Arizona Fire District Association Net Assessed Value Forecast and Impact of Property Tax Limits

Prepared for:

Arizona Fire District Association

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Introduction

Elliott D. Pollack & Company was retained to provide a five-year net assessed value forecast for selected Arizona fire districts at the request of the Arizona Fire District Association (AFDA). The forecasts include an analysis of the maximum allowable levy of a cross section of fire districts based on current legislation that limits the amount of the levy to 8% growth and caps the tax rate at $3.25 per $100 of assessed value, as well as the limits imposed by the recent passage of Proposition 117.

Background

There are 156 fire districts throughout Arizona providing fire, emergency medical and associated emergency services to over 1 million residents statewide. Forty two (42) fire districts provide emergency ambulance transport services as authorized by the Arizona Department of Health Services (ADHS).[1] Each fire district is a separate political subdivision of the state and, therefore, subject to state statutes and other governmental codes[2]. The AFDA serves as a single source to represent Arizona's fire districts in regulatory, financial and associated matters including the ongoing education of elected officials and fire district staff in governance and administration. As part of this representation, the AFDA has expressed concern regarding the various limits placed on revenue growth within the fire districts. The AFDA believes the current limitations, when taken collectively; preclude fire districts from maintaining fire and emergency medical service delivery at levels necessary to protect life and property. The limitations include:

- The cap on tax levy limit growth;
- The tax rate cap;
- The voter mandated property value limitation (Proposition 117).

Each of the three limitations (tax rate cap, levy and valuation) listed above were legislatively or voter mandated at different points in time. Each limitation individually has the effect of limiting revenues. Implemented on a cumulative basis these revenue limitations prevent fire districts from funding essential services on a year-over-year basis. The AFDA attributes these funding restrictions to significantly diminishing fire and emergency medical services statewide. AFDA further believes these funding restrictions will continue to diminish fire and emergency medical service delivery in future years.

Assessed property values play a major role in the revenue generation for fire districts. Historically, Arizona fire districts have levied their taxes based on secondary assessed values. Secondary assessed values are also known as full cash values (FCV) and are based on the market value of the property. Primary assessed values, on the other hand, are known as limited property values (LPV) and are limited in growth by the previous year's limited value increased by 10%, or 25% of the difference between the current year's FCV and the previous year's LPV. This changed with the recent passage of Proposition 117. All taxing jurisdictions (including fire

[1] Ambulance transport service is authorized by ADHS pursuant to Arizona Revised Statute (ARS) Title 36
[2] Fire districts are authorized and operate primarily pursuant to ARS Title 48

districts) will now be required to levy their taxes on the LPV value which has been further limited to 5% growth over the previous year's LPV.

Proposition 117 also limits the annual growth of LPV for all locally assessed property to 5%. While the FCV will continue to be established by the county assessor departments, all property will be taxed based on the LPV. The FCV will be the value for which owners can appeal to the assessor.

While values that will be impacted by Prop 117 were assessed last fiscal year (fiscal year 2013 ending in June 2013), effects of the bill will not be realized until tax year 2015 (fiscal year 2016 – begins July 1, 2015). This is because market values are assessed in a given fiscal year and then go through an appeal process prior to budgets being set by taxing jurisdictions. Collections, therefore, lag market valuations by three years. Indeed, values that are currently being assessed in fiscal year 2013 (through June 2013) will go through the described process and taxes will be collected on those values in fiscal year 2016.

The bill takes effect with valuations to be sent out by March 1, 2014. This equates to Tax Year 2015, or fiscal year 2016 in terms of collections for the fire districts.

SAMPLE TAX TIMELINE	
Market conditions assessed	FY 13
Notice of valution mailed	March 1, 2014
Appeal process completed	October 15, 2014
Values mailed to jurisdictions	February 1, 2015
Budget set by jurisdictions	August 1, 2015
Tax Year	2015
Fiscal year collections	FY 16
(Due October 1 & March 1)	

For the purposes of comparison, as well as for planning, our report will provide both the forecasted FCV (also known as "secondary values") and the LPV (also known as "primary values").

Proposition 117 alone will have a negative impact on the revenue generation abilities of the fire districts. However, in addition to limits on assessed value growth, there are existing limits already established. In 2009, SB1421 was passed that set a levy limit on fire districts in the amount of 8% over the prior year's actual levy. On top of this levy limit, fire districts are restricted to a maximum tax rate of $3.25 per $100 of assessed value[3]. Below is the language describing these limitations on growth.

