



Sierra Vista *Arizona*

Popular Annual Financial Report



Photo by Bob Herrmann

Fiscal Year 2013

July 1, 2012–June 30, 2013

Issued by
City Manager Department
Finance Division

www.SierraVistaAZ.gov



Introduction

The City of Sierra Vista is proud to present its annual Popular Annual Financial Report (PAFR). The goal of a PAFR is to present the City's financial information in an easy-to-read format and highlight city revenues, expenses, property taxes and debt. The information in this report is derived from the City's Comprehensive Annual Financial Report (CAFR), prepared in accordance with Generally Accepted Accounting Principles (GAAP) and includes financial statements audited by the private auditing firm of Heinfeld, Meech & Co., P.C. The information in the PAFR is a summary unaudited and not in accordance with GAAP because it does not include all of the financial statements or other details included in the CAFR. A copy of the City's CAFR may be found on the City's website at www.SierraVistaAZ.gov.

The City's fiscal year begins July 1 and runs through June 30 of the next year.

The City of Sierra Vista

The City of Sierra Vista was incorporated in 1956 and is the business and retail hub of Cochise County. According to the 2012 Arizona Department of Administration estimates, the City's population is 45,794, accounting for approximately one third of the County's residents. Sierra Vista is also the home of Fort Huachuca, the U.S. Army Intelligence Center of Excellence, and is the largest military installation in the State.

The City follows a mayor-manager form of government as established by the Arizona Constitution. The City Council is comprised of six council members and a mayor, all elected city-wide. The Council establishes policy and appoints a City Manager to run the day-to-day operations. This governance method is similar to how public companies operate, with a board of directors elected by the stockholders, and a board-appointed CEO to run the operations of the corporation.

Economic Conditions

The City continues to feel the effects of the national and state-wide economic downturn. Local sales taxes and state shared revenues, both major revenue sources for the City are down 9% and 21% respectively from their peak in 2008. By enacting cost savings measures immediately when the downturn became apparent, the City was able to absorb the revenue decreases easier than many other Arizona cities that waited, hoping the downturn was going to be short-lived. The main cost saving measure enacted was a hiring freeze on non-public safety personnel. The City currently has 75 unfunded positions, which translates to an annual cost reduction over \$2 million.

Financial Highlights

- The City has won the Government Finance Officers' Association's Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for 25 consecutive years.
- The City has won the Government Finance Officers' Association's Distinguished Budget Presentation Award 21 times.
- The City met the Council's 2012 strategic objective of preserving the general fund reserve levels.
- The City submitted and won its second Government Finance Officers Association's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR).



Outstanding Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Sierra Vista for its Popular Annual Financial Reporting (PAFR) for the fiscal year ending June 30, 2012. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

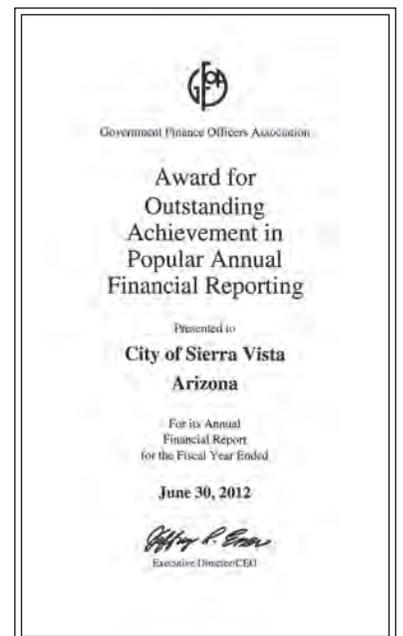
In order to receive an Award for Outstanding Achievement in PAFR, a government unit must publish a PAFR, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award of Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.



