

Understanding Your Tax Bill

Sedona Fire District

Before FY 2015 and Beyond



To Understand Your Tax Bill, We Have to Understanding Where We Are

It helps to look backwards to understand where we came from, where we are, and where we are going!

- Sedona Fire District Budgets past
- Understanding the implications of past Board actions
- Utilization of Capital Reserve account
- Where we are now
- Fiscal Trajectory
- Legislative changes
- Where we are going

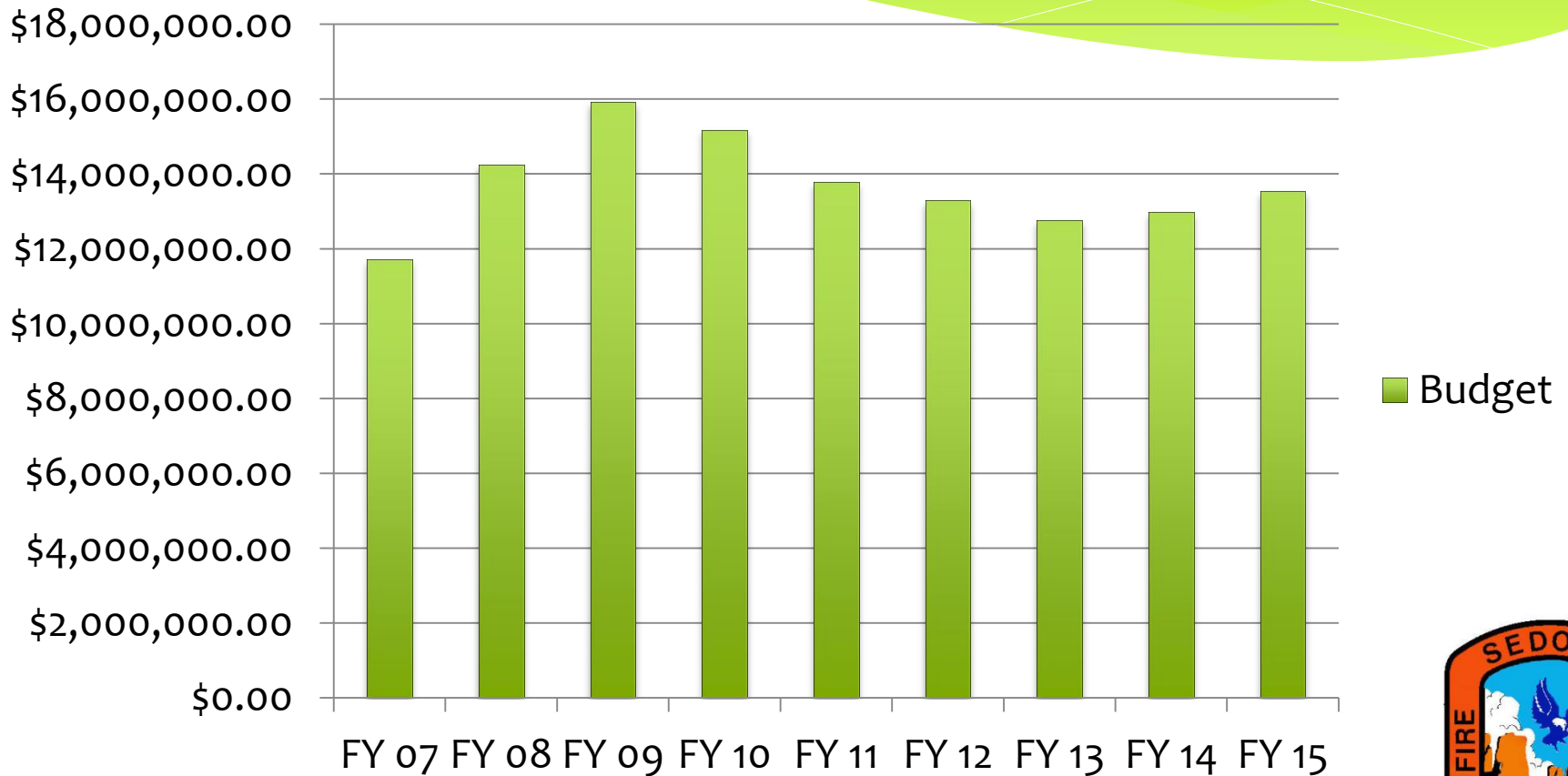


Budgets Past and Present

- * The budget is really the focus and backbone to the proper operation of Sedona Fire District
- * While the taxes are what people look at and best understand, they are only one part of the entire equation
- * The budget is lower than it has been at its peak (FY2009)
- * It appears the budget will be lower than the peak for at least 8 years