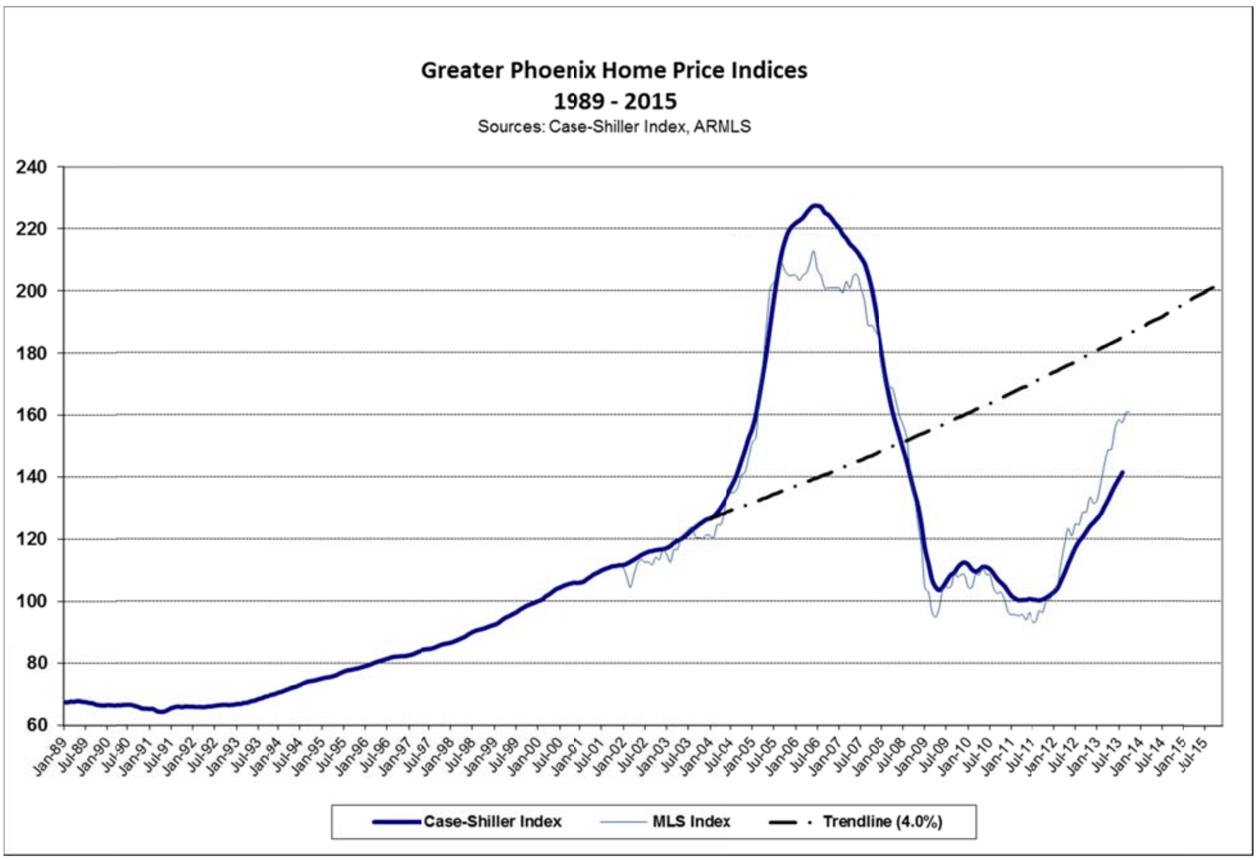
[3] Maximum tax rate cap set at 3.25 in 2005; Laws 2005, chapter 179, HB 2211

The board, based on the budget submitted by the district, shall levy, in addition to any tax levied as provided in section 48-806, a tax not to exceed three dollars twenty-five cents per one hundred dollars of assessed valuation, or the amount of the levy in the preceding tax year multiplied by 1.08, whichever levy is less.

This summary report provides forecasted primary and secondary assessed values for select fire districts and includes an analysis of the impact of the limits imposed on fire districts.

Real Estate Conditions

The excess supply of single family homes is being absorbed with positive population growth, renters, and new household formations. In terms of month's supply, the market is back to normal. And, 2011 was the bottom of the market in terms of permits. The recent increases in home prices, especially in Maricopa County, are not likely to continue though, at least not at the rates recently posted. The roughly 30% increases in single family values will give way to more modest but above average rates of growth, likely around 10% to 15% for the next two to three years. The growth in home prices will eventually get back to the trend line of 4.0% growth rates illustrated in the chart below.