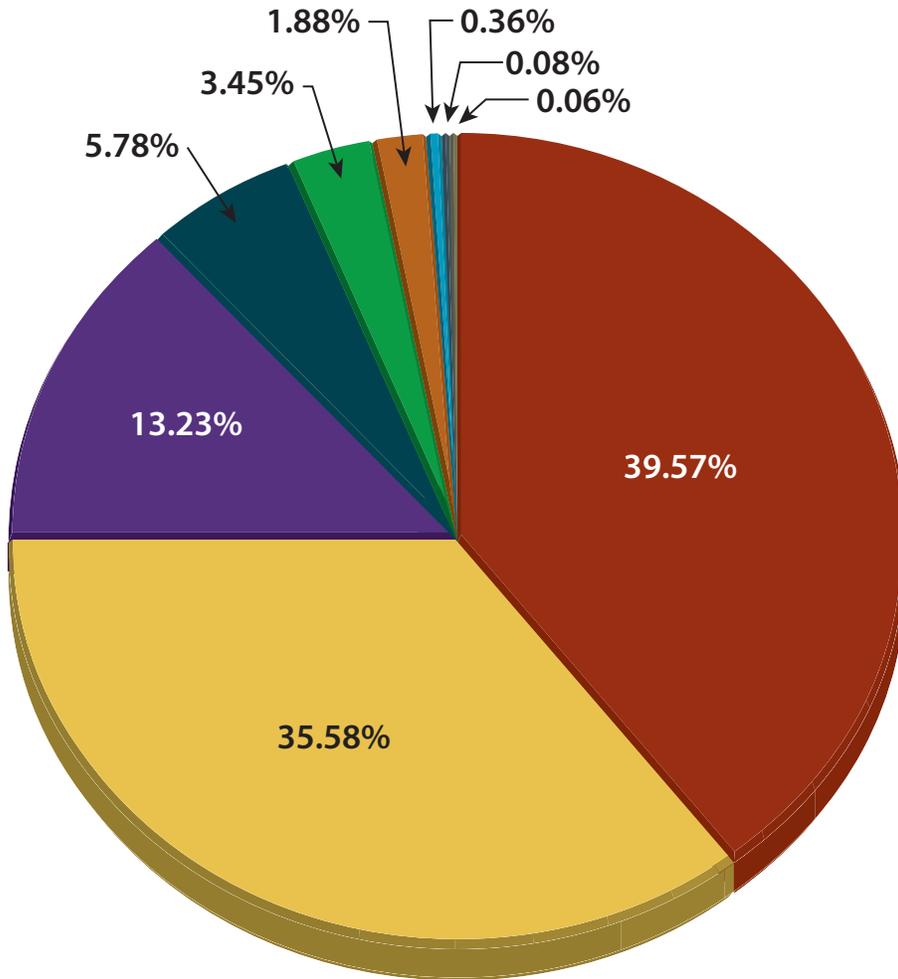
Tracking Revenues and Expenditures

The City of Sierra Vista uses fund accounting, a public sector form of accounting that shows the City's compliance with restrictions placed on the revenues it receives, or money held in trust. The City currently uses 22 different funds separated between general, special revenue, enterprise, internal revenue, and agency funds. This PAFR provides a summary of all the governmental funds maintained by the City which comprise of the general and special revenue funds. An explanation and breakdown of each fund type and fund can be found in the CAFR.

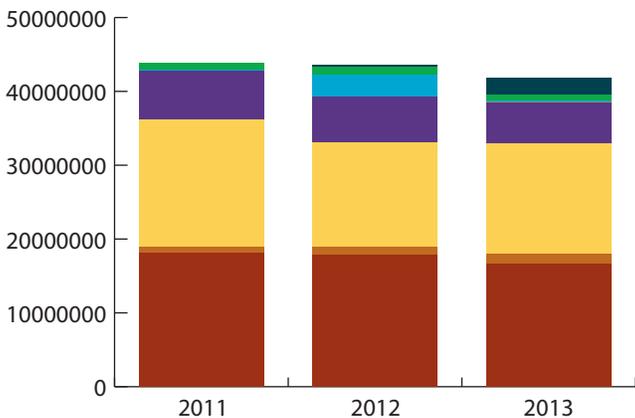


Where the Money Comes From

In fiscal year 2013, the City received \$41,919,448 in revenues. The breakdown of where the revenues come from is as follows:



