



Sierra Vista *Arizona*

Popular Annual Financial Report



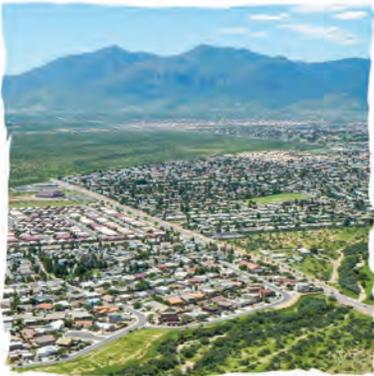
Photo by Bob Herrmann

Fiscal Year 2014

July 1, 2013–June 30, 2014

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 2013 Arizona Department of Administration estimates, the City's population is 45,303, 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 6% and 17% 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 26 consecutive years.
- The City has won the Government Finance Officers' Association's Distinguished Budget Presentation Award 22 times.
- The City met the Council's 2013 strategic objective of preserving the general fund reserve levels.
- The City submitted and won its third Government Finance Officers Association's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR).



Outstanding Achievement Award

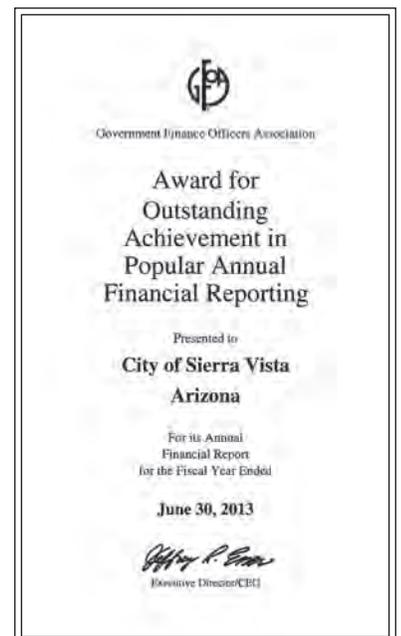
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Sierra Vista for its Popular Annual Financial Reporting (PAFR) for the fiscal year ending June 30, 2013. The Award for 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.

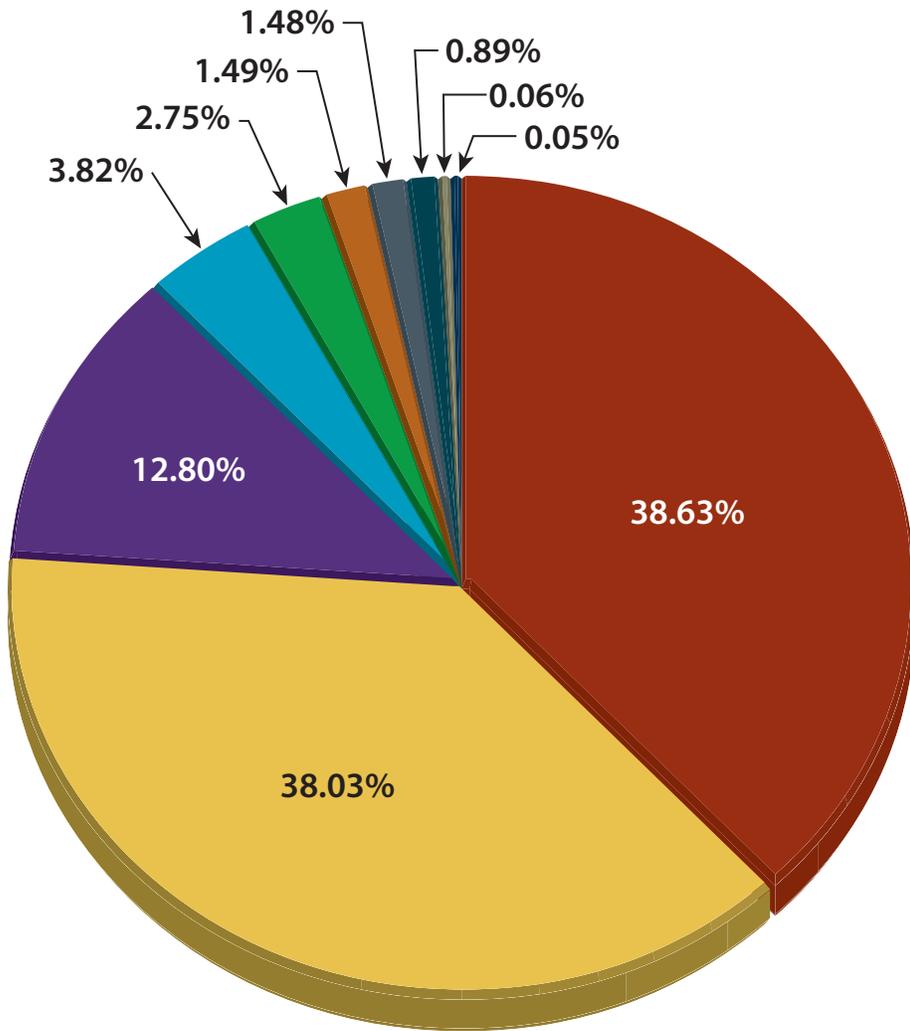
Tracking Revenues and Expenditures

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, special revenue, capital, and debt service funds. An explanation and breakdown of each fund type and fund can be found in the CAFR.