Budgets Past and Present



What Relief Was Realized by SFD Taxpayers

- * While we understand everyone wants to pay the lowest taxes possible, the reality is our cost of doing business simply has not seen marked decreases. In fact, we have seen increases across the board to do our business.
- * What if we would have offered a chance at freezing your taxes for 10 years? Who would have been happy to do that in FY 2008/09 until FY 2018/19.....?



IF Taxes Were Frozen in 2008/09

Fiscal Year	Property Tax Revenue	Savings from 2008/09
2008/2009	\$ 13,191,070	
2009/2010	\$ 12,445,951	(\$ 745,119)
2010/2011	\$ 10,165,215	(\$ 3,025,855)
2011/2012	\$ 8,114,805	(\$ 5,076,265)
2012/2013	\$ 8,094,617	(\$ 5,096,453)
2013/2014	\$ 9,325,560	(\$ 3,865,510)
2014/2015	\$ 10,256,100	<u>(\$ 2,934,970)</u>
		- \$ 20,744,172

2014 FIRE DISTRICT LEVY LIMIT WORKSHEET

COCONINO & YAVAPAI COUNTIES - SEDONA FIRE DISTRICT

ADJUSTMENTS FOR ANNEXED PROPERTY	COCONINO 2013	YAVAPAI 2013	COMBINED 2013
A.1. Net Assessed Value of Property Annexed for TY 2014	\$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)	\$2.0200	\$2.0200	\$2.0200
A.4. Adjustment for Annexed Property (A.2. multiplied by A.3.)	\$0	\$0	\$0

MAXIMUM ALLOWABLE LEVY LIMIT	2014		
B.1. Prior Year Maximum Allowable Levy Limit (B.4 from prior year)	\$19,275,661		
B.2. Line B.1. multiplied by 1.08	\$20,817,714		
B.3. Plus amount attributable to annexed property (Line A.4.)	\$0		
B.4. MAXIMUM ALLOWABLE LEVY LIMIT (Line B.2. + B.3.)	\$20,817,714		

CURRENT YEAR NET ASSESSED VALUES	2014	2014	2014
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C.3. Locally Assessed Personal Property	\$1,278,793	\$4,943,651	\$6,222,444
C.4. Total Net Assessed Values (C.1. through C.3.)	\$123,577,536	\$357,252,269	\$480,829,805
C.5. C.4. divided by 100	\$1,235,775	\$3,572,523	\$4,808,298

CURRENT YEAR TAX RATE / LEVY LIMIT CALCULATION	2014	2014	2014
D.1. Current Year Net Assessed Values / 100 (Line C.5.)	\$4,808,298		
D.2. Maximum Allowable Levy Limit (Line B.4.)	\$20,817,714		
D.3. Tax Rate (D.2. divided by D.1.; rounded to 4 decimals)	\$4.3295		
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.)	\$4,016,270	\$11,610,699	\$15,626,969
D.7. Prior Year Excess Collections			
D.8. Prior Year Excess Levy			
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^{†1} Adjusted D.5. to avoid a levy that exceeds the maximum allowable levy limit (Line B.4.)