- **Taxes:** Includes local portion of the transaction privilege (sales) tax (1.75% on regular retail sales), property tax, and utility tax.
- **Intergovernmental:** Includes grants (federal, state, and local) and state shared revenues which are revenue collected by the State that is distributed back to cities (this includes income tax, sales tax, gas tax, auto licensing fees, etc.).
- **Charges for Services:** Charges for services provided to customers (such as leisure classes and programs, ambulance fees, airport leases, etc.).
- **Financing Proceeds:** Revenues from financing equipment and capital projects.
- **Other Revenues:** Miscellaneous revenues.
- **Licenses and Permits:** Includes business and dog licenses, building permits, etc.
- **Contributions:** Donations made to the City also includes state managed projects that are given to the City after completion.
- **Investment Income:** Interest earned on cash in city accounts.
- **Fines:** Includes library fines.



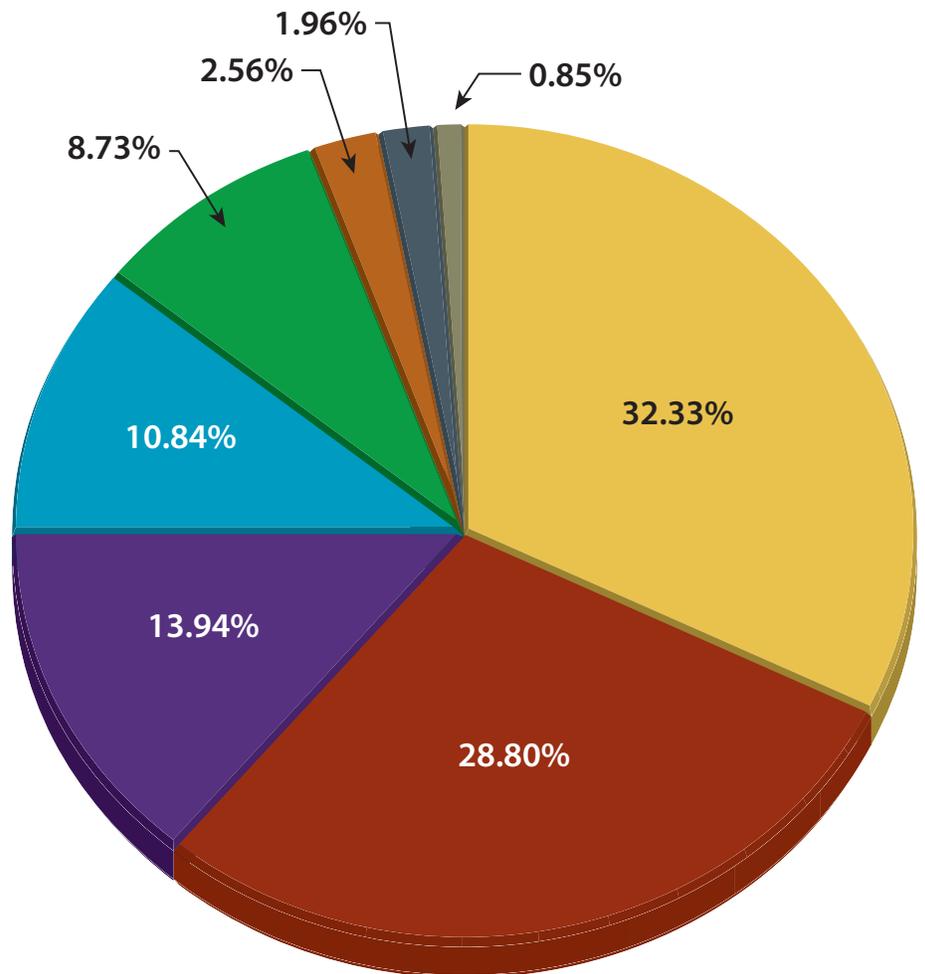
Income Trends

The decline in City revenues, over the last three years, is attributed to the continued effects of the economic downturn and the absence of federal stimulus packages.