In terms of the commercial markets in Maricopa County, there remains an oversupply problem which will persist, especially in the office market. Improvements are being made but normal vacancy rates will not be experienced until after mid-decade. In Greater Phoenix, office market vacancy rates are projected to slowly decline from 23% at year-end 2012 to 19.7% by year-end 2014 and 18.7% in 2015 due to little expected new construction and an improving economy. The same is true with retail, where vacancy rates were 11.0% at the end of 2012 and are projected to be 10.0% by the end of 2014 and 8.6% by year 2015. Vacancy rates, though, will still be relatively high at the end of 2014 suggesting that that market will not have fully adjusted. This is in the aggregate. Retail market conditions vary considerably from one submarket to the next (as is the case with most commercial product). As for the industrial market, vacancy rates are expected to remain in the 11% range in 2014 and 2015 after recording 10.9% at year-end 2012. Construction is expected to pick up in 2013 and again in 2014, and absorption is also expected to be stronger.

Conditions in Pima County will be more problematic due to a number of factors. In Pima County, the direction of the economic data is following that of Maricopa County, but the rates of growth are much more modest. Home value increases in Pima County will be less than half of those posted in Maricopa County. Problems with economic diversification and other political issues including future cuts in national defense spending could dampen the County's ability to fully recover at the same pace as Greater Phoenix and the state as a whole over the long run. While "recovery" scale numbers will still be posted, part of the growth will simply be based on the fact that the economic data fell far during the downturn and it is easier to post stronger rates of growth when conditions have been so weak.

In most of the smaller counties, the excitement that occurred during the housing boom will not return to the same degree. However, recovery is underway and values will continue to grow at a modest rate.