OVER LEVY CALCULATION	2014	2014	2014
E.1. ACTUAL SECONDARY PROPERTY TAX LEVY	\$2,635,909	\$7,620,191	\$10,256,100
E.2. Over / (Under) Current Year Allowable Levy (E.1. - D.9.)	(\$1,380,361)	(\$3,990,508)	(\$5,370,869)
Actual Secondary Property Tax Rate	\$2.1330	\$2.1330	\$2.1330



Understanding Past Implications of Previous Boards

- * While there have been many different philosophies on how to run an effective fire district, the decisions made have legacy impacts
- * In some cases, Mil Rates were not adjusted in skyrocketing Assessed Values (AV)
- * In other cases, the Mil Rate was held low in plummeting AVs



Utilization of Capital Reserves Account

- * At one point, SFD had \$4,489,286 in Reserves
 - Not including the Board Reserve of \$1,913,202
- * Much of that was earmarked for capital projects (such as building Station 6 and emergency apparatus) and was spent on budgets
- * Currently, there is \$789,278 in Reserves
 - Not including the Board Reserve of \$2M for operating during the first quarter of each fiscal year



Current Fiscal Snapshot

- * We are working with a budget that requires us to budget over \$220,000 for 10 years to pay for Station 6
- * We have had to finance half a payment for a fire engine (\$218,194 down payment from last year's budget and \$202,000 balance in this year's budget)
- * Budget was only 4.29% increase from the previous year



What Does SFD Provide For Your Tax Dollars

STAFFED EVERY DAY 24/365

Engine 511 Ambulance 511
Engine 531 Ambulance 531
Engine 541 Ambulance 541
Engine 551
Engine/ Ambulance 561
Battalion Chiefs

5 Stations

Staffing Max 24 Min 21

Professional Office and field staff

Fire Chief
Division Chiefs
Regional Dispatch Center
Community Risk Reduction
Telecommunications
EMS Billing
IT Coordinator
Office/Administrative staff

Cost Comparison:

Taxes paid on a \$300,000 home

	Tax	Mil Rate
Camp Verde	\$ 975	3.25
Verde Valley	\$ 975	3.25
Clarkdale (no EMS)	\$ 969	3.23
Montezuma-Rimrock	\$ 1,407	4.6897
Sedona	\$ 640	2.133

What Does SFD Provide For Your Tax Dollars

- * We are working daily to constantly improve on our ability to serve the public
- * We are dedicated to find the best solution and most economical alternatives when possible
 - A Few Examples:
 - Changed Insurance plan for all employees to a High Deductible plan
 - Purchased a Demonstrator Fire Engine to save \$40,000
 - Reduced leave accrual benefits with labor groups' participation and support