Where the Money Goes

Last fiscal year, the City's spent \$42,783,758.* This is how the money was used in our community:

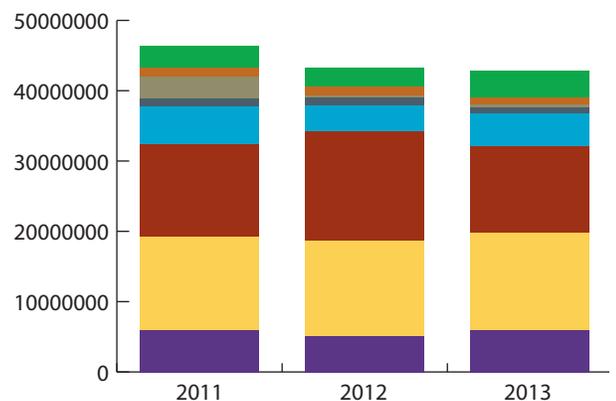
- **Public Safety:** Covers all activities within the Police and Fire Departments, and the Nancy J. Brua Animal Care Center.
- **Public Works:** Used for streets, airport, transit, and facility maintenance.
- **General Government:** This category includes costs associated with the City Council, City Manager's office, administrative functions, economic development, and legal services.
- **Culture and Recreation:** Includes Leisure & Library Services like sports and leisure programs, aquatics, the library, museum, and cultural programs.
- **Debt Principal:** The principal paid on outstanding debts.
- **Debt Interest and Fiscal Charges:** Interest paid during the year on outstanding debt.
- **Community Development:** Includes planning, neighborhood enforcement, and the building inspections.
- **Capital Outlay:** Used for capital improvement projects and City vehicles.



Expense Trends

The decrease in expenses over the last three years is attributed to the refinancing of City bonds completed in fiscal year 2011 and the current enacted hiring freeze on non-public safety personnel.

*Extra money spent derived from fund savings accounts.

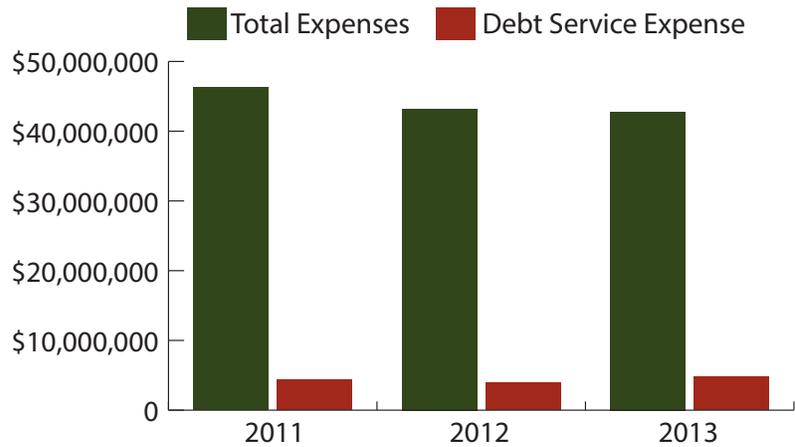




Debt

Like most businesses and homeowners, the City borrows money to pay for things like buildings, parks, vehicles, and equipment. At year-end, the City had \$35.6 million in long-term debt outstanding with \$4 million due within one year. Some of the projects constructed with the current debt include the recent improvements to the City’s Wastewater treatment Facility, Fire Station #3, The Nancy J. Brua Animal Care Facility, the Police Station expansion, Cyr Center Park, The Cove, Centennial Pavilion, and the Environmental Operations Park. The City has a strong record of paying its debt off early when financially advantageous.

While \$35.6 million in debt may sound like a lot of money, the City maintains its annual debt service at a prudent level. Over the past five years, the annual scheduled debt service amount has been between six and eight percent of total City expenditures.



Part of the philosophy on incurring debt is much like that of a homeowner when buying a home. Citizens are able to use the facility while paying for it.