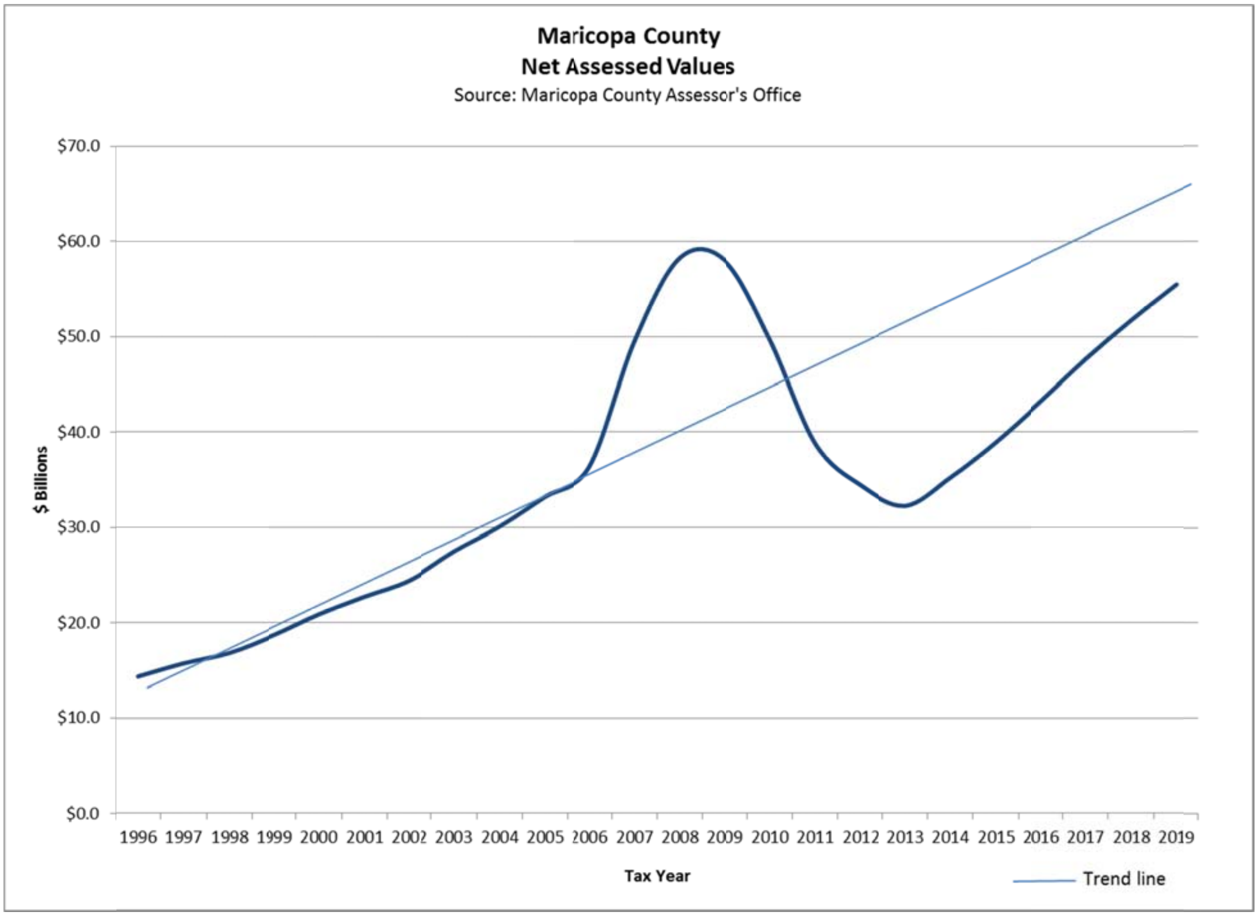
Net Assessed Value Forecast

Historically, growth in secondary net assessed values throughout Arizona maintained a fairly consistent growth rate over the years. However, there were uncharacteristic value increases in the real estate market in the middle of the decade and subsequent double-digit decreases. As of tax year 2013, assessed values are projected to show positive growth once again. Over our five year forecast horizon, values will still remain below the long term trend.

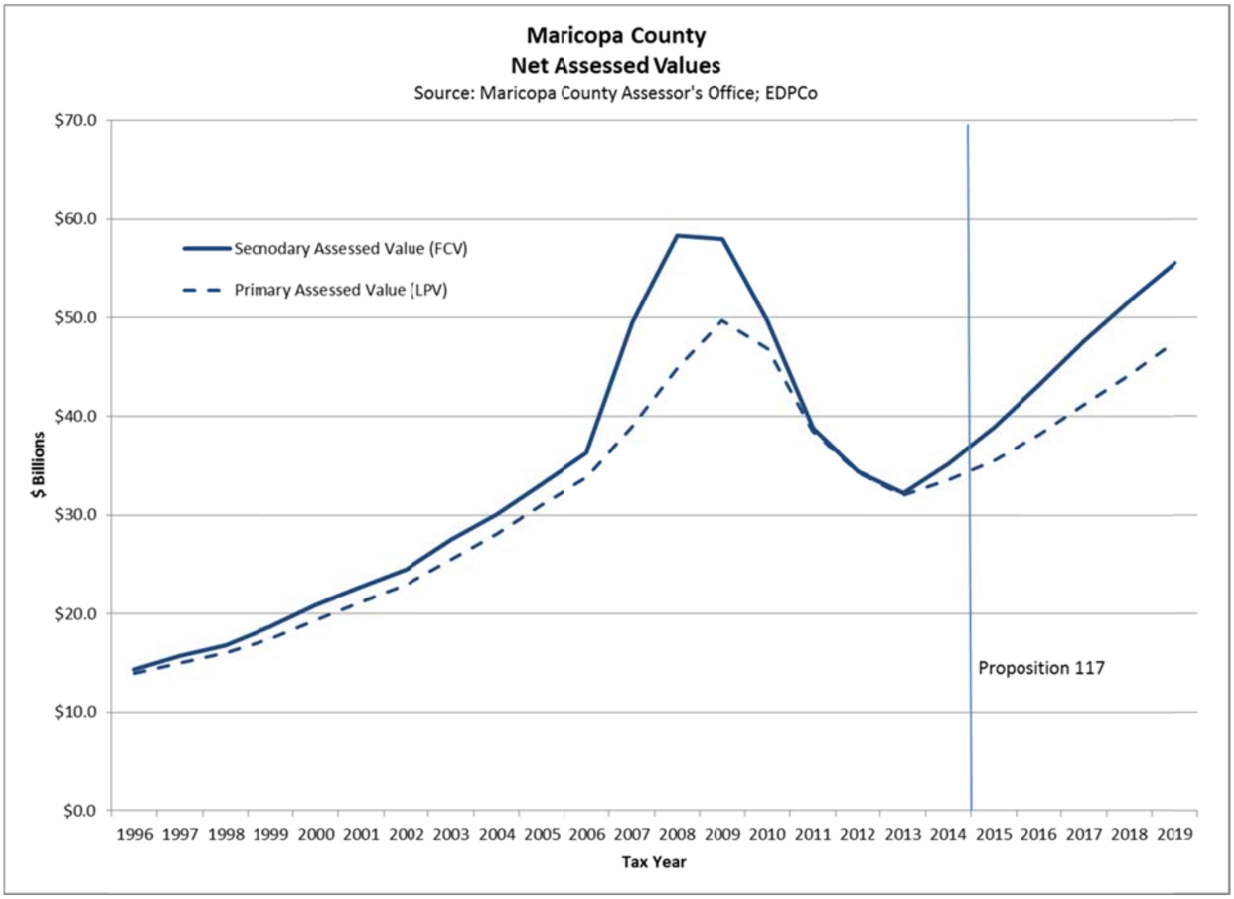
To broadly summarize, in Maricopa County, preliminary valuation notices indicate residential values increased between 10% and 15% for Tax Year 2014. Of course, this value is limited in the primary assessed values to 10% growth. In Pima County, the preliminary 2014 residential values ranged from flat to 12%, with an average of 4%. In most other smaller counties, residential properties average a modest 5 to 7% growth. Meanwhile, commercial values in all counties remained flat, along with little to no new commercial construction for Tax Year 2014.