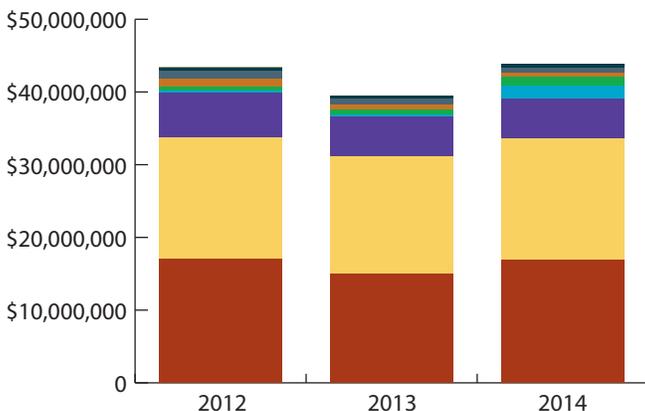


Where the Money Comes From

In fiscal year 2014, the City received \$43,776,143 in revenues. The breakdown of where the revenues come from is as follows:



- **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.).
- **Sales Taxes:** Revenue from the City's transaction privilege (sales) tax (1.75% on regular retail sales).
- **Charges for Services:** Charges for services provided to customers (such as leisure classes and programs, ambulance fees, airport leases, etc.).
- **Contributions:** Donations made to the City also includes state managed projects that are given to the City after completion.
- **Franchise Fees:** Revenues from franchise agreements with the cable, electrical, and gas companies in town.
- **Licenses:** Includes business and dog licenses, building permits, etc.
- **Other:** Miscellaneous revenues.
- **Property Taxes:** Revenues from the City's primary property tax levy.
- **Fines:** Includes library fines.
- **Investment Income:** Interest earned on cash in city accounts.



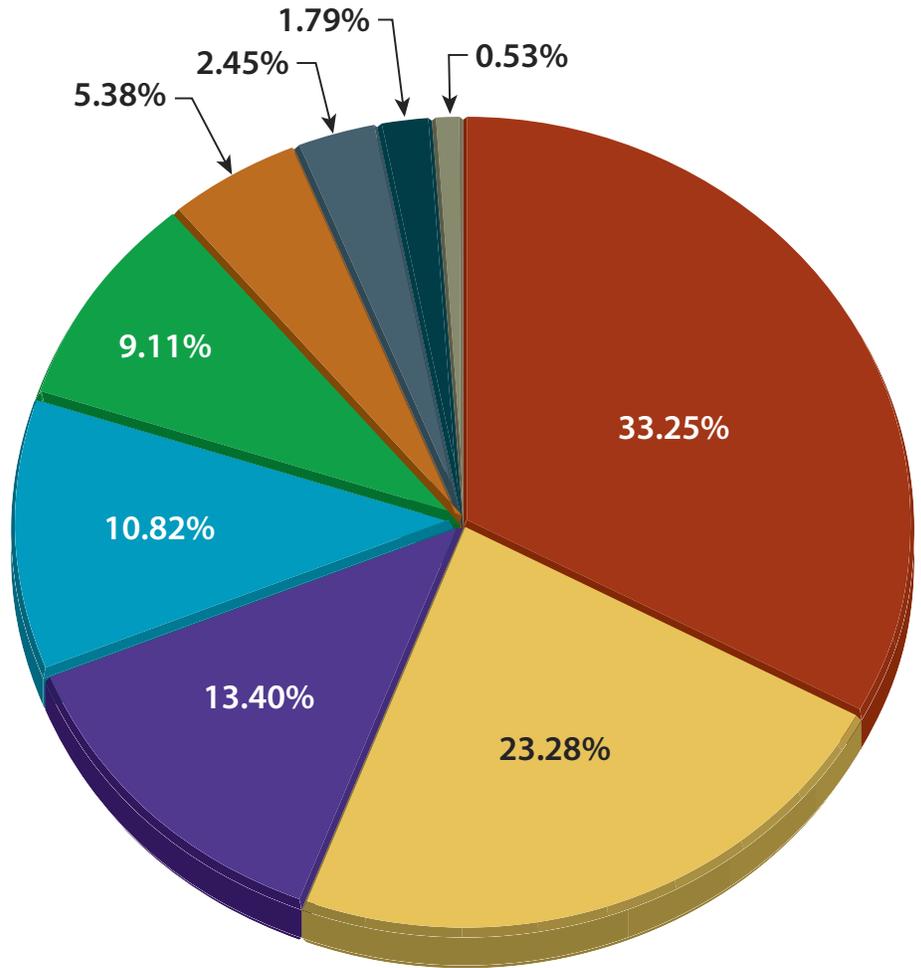
Income Trends

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 spent \$44,271,077.* This is how the money was used in our community:

