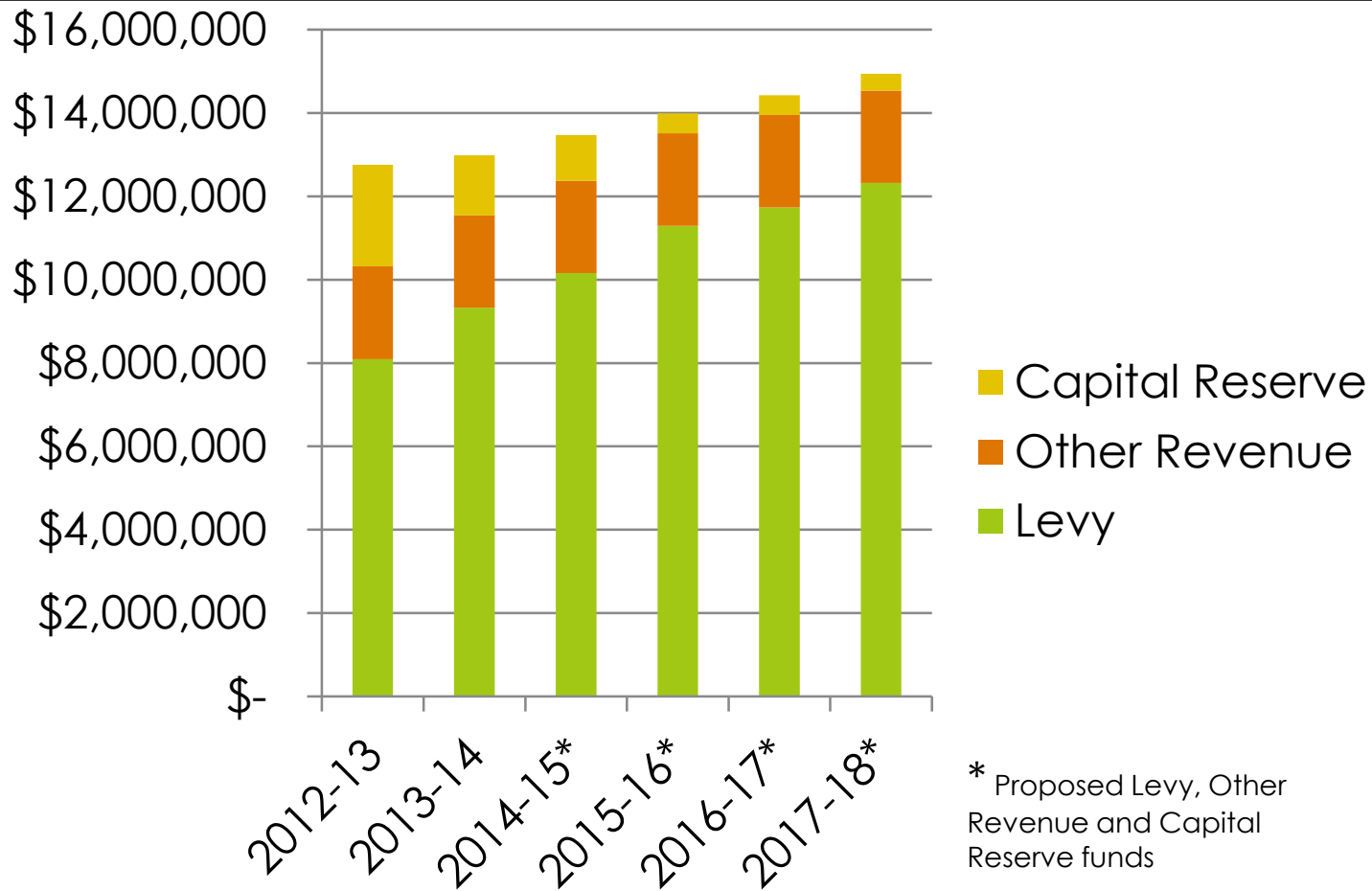
Uncontrollable Factors

- Cost of Healthcare
- Cost of Utilities
- Cost of Worker's Comp (can impact it by safety culture)
- Changes in Laws and regulations
- Employer Pension Contribution %
- Being in 2 counties complicates things – the Assessed Value which is controlled by the counties

Responsible Financial Trajectory

- We are committed to finding the place where we need to get to safely operate the Fire District and be responsible to all parties – Tax Payers, Employees, Business Community, Visitors, etc.
- We want to gently glide into the proper and necessary levy level to create a sustainable operation while trying to avoid spikes up and down in the citizen's tax bill

Responsible Financial Trajectory



Why Fluctuations In Tax Bills?