The recent improvement in residential values combined with the expected later improvement in commercial values creates a more consistent long-term trend for the overall secondary assessed value.

The following chart illustrates the effect on assessed values of the real estate bubble in Maricopa County along with the overall forecasted assessed values for the County as a whole. Forecasts for the select fire districts are described in subsequent sections.



The following chart illustrates the impact of the described net assessed value increases and the subsequent limits imposed on primary assessed values. In the middle of the decade, as market values began to grow at double digit rates, primary assessed values were limited to 10% over the previous year's assessed value. The gap between secondary assessed values and primary assessed values widened until the market values began to drop. In tax year 2014, market values (assessed in fiscal year 2012) once again began to grow at rates greater than 10%. In addition, when Proposition 117 goes into law in tax year 2015, the 5% limit on primary assessed value will create an even greater gap that does not correct itself in our five-year forecast time horizon. Keep in mind, not all fire districts will follow the aggregated trend displayed in the chart. And, each fire district will have additional considerations (such as their residential versus commercial property mix or the percentage of new growth). Similarly, counties with less dramatic growth during the real estate bubble and, therefore, not currently experiencing double digit growth in residential prices will be less impacted by primary assessed value limits in the near term.



Fire District Net Assessed Value Forecasts

The following table provides the five-year forecast for the select fire districts secondary (full cash) net assessed values as well as the primary (limited) net assessed values. Primary values are currently limited by 10% growth in values (or 25% of the current year's secondary and the previous year's primary). However, as described above, Prop 117 will limit growth in values of locally assessed property to 5% beginning in Tax Year 2015. In that year (fiscal year 2016 – begins July 1, 2015), all fire districts will be required to levy their taxes off the lower net assessed value.

AFDA Net Assessed Value Forecasts
Source: Assessor Offices; Elliott D. Pollack & company