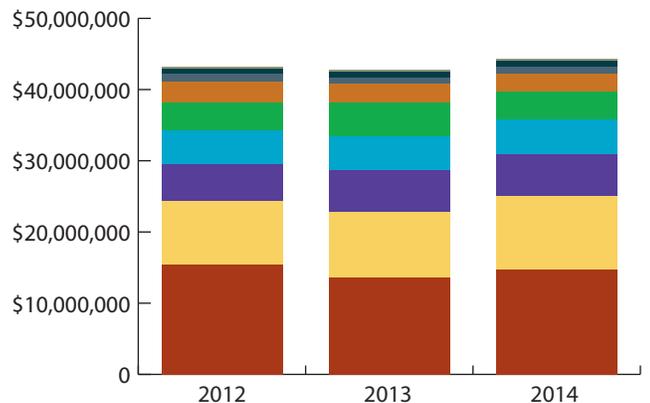
- **Public Works:** Used for streets, airport, transit, and facility maintenance.
- **Police:** Covers all activities within the Police Department and the Nancy J. Brua Animal Care Center.
- **General Government:** This category includes costs associated with the City Council, City Manager’s office, administrative functions, economic development, and legal services.
- **Fire:** Covers all activities within the Fire Department.
- **Debt Service:** The principal and interest paid on outstanding debts.
- **Leisure:** Includes sports and leisure programs, aquatics, museum, and cultural programs.
- **Community Development:** Includes planning, neighborhood enforcement, and the building inspections.
- **Library:** This category includes all activities associated with the Sierra Vista Public Library.
- **Capital:** Used for capital improvement projects paid from the City’s capital improvement fund.



Expense Trends

The decrease in expenses over the last three years is attributed to budget cuts and the current enacted hiring freeze on non-public safety personnel.

*Extra money spent derived from fund savings accounts.

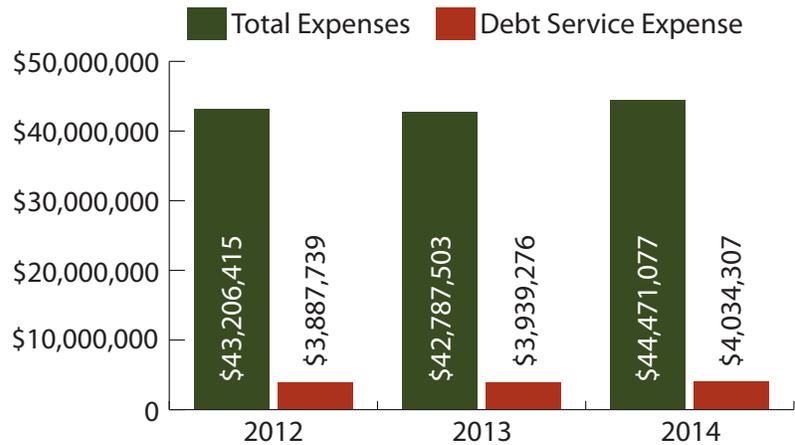




Debt

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 \$31.6 million in long-term debt outstanding with \$3.9 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 \$31.6 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 seven 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 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 2014 marked the mid-point of the current plan with completion of these significant accomplishments achieved:

- Completed the state-mandated 10-year General Plan: Vista 2030, which was ratified by voters in November 2014. With the plan in place, the City Council can move forward with an updated strategic plan charting the City’s future.
- Expanded the City’s recycling program to include multi-family residential and commercial businesses. The program is expected to divert more than 2,500 tons of recyclable materials from the landfill each year and mitigate financial impact through reduced tipping fees, landfill longevity, and enabling the refuse and recycling service department to become self-sustaining.
- Expanded water conservation efforts by completing detention basins and a 10,000 gallon rainwater harvesting unit, replacing natural lawn with artificial turf, and expanding on already-existing water-friendly landscaping. Not only is the City reducing water use by thousands of gallons annually, it is encouraging citizen participation through training, workshops, and partnerships.
- Launched an energy initiative to reduce energy consumption at all City facilities. This city-wide program is expected to reduce energy costs by \$75,000 annually, underscoring the City’s commitment to greener operations.
- Launched a citizen engagement app, allowing citizens to utilize today’s technology to report infrastructure concerns, crime tips, and general questions. The app increases community engagement through real-time, human interaction and two-way communication. The app also serves a key purpose to allow fast emergency notifications using a 311 system.
- Earned internationally-recognized accreditation for the Sierra Vista Police Department via the Commission on Accreditation for Law Enforcement Agencies.
- Integrated the Sierra Vista Fire Department with the Fry Fire District, improving response times and becoming more efficient in the use of personnel and equipment. A consultant is assisting the city with a plan to explore a full consolidation of the two departments.
- Replaced two play structures with ADA-compliant structures, including an installation at the city’s largest park, providing recreation access for all citizens, regardless of ability and age. This was accomplished, in part, with grant funding.

City of Sierra Vista Officials

Mayor & City Council

Rick Mueller, *Mayor*

Bob Blanchard, *Mayor Pro Tem*

Gwen Calhoun, Tom Crosby,
Rachel Gray, Henrietta “Hank” Huisiking,
Tom Reardon

City Manager

Charles Potucek

Finance Manager

David J. Felix, CPA

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