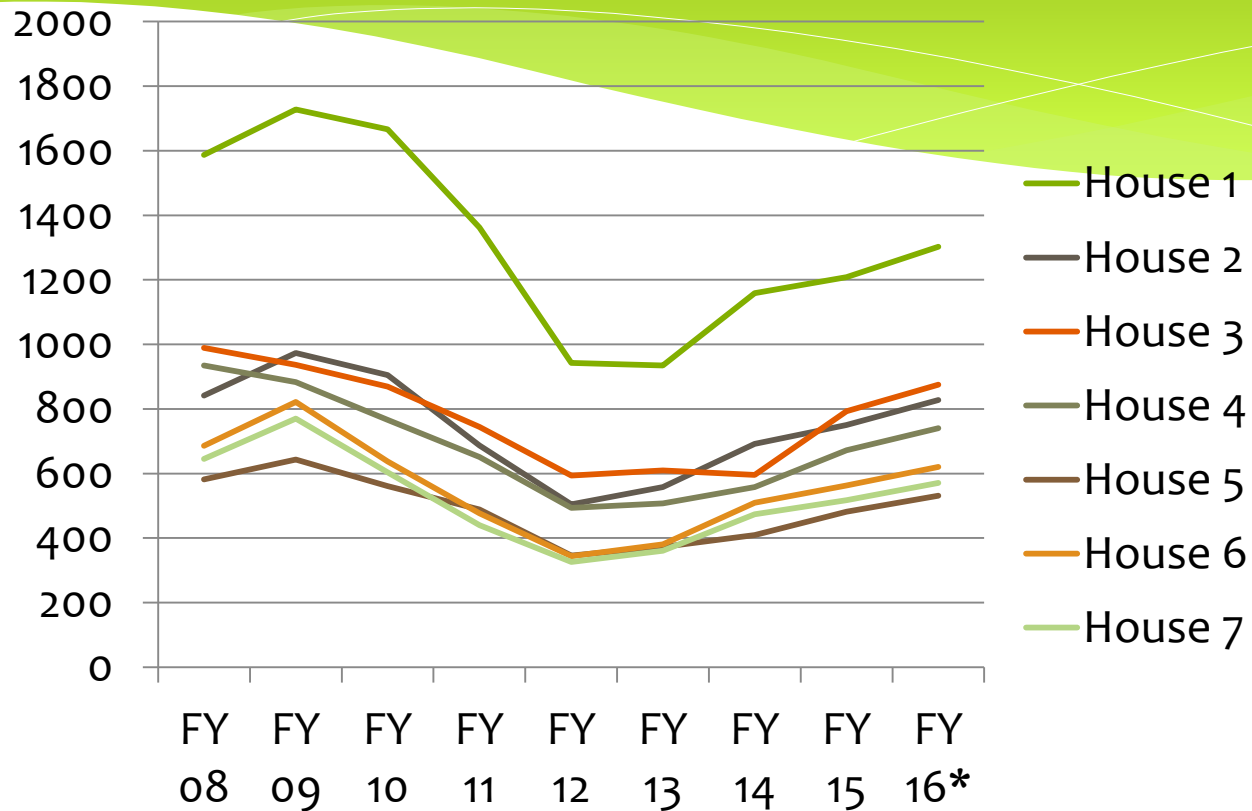


Taxes in Today's World

- * Understanding taxes and how they get to that number can be very difficult.
 - Most people simply look at the year before and look to see if it went up or down
 - Understandable way to view taxes as they relate to the individual, but need to look at the long term perspective to see what has happened in the past



Taxes in Today's World



*Estimated AV

Taxes in Today's World

- * While many may have seen increases the last 3 years, the graph represents many people are paying less than they were in Fiscal Year 2008
- * There was a period of time where taxes were rolled back and people did “save” taxes. This was accomplished by utilizing funds for capital projects. This means they are now funded with financing or put directly in the budget and paid through the levy
- * Sometimes, people make improvements to their property which affect their taxes as well. Sometimes, that is forgotten when comparing tax bills