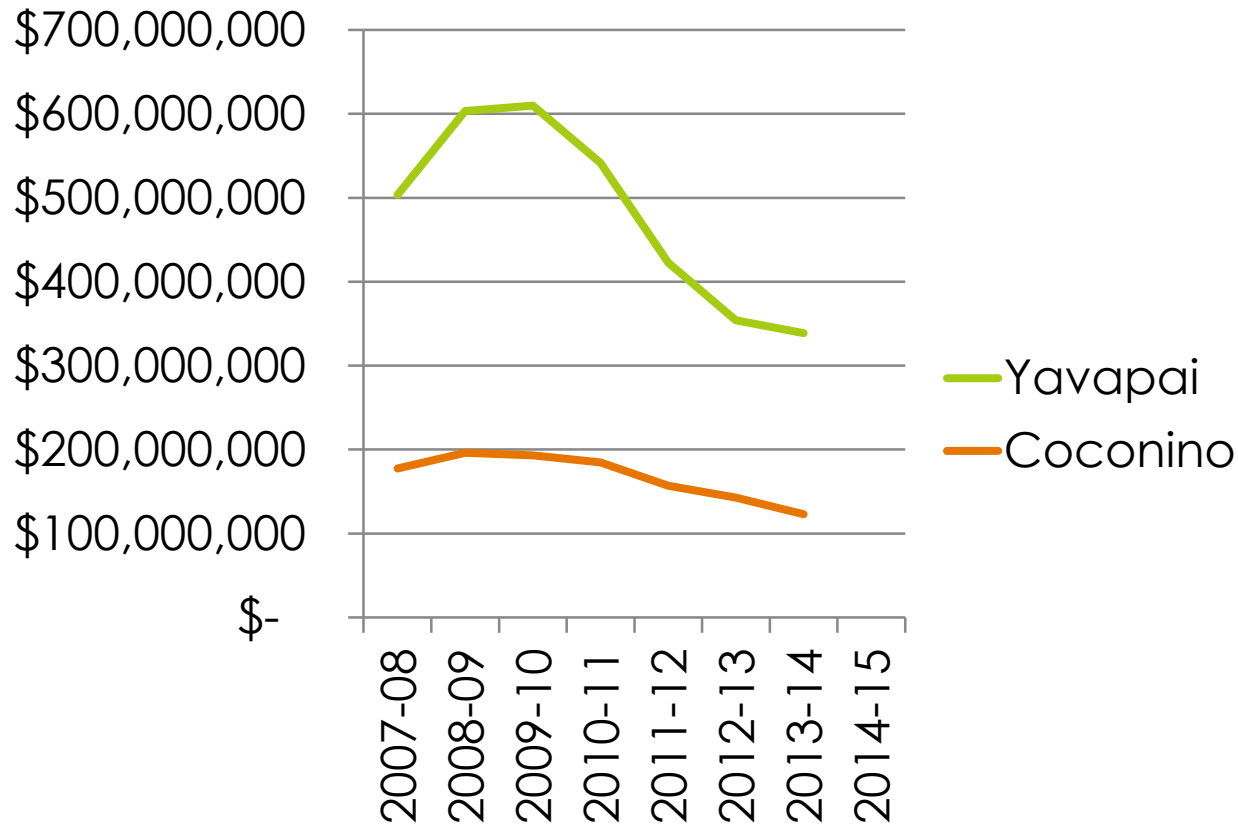
- Coconino and Yavapai Counties assess their properties differently.
 - 2006/07 12.82% in Yavapai & 20.80% in Coconino
 - 2008/09 19.87% in Yavapai & 10.62% in Coconino
 - 2012/13 (16.29%) in Yavapai & (9.04%) in Coconino
 - 2013/14 (4.25%) in Yavapai & (13.95%) in Coconino
- This illustrates the longstanding trend of variations between the two counties.
- Because you are multiplying by the same MIL Rate, the increase or decrease will be different and not always logical – **even if you did not raise the Levy amount**