		Maricopa County						Pima County					
SECONDARY		Daisy Mtn	% Growth	Sun City	% Growth	Sun City West	% Growth	Drexel Heights	% Growth	Green Valley	% Growth	Northwest	% Growth
2009	FY10	$578,121,937		$461,282,808		$450,967,887		$268,227,999		$409,037,258		$1,215,887,362	
2010	FY11	$441,337,415	-23.7%	$389,488,943	-15.6%	$433,309,783	-3.9%	$232,304,356	-13.4%	$401,236,365	-1.9%	$1,167,693,564	-4.0%
2011	FY12	$343,450,407	-22.2%	$337,015,946	-13.5%	$388,861,955	-10.3%	$198,338,679	-14.6%	$374,389,860	-6.7%	$1,053,218,001	-9.8%
2012	FY13	$314,983,939	-8.3%	$294,935,072	-12.5%	$355,766,535	-8.5%	$193,781,802	-2.3%	$353,517,233	-5.6%	$1,005,264,546	-4.6%
2013	FY14	$307,866,195	-2.3%	$263,858,446	-10.5%	$339,271,938	-4.6%	$178,953,828	-7.7%	$335,238,045	-5.2%	$943,253,985	-6.2%
2014	FY15	$347,507,852	12.9%	$274,615,928	4.1%	$347,747,848	2.5%	$191,648,674	7.1%	$346,302,526	3.3%	$966,982,306	2.5%
2015	FY16	$385,529,657	10.9%	$295,302,292	7.5%	$380,152,915	9.3%	$200,852,489	4.8%	$363,457,173	5.0%	$1,012,354,753	4.7%
2016	FY17	$424,219,171	10.0%	$320,325,853	8.5%	$418,843,862	10.2%	$216,618,616	7.8%	$393,187,372	8.2%	$1,094,143,827	8.1%
2017	FY18	$459,062,852	8.2%	$343,370,984	7.2%	$454,047,212	8.4%	$239,630,138	10.6%	$436,712,320	11.1%	$1,221,330,495	11.6%
2018	FY19	$486,815,028	6.0%	$362,784,758	5.7%	$482,705,956	6.3%	$260,178,796	8.6%	$477,912,235	9.4%	$1,348,628,228	10.4%
PRIMARY													
2015	FY16	$331,735,608	-4.5%	$269,370,992	-1.9%	$345,427,937	-0.7%	$198,843,965	3.8%	$359,822,601	3.9%	$1,002,231,206	3.6%
2016	FY17	$349,491,801	5.4%	$280,819,258	4.2%	$366,592,539	6.1%	$209,595,621	5.4%	$380,218,867	5.7%	$1,062,205,085	6.0%
2017	FY18	$369,249,275	5.7%	$294,748,508	5.0%	$391,046,542	6.7%	$222,229,652	6.0%	$404,779,418	6.5%	$1,140,573,107	7.4%
2018	FY19	$389,755,978	5.6%	$309,255,011	4.9%	$415,463,678	6.2%	$235,235,972	5.9%	$431,211,631	6.5%	$1,226,416,029	7.5%
FIRE DISTRICT ASSESSED VALUE FORECAST													
2009	FY10	$578,121,937		$461,282,808		$450,967,887		$268,227,999		$409,037,258		$1,215,887,362	
2010	FY11	$441,337,415	-23.7%	$389,488,943	-15.6%	$433,309,783	-3.9%	$232,304,356	-13.4%	$401,236,365	-1.9%	$1,167,693,564	-4.0%
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		Coconino County				Mohave County		Yavapai County	
SECONDARY		Highlands	% Growth	Summit	% Growth	Bullhead City	% Growth	Sedona	% Growth
2009	FY10	$119,306,181		$128,899,207		$508,845,069		$609,944,982	
2010	FY11	$114,222,075	-4.3%	$162,997,533	26.5%	$380,464,676	-25.2%	$541,445,396	-11.2%
2011	FY12	$93,927,176	-17.8%	$136,350,476	-16.3%	$300,257,763	-21.1%	$422,649,005	-21.9%
2012	FY13	$90,800,647	-3.3%	$126,496,593	-7.2%	$272,568,629	-9.2%	$353,809,426	-16.3%
2013	FY14	$83,609,379	-7.9%	$101,098,265	-20.1%	$272,246,507	-0.1%	$338,785,469	-4.2%
2014	FY15	$86,825,090	3.8%	$104,440,217	3.3%	$281,016,838	3.2%	$346,709,707	2.3%
2015	FY16	$91,482,066	5.4%	$109,603,070	4.9%	$291,225,839	3.6%	$360,919,938	4.1%
2016	FY17	$98,512,992	7.7%	$117,595,447	7.3%	$310,407,812	6.6%	$386,179,053	7.0%
2017	FY18	$107,983,973	9.6%	$128,670,115	9.4%	$340,794,214	9.8%	$424,210,970	9.8%
2018	FY19	$117,101,782	8.4%	$139,383,067	8.3%	$369,036,917	8.3%	$457,682,720	7.9%
PRIMARY									
2015	FY16	$90,567,245	4.3%	$108,507,039	3.9%	$286,883,884	2.1%	$357,310,739	3.1%
2016	FY17	$95,937,774	5.9%	$114,669,621	5.7%	$300,610,758	4.8%	$374,719,981	4.9%
2017	FY18	$102,272,966	6.6%	$122,094,183	6.5%	$318,178,351	5.8%	$395,578,296	5.6%
2018	FY19	$108,968,341	6.5%	$129,894,252	6.4%	$336,180,366	5.7%	$416,429,127	5.3%
FIRE DISTRICT ASSESSED VALUE FORECAST									
2009	FY10	$119,306,181		$128,899,207		$508,845,069		$609,944,982	
2010	FY11	$114,222,075	-4.3%	$162,997,533	26.5%	$380,464,676	-25.2%	$541,445,396	-11.2%
2011	FY12	$93,927,176	-17.8%	$136,350,476	-16.3%	$300,257,763	-21.1%	$422,649,005	-21.9%
2012	FY13	$90,800,647	-3.3%	$126,496,593	-7.2%	$272,568,629	-9.2%	$353,809,426	-16.3%
2013	FY14	$83,609,379	-7.9%	$101,098,265	-20.1%	$272,246,507	-0.1%	$338,785,469	-4.2%
2014	FY15	$86,825,090	3.8%	$104,440,217	3.3%	$281,016,838	3.2%	$346,709,707	2.3%
2015	FY16	$90,567,245	4.3%	$108,507,039	3.9%	$286,883,884	2.1%	$357,310,739	3.1%
2016	FY17	$95,937,774	5.9%	$114,669,621	5.7%	$300,610,758	4.8%	$374,719,981	4.9%
2017	FY18	$102,272,966	6.6%	$122,094,183	6.5%	$318,178,351	5.8%	$395,578,296	5.6%
2018	FY19	$108,968,341	6.5%	$129,894,252	6.4%	$336,180,366	5.7%	$416,429,127	5.3%

To illustrate the potential loss of revenues based on the various limits imposed, the following table displays the Daisy Mountain Fire District forecast. The first section of the table provides both the secondary and primary net assessed values through fiscal year 2018. In tax year 2014, secondary values are projected to grow by 12.9% after a decline of 2.3% in tax year 2013. Again, this strong growth projection can be attributed to the double-digit growth in residential values in fiscal year 2012. In tax year 2015, secondary value growth is expected to grow 10.9%, but will be limited to 5%. In addition, since this is the first year that Prop 117 takes effect, Daisy

Mountain Fire District will be required to levy their taxes off this lower assessed value base. This will essentially have the effect of a *decrease* in assessed values of 4.5%.