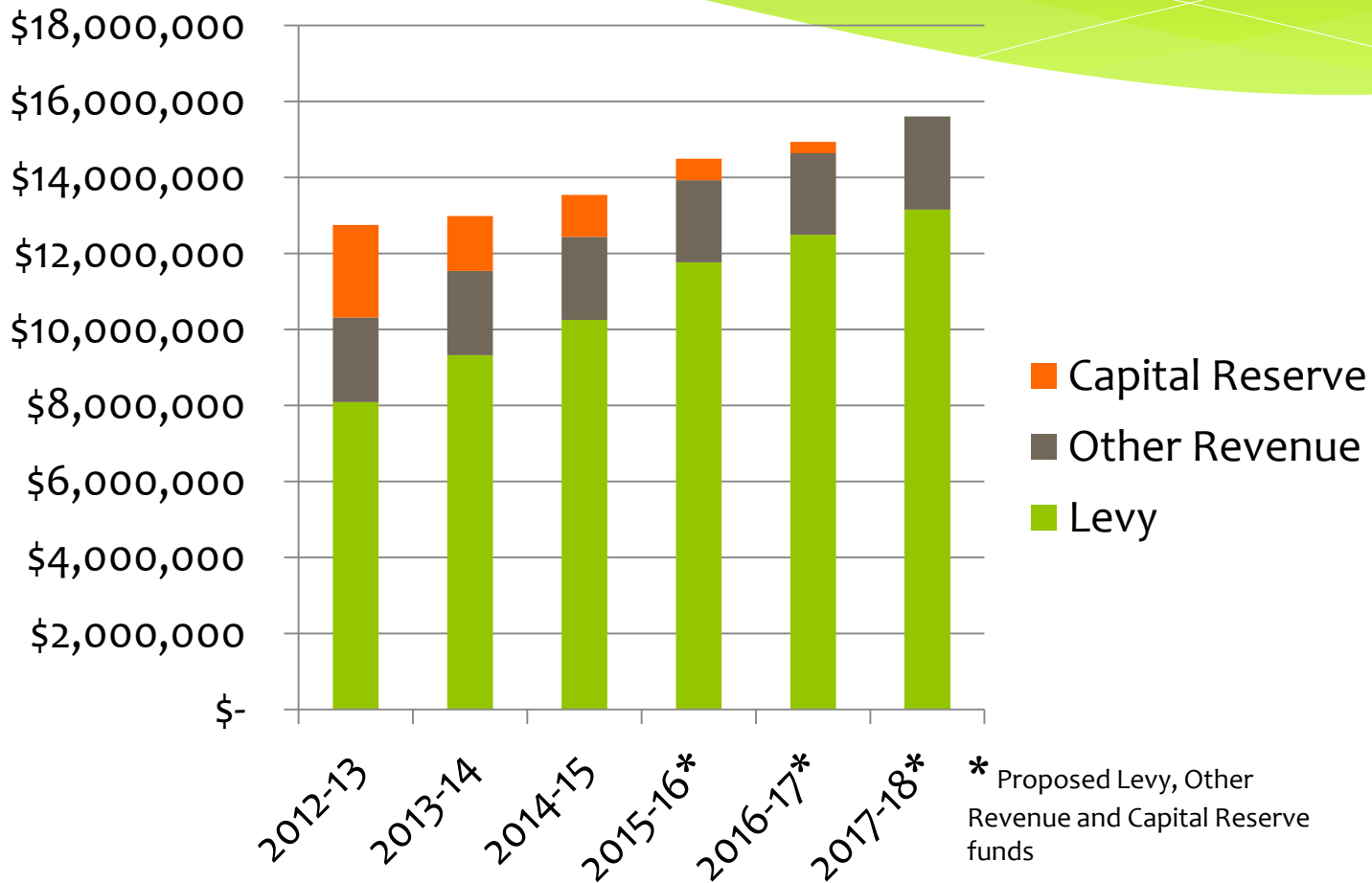


Responsible Fiscal Trajectory

- * SFD staff has worked hard to climb out of the hole created by spending most of the capital reserves
- * SFD staff was clear on the fact there is a need to increase the levy to bridge the gap created by the utilization of the savings account
 - Other options included having to reduce emergency response staff which was not considered as they are vital to the operation and safety of our community



Responsible Financial Trajectory



Responsible Financial Trajectory

- * When you look at the proposed levy, it is increasing annually, but the amounts are designed to not be as dramatic once we bridge the gap
- * The levy should level out in the upcoming Fiscal Year, it will always go up as everything continues to cost more, but it should be much more gradual
- * Your individual taxes will greatly depend on the specific AV for your property



A perfect storm colliding to affect the levy ability of
Fire Districts

Legislative Changes Affecting Fire District Levy



Proposition 117 Takes Effect in FY 2016

- * Puts the AV on the primary tax amount on your tax bill.
Fire Districts used to tax on secondary tax amount
 - This will automatically decrease the AV amount causing the Mil Rate to increase to offset
- * It limits the amount of your AV to 5% that can be taxed
 - If your \$100K (AV) home is assessed at \$110K you will only be taxed on \$105K (AV), thus lowering the overall AV for the Fire District and impacting our Mil Rate



Proposition 117

- * This is designed to slow the growth of your tax bill by limiting the growth to a max of 5% annually
 - This is mostly critical for those at the max Mil Rate because it limits the growth.
 - For people not at the Mil Cap, it means there will need to be more dramatic increases to the Mil Rate
 - A/V will be calculated on the Primary Value – not the Secondary Value like it used to be. Primary has typically been lower; so again, you may see a sharper rise in Mil Rate to compensate for this new (and lower) multiplier



Commercial Property Allocations

- * Assessment on Commercial Property has changed dramatically
 - * It was 25% at its highest
 - * In FY 2017, it will reach its basement at 18%

What does that mean? Essentially, commercial properties are paying **less** into the equation and there will be a **bigger** burden placed on the homeowner's portion



