

February 21, 2008

Dear Arizona Fire District Association (AFDA) Members,

As you know, there is much concern and discussion revolving around the property tax issues and the proposed limitations of several tax watchdog groups.

Most notably are the two "Tax Revolt" and the "Prop 13 Arizona" initiatives and the respective legislative referendums that basically mirror the language of the initiatives. In addition, there have been several pieces of legislation that have been introduced.

The Arizona Tax Research Association (ATRA) has been able to get HB2586 and SB1256 introduced as proposed changes to statutes that govern fire district property tax financing. As originally written, the proposal was not acceptable to the Arizona Fire District Association and our lobbyists set out to negotiate for more favorable terms.

On Monday morning, February 18th, a number of AFDA board members and others participated in a conference call to discuss the changes that were successfully brokered by Lee Miller and John Flynn on behalf of AFDA and the Arizona Urban Fire District Association (AUFDA).

After an hour of discussion, it was determined to be in the best interest of AFDA to support the revised version of the ATRA legislation proposal. This revised draft is not ideal for all fire districts but it does represent the best and least restrictive of other proposals that we are being faced with.

In general:

Future tax levies will be limited to a 10% annual increase. This will have a cumulative effect and not be limited to a "use it or lose it" situation. In other words, if you increase your levy by 5% this coming year, you still carry that additional 5% capacity into future years. In essence, over the course of 7-8 years, a district would be able to double their levy amount if needed for district projects and operations. The \$3.25 per \$100 of assessed value cap would still be in effect.

If for some reason, 10% is not sufficient for a particular reason, then the district has the opportunity to go to its district citizens for an override election. Cost of overrides must fall within the \$3.25 per \$100 of assessed valuation cap.

The 10% limitation applied to all properties currently within the district boundaries but properties annexed at a later date would be added to the base levy and then the 10% limitation would apply for future years.

Bonding for fire districts would not be affected.

Of course, by agreeing to support this legislation does not mean that the tax initiatives from the previous aforementioned groups will disappear. We still must remain vigilant in our efforts to monitor their progress and prepare to accept their terms if they are successful. We hope that by working out a reasonable proposal with ATRA, that we establish our understanding of the tax

payer frustration and show that we are willing to be part of the solution and still be able to provide effective and cost efficient service to our communities.

For more information you can research on the following sites:

www.arizonataxrevolt.org

www.prop13arizona.org

www.azleg.gov

We will continue to update our membership as these issues progress. Thank you for your continued support,

A handwritten signature in black ink, appearing to read 'Rick Southey', with a stylized flourish at the end.

Rick Southey, President
Arizona Fire District Association.