Bond Rating

The City has the following credit ratings by the three major bond rating agencies:

Standard & Poor’s	Moody’s	Fitch
AA	A1	AA-

All three agencies consider the City’s bond rating to be a very strong rating for a municipality. Rating agencies take into consideration things like tax revenue stability, debt ratio, operational effectiveness, and local economic conditions when determining a municipality bond rating. A city’s bond rating directly impacts the interest rate on bonds it issues. The better the rating, the safer the agencies consider the repayment and therefore, the lower the interest rate the city pays, ultimately translating into cost savings to City taxpayers.

Your Property Tax Dollar

The City's property tax rate was \$0.1136 per \$100 of assessed valuation in 2013. This means a house valued at \$150,000 would pay only \$17.04 in City property tax annually as part of their property tax bill.

Property taxes only account for less than 1% of the city's total revenue.



Please note the 45% attributed to the School District: In many communities across the nation the school systems are part of the city government, which are governed by the City Council. In Arizona, this is not the case; the school districts are separate legal entities with their own governing boards.

Tax Burden

Residents and businesses are always concerned about their overall tax burden. Sierra Vista has the lowest combined property and retail transaction privilege taxes (TPT) in Arizona.

City/Town	2013 Combined Property Tax	City Retail TPT	Overall Retail TPT
Chandler	1.2714	1.50%	7.80%
Gilbert	1.15	1.50%	7.80%
Huachuca City	0.7562	1.50%	7.60%
Scottsdale	1.2946	1.65%	7.95%
Yuma	1.7387	1.70%	8.412%
Flagstaff	1.6795	1.72%	8.446%
Sierra Vista	0.1136	1.75%	7.85%
Mesa	0.8636	1.75%	8.05%
Peoria	1.44	1.80%	





Major Accomplishments

The City Council approves a strategic leadership plan, "Our Future Vistas," every two years. This plan outlines major objectives to accomplish within a given two-year period. Fiscal year 2013 marked the end of the FY2012–2013 plan with competition of these significant accomplishments achieved:

- Completed the "Dream Your City" community input process to collect and distil hundreds of comments from Sierra Vista residents about the future of the City, which will be incorporated with the state-mandated 10-year General Plan, Vista 2030.
- Developed regional requirements with local government and military partners to guide future development to ensure long-term viability of, and avoid encroachment on the nearby test range and restricted air space.
- Established a Metropolitan Planning Organization (MPO), and are continuing to pursue a federal exemption to mitigate fiscal impact.
- Opened a Teen Center to provide a safe, supervised place for teens to gather for socializing, entertainment, and recreation. Many of the facility's amenities were made possible through grants from various sources.
- Implemented strategies to reduce accidents at major intersections through the utilization of technology solutions, including traffic safety cameras and in-field electronic citation units, offered a Safe Teen Driving program through successful collaboration with other law enforcement agencies, and assigned two officers to the Traffic Unit.
- Completed an inventory of airport assets and developed marketing strategies to maximize the full potential of those assets. As well, a comprehensive update of the airport master plan, developed jointly with Fort Huachuca and Libby Army Airfield officials, was developed to identify long-term useage of the facility, future infrastructure, and safety improvements.
- Implemented a new residential refuse and recycling program that modified curbside trash and recycling collection to provide once weekly services for both, increasing the frequency of recycling collection opportunities, expanding the list of materials that can be recycled, and reducing refuse tipping costs.
- Adopted a plan to manage the City-wide, natural wash drainage system, and adopted a policy that encourages energy- and water-saving technologies in future private development.
- Purchased 46 acres of state land for the minimum bid, with plans to use this land for future sports fields.

City of Sierra Vista Officials

Mayor & City Council

Mayor Rick Mueller, *Mayor Pro Tem*
Bob Blanchard, Gwen Calhoun, Tom
Crosby, Rachel Gray, Henrietta "Hank"
Huisking, Tom Reardon

City Manager

Charles Potucek

Finance Manager

David J. Felix, CPA

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