Residential Tax Formula

Yavapai/Coconino		\$300,000	X	10%	=	\$30,000
County		Limited Cash Value		Assessment Ratio		Assessed Value
Fire District		\$30,000	/	100	=	\$300
		Assessed Value				
Citizen's Taxes		\$300	X	\$2.13	=	\$639
		Net Assessed		SFD Mil Rate		

Commercial Tax Formula (current)

Yavapai/Coconino		\$300,000	X	19%	=	\$57,000
County		Limited Cash Value		Assessment Ratio		Assessed Value
Fire District		\$57,000	/	100	=	\$5,700
		Assessed Value				
Citizen's Taxes		\$5,700	X	\$2.13	=	\$1,214.10
		Net Assessed		SFD Mil Rate		

Commercial Tax Formula (past)

Yavapai/Coconino	\$300,000	X	25%	=	\$75,000
County	Limited Cash Value		Assessment Ratio		Assessed Value
Fire District	\$75,000	/	100	=	\$7,500
	Assessed Value				
Citizen's Taxes	\$7,500	X	\$2.13	=	\$1,597.50
	Net Assessed		SFD Mil Rate		

HB 2050

- * There have been legislative efforts to deal with AZ State Retirement System (ASRS) employers and the new law requires employees who work 20 hours for 20 weeks or more to be mandated participants in ASRS. For participating employers, this will mean more impact to budgets for Reserves and part-time employees
 - SFD is NOT a participant in ASRS at this time, so this HB does not directly impact SFD



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General Impacts

- * Medicare/Medicaid Reimbursements have been under fire and threats to Rural Systems; SFD is considered Super Rural to reduce funding reimbursement over 20% which would impact revenue greatly for EMS services we currently provide
- * As more people now have healthcare, we are seeing a rise in requests for services which impact our costs on every level



Public Safety Pension Retirement System (PSPRS)

- * There have been recent AZ Supreme Court rulings that will have a negative impact on our budget. Currently, SFD pays 20.71% for the employer portion of Public Safety pension contributions (employees pay over 11%). We expect this to continue to rise - especially with court rulings
 - o Note: Average in the state is over 35% employer contribution rate with some over 50%
- * This will have an impact on the levy and our budget over which we have no control



Working hard for the safety of our community

Where Are We going?