The maximum allowable levy is then calculated for both the secondary and the primary assessed values based on the various limitations. Overall, the Daisy Mountain Fire District is projected to lose $1.7 million in allowable tax levy in the first year that Proposition 117 becomes law. This impact would grow to $3.2 million in tax year 2018.

Daisy Mountain Fire District
Impact of Levy Limits, Rate Caps and Limitations Placed on Values
Souce: Maricopa County Assessor's Office; Elliott D. Pollack & company

NET ASSESSED VALUE FORECASTS								
					FORECASTS			
TAX YEAR	2011	2012	2013	**2014**	**2015**	**2016**	**2017**	**2018**
FISCAL YEAR	FY12	FY13	FY14	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
					PROP 117 IN AFFECT			
Secondary Net Assessed Values	$343,450,407	$314,983,939	$307,866,195	$347,507,852	$385,529,657	$424,219,171	$459,062,852	$486,815,028
Primary Net Assessed Values	N/A	N/A	N/A	N/A	$331,735,608	$349,491,801	$369,249,275	$389,755,978
SECONDARY CALCULATIONS FOR MAXIMUM ALLOWABLE LEVY:								
Maximum Allowable Levy (8% growth cap)		$10,236,978	$11,055,936	$11,940,411	$12,895,644	$13,927,296	$15,041,479	$16,244,798
=what tax rate could have been			3.591	3.436	3.345	3.283	3.277	3.337
TAX RATE CAP	2.98	3.25	3.250	3.250	3.250	3.250	3.250	3.250
Maximum Allowable Levy (3.25 rate cap)		$10,236,978	$10,005,651	$11,294,005	$12,529,714	$13,787,123	$14,919,543	$15,821,488
Secondary Allowable Tax Levy	$10,232,418	$10,236,978	$10,005,651	$11,294,005	$12,529,714	$13,787,123	$14,919,543	$15,821,488
PRIMARY CALCULATIONS FOR MAXIMUM ALLOWABLE LEVY:								
TAX RATE CAP					3.250	3.250	3.250	3.250
Maximum Allowable Levy (3.25 rate cap)	N/A	N/A	N/A	$11,294,005	$10,781,407	$11,358,484	$12,000,601	$12,667,069
Primary Allowable Tax Levy	N/A	N/A	N/A	$11,294,005	$10,781,407	$11,358,484	$12,000,601	$12,667,069
Potential loss of revenue Prop 117:					($1,748,307)	($2,428,639)	($2,918,941)	($3,154,419)

Fire District Expenditures

The value of property is assessed each year by either county assessors or the Arizona Department of Revenue. Various taxing entities such as school districts, municipalities, counties, fire districts and others set rates according to their budget to total net assessed values which creates the final property tax liability to be collected. The assessment ratio, which currently ranges from 1% to 20% of assessed value, is applied to calculate tax liability as follows:

ASSESSED VALUE * ASSESSMENT RATIO – EXEMPTIONS = NET ASSESSED VALUE

NET ASSESSED VALUE / 100 * PROPERTY TAX RATE = TAX LIABILITY

Through various interviews with fire districts across the state, many expressed that they have already reached the maximum allowable levy and the drop in assessed values alone from the past recession have significantly constrained budgets. The result is fire and emergency medical service delivery has been reduced. Most fire districts must now simply create an annual budget based upon statutory limits without regard for funding the resources necessary to maintain adequate fire and emergency medical services for their respective communities. Fire districts have a multitude of fixed long-term costs which continue to grow irrespective of the limitations placed on revenues (e.g. salaries, health care benefits, pensions, utilities, fuel costs, ongoing maintenance and capital expenditures). These cost drivers continually outpace the allowable revenue available under the current legislative and voter mandated revenue limitations. The result is the ongoing reduction of fire and emergency medical service levels statewide.

Budgeting Implications

Based on the forecasted maximum allowable tax levy that takes into account the levy limit growth rate cap of 8%, the 3.25 rate cap and Prop 117, the Daisy Mountain Fire District would be limited beyond their budget starting in tax year 2015. This calculation assumes a 5% growth rate for annual budget increases.