Tax Myths And Phone Calls

- My Assessed Value went down but my taxes went up – how is that?
- My A/V went down 40%, why doesn't your budget go down 40%?!
- How did my taxes go up and my neighbor's taxes went down?
- An increase in my tax bill of X% or \$X is too much ... I don't want any increase!



Historical Assessed Values



Reductions in SFD Policies and Programs

- Through lengthy work between management and labor as well as the Governing Board, we have made substantial changes to our benefits
 - Vacation Leave Accruals
 - Sick Leave Accruals
 - Holiday Pay
 - Changes in Healthcare programs/options
- All of these changes have saved us hundreds of thousands of dollars annually

Budget Goals / Planning

- Looking to have fairly small annual increases to the budget (FY14 was 1.79% increase)
 - Create a slow and gentle increase of expenses based on long range planning and annual increases in cost of operating
- Buy what makes sense
 - We have prioritized our purchases and long range needs
 - Find best cost solutions and pricing
 - Utilize best practice and looking at bulk purchasing when possible



Capital Purchases

- Program Budgeting
 - We have committed to spending down the Capital Reserves account on upcoming capital projects
 - Going forward, we will be putting Capital needs into the budget and will have little or no Capital Reserve fund to utilize
 - This should not cause spikes in the budget unless unplanned capital needs arise



Board Contingency

- This fund is utilized for the first few months of the budget year to keep from having to write warrants to the county (and pay interest)
- Current policy is to maintain a number equal to 15% of that year's budget. We have discussed changing that to cap at \$2 million
- We need to decide if maintaining that high of a balance is something the Board wants to continue as we are still recuperating from the stressed economy we have faced

The Unknowns

- Healthcare – always a big unknown and lots of changes coming
- Workers Compensation – will our multiplier go up or down and by how much
- Cost of Living (COLA) for employees
- Potential Loss of Super Rural Bonus
 - 22.6% decrease in addition to a 2% decrease (1/1/13)
 - There was a 1% COLA this year (1/1/13)



Ballpark Budget

- Staff is beginning to work on the budget framework
- Some of the known and needed items are being plugged into the budget
- Prioritizations and reductions are made where appropriate to keep trajectory
- A target levy range will be determined and given to the Board for consideration once we get the Assessed Values



Where We Go From Here

- Staff will be working over the next 3 months to finalize the proposed numbers
- Budget Books will be presented at the March meeting for you to take home and review
- Public Workshops
 - April – go over the Budget Sections
 - May – finalize any questions and make any changes
 - End of May – Publish the Budget for 21 days
 - June – get final approval of the budget and send to County as required



Board Input Opportunities For Staff

- If you have any direction on the following areas:
 - COLA
 - Typically based on the trailing 12 months CPI-U West based on numbers including January (published in FEB)
 - Current numbers show a 1.8% through November 2013
 - Social Security COLA is 1.5% for 2014
 - Will want some direction at the February meeting
 - Capital Reserve Funding
 - Confirming as the Governing Board, your agreement to go towards the zero Capital Reserve Fund and program needs as a line item annually (paid through the levy)

Board Input Opportunities For Staff

- If you have any direction on the following areas:
 - Board Reserve Fund
 - Comfortable capping at 2 Million this year – less than 15%? Will need to update Board Policy in March or April
 - May want to consider utilizing a portion of this fund in future budgets to help offset the potential levy increases
 - Indirectly you will be doing that by limiting at \$2M. You will be reducing the amount needed to be levied annually

Any Questions