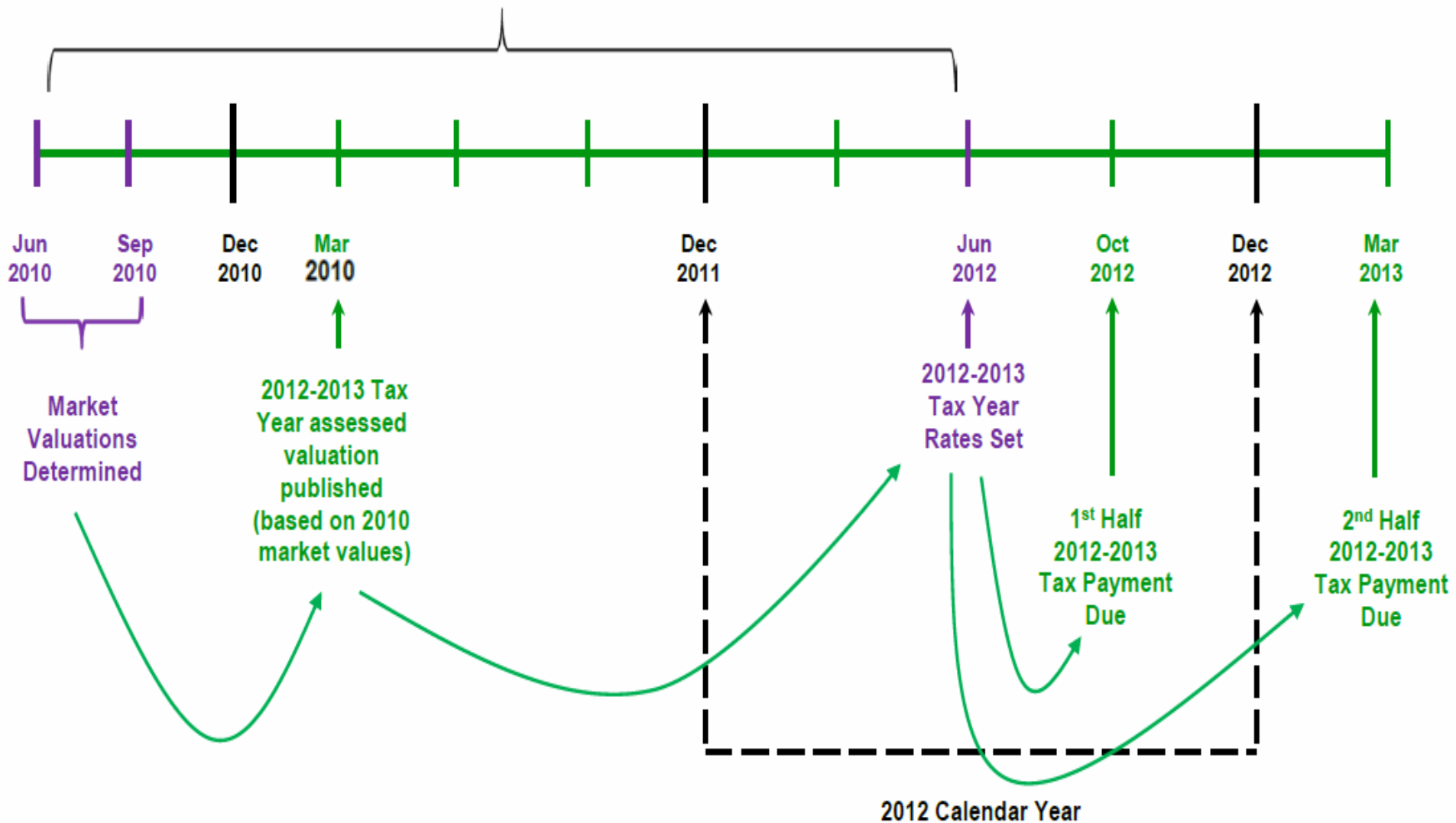


What Will Your Taxes Look Like?

- * Determining what your taxes will look like has many variables!
 - What does your A/V do – Go up or go down?
 - What does the Fire District do with the Mil Rate – Increase it or decrease it?
 - What does the District levy do – Go up or go down?
 - Each of these scenarios means something different to each and every homeowner
 - Each Tax Bill is very different too – so many variables at each parcel; did you remodel? Were new homes built nearby?
- * Remember: Taxes are always in arrears by 18-24 months