Daisy Mountain Fire District
Budget Implication of Levy Limits, Rate Caps and Limitations Placed on Values
Souce: Maricopa County Assessor's Office; Elliott D. Pollack & company

NET ASSESSED VALUE FORECASTS			FORECASTS					
TAX YEAR	2011	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
FISCAL YEAR	FY12	FY13	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**
					PROP 117 IN AFFECT			
Allowable Tax Levy forecast		$10,236,978	$10,005,651	$11,294,005	$10,781,407	$11,358,484	$12,000,601	$12,667,069
			-2.3%	12.9%	-4.5%	5.4%	5.7%	5.6%
Fire District Budget (5% growth scenario)		$10,236,978	$10,005,651	$10,505,934	$11,031,231	$11,582,792	$12,161,932	$12,770,028
Projected losses		$0	$0	$788,071	($249,823)	($224,309)	($161,330)	($102,959)

The table above illustrates the ongoing projected loss of year-over-year revenues. Fire districts have a multitude of expenditure cost drivers which are out of the direct control of each agency. The percentage increases in these expenses out strips the ability of districts to increase revenue given their revenue constraints. For example, we forecast the Daisy Mountain Fire District will lose nearly $750,000 over four years. Over those same four years, Arizona employers will experience increases in employee health care costs. In addition, fire departments have no way to predict how much fuel they will consume in any particular fiscal year, nor do they have any control over the increase in fuel costs.

These significant cost increases on expense items that fire districts cannot control, coupled with reductions in revenue, have implications for districts. According to interviews conducted, faced with these budget issues, fire districts will have little alternative but to reduce service. This means crew sizes will be reduced and fire stations could close. The anticipated reduction in crew size will also have an effect on the ability to fight fires. Fire department operating procedures require there to be four fire fighters on scene in order to undertake any interior fire suppression. In the absence of four fire fighters these procedures limit firefighting to standing off and suppressing the fire entirely from the exterior.

Over the past several years fire departments have evolved into emergency medical service providers and many fire fighters are trained as paramedics. Cost increases plus revenue constraints means departments may have to reduce paramedic availability from today's 24/7 365 standard. Paramedic skills are readily transferable from employer to employer. The challenging financial environment for fire districts likely means fire districts will suffer continuing losses of these highly trained employees who will migrate to departments able to offer better compensation. These personnel losses mean districts will lose the investment they have already made in training dollars in employees but they will have to invest again in training to replace the personnel that have moved on. Municipalities, which have a variety of revenue streams, already regard fire districts as the training department for their most skilled employees

Summary & Recommendations

The recent improvements in residential values combined with the expected improvements in commercial values create a positive outlook for secondary net assessed values throughout Arizona. However, Prop 117 along with the levy limit growth rate cap and the $3.25 per $100 of assessed value tax rate cap limit fire districts' ability to budget the funds necessary to maintain critical public safety services. This will have long lasting effects on Arizona fire districts and the over 1 million citizens these districts serve.

The following recommendations have been provided by the Arizona Fire District Association. While Elliott D. Pollack & company did not specifically analyze the impact of each recommendation, they were reviewed in terms of their reasonableness to address the revenue limitations facing fire districts. The recommendations are listed in order of priority. Recommendation #1 and #2 constitute the minimum regulatory reform necessary to allow fire districts to provide an adequate level of fire and emergency medical services on an ongoing basis:

1. Adjust upward the current statutorily mandated 3.25 per one hundred dollar secondary assessed value tax rate cap to address inflationary pressures attributable to long-term fixed cost drivers for fire districts (last adjusted in 2005 from 3.00 per one hundred dollar secondary assessed). The tax rate cap should be adjusted annually based upon an index tied to inflation and fire district cost drivers. Tying the tax rate cap number to an annually adjusted index provides fire districts the ability to maintain adequate fire and emergency medical service levels while also protecting the taxpayer.

2. Authorize voter approved overrides of the tax rate cap to allow fire districts to use any or all of their current property tax levy capacity.

3. Authorize county-wide ballot propositions within all unincorporated areas of each county for a transaction privilege tax (TPT) increment not to exceed one quarter of a cent to provide additional funding for fire district operations. The proceeds of a voter authorized TPT tax increment would be distributed to each fire district in the county on a pro-rata basis based upon the total assessed value of each fire district.

4. Authorize a voter approved fire service benefit assessment (FSBA), to be a flat fixed dollar amount fee assessed annually for each property parcel classified residential or residential rental within a fire district. The FSBA would be assessed in addition to the current property tax levy. The FSBA would be adjusted annually based upon the fire service index used to adjust the tax rate cap. Residential properties account for a significant majority of the emergency service demand for fire districts.