Property Tax Timeline

Two-Year Time Lag



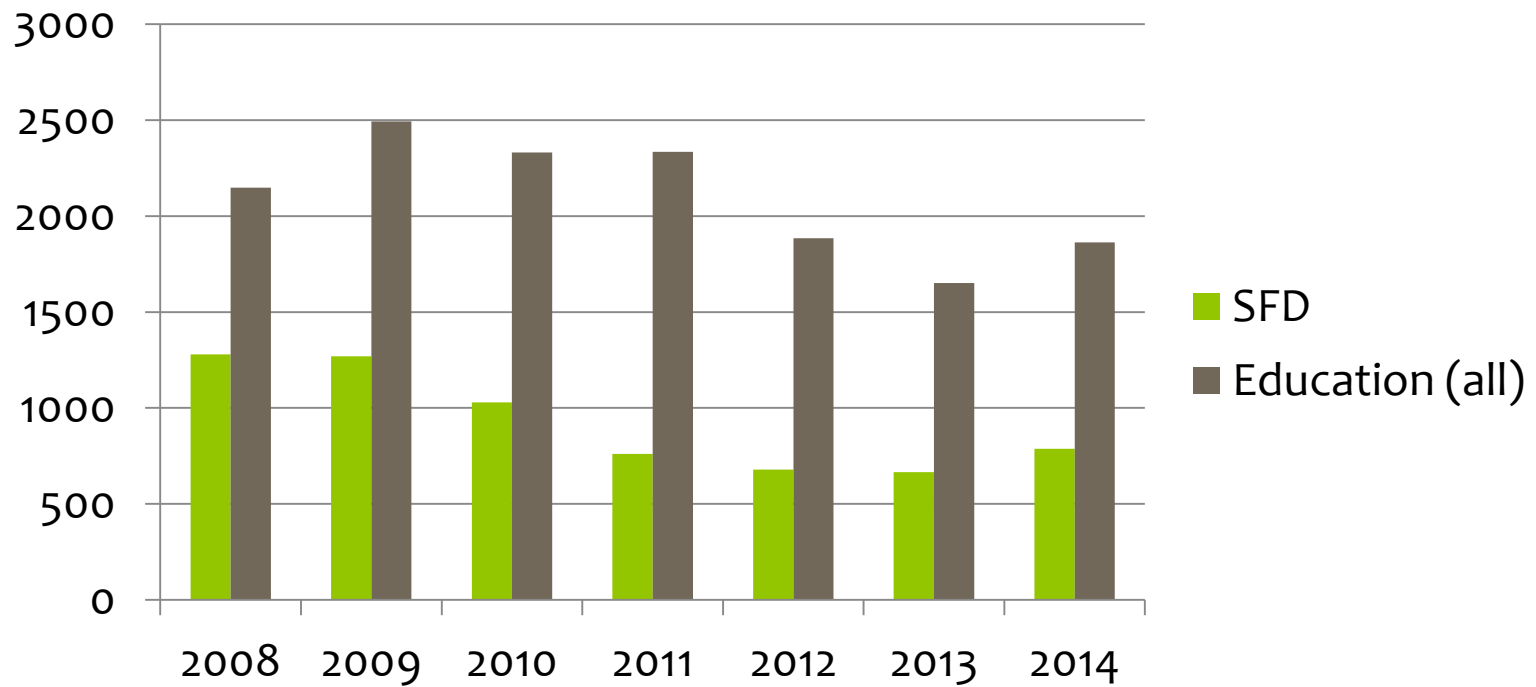
Projections Without a Crystal Ball

- * No one can say exactly what the future holds for any of us!
 - * SFD is committed to maintaining a high level of professional emergency services
 - * Our call load is not seeming to let up
 - * SFD will continue to investigate alternate revenue streams
 - * We will monitor legislative efforts that could impact SFD and our citizens
 - * We certainly will have future capital projects that will have financial impacts to the budget and will need to be addressed

Upon Further Review

- * At the September Sedona Fire District Governing Board Meeting, Resident Dick Fishel had concerns on his tax bill
 - It was reported his taxes had gone up 80% for SFD
 - It was reported his taxes for Education were only up 40%
- * SFD researched the concerns and found a more accurate portrayal of Mr. Fishel's actual taxes

Actual Taxes



How This Happened

- * The previous slide shows the combination of taxes for the home Mr. Fishel lives in and a lot he owns next door
- * In about 2011 or so, Mr. Fishel combined the lot and home to one parcel. Initial figures he presented did not depict that parcel in the numbers
- * Mr. Fishel is out of town and requested to have a letter read on his behalf regarding this issue

The Revised Facts

- * The time period Mr. Fishel reported – 2011 to present
 - * SFD taxes increased a total of 3.53%
 - * Education taxes were actually down (20.22%)
 - Realize the override was not in there for 1 year but is back
- * Looking since 2008 to present
 - * SFD taxes are down a total of (38.41%)
 - * Education taxes were down (13.27%)

Important to Note

- * Mr. Fishel's house appreciated 12.46% on 2014 tax bill
 - Even if we did not change the Mil Rate from the previous year, he would have seen an increase in his tax bill by his A/V going up (unless we lowered the levy by a commensurate percentage)
 - Mr. Fishel did experience a 18.49% increase in his SFD taxes from 2013 to 2014 – attributed to the increase in the Mil Rate and the increase in his A/V
 - * SFD's Budget only saw a 4% increase

Summary

- * SFD management and the entire staff are working hard each and every day to make sure we are doing our jobs as lean and as efficiently as possible
- * Our budget is funded on taxes and it will always be a point of concern for people. It is our job to make sure you know we are respectful of your tax dollars and we are working to maximize our effectiveness every chance we get!