



Sierra Vista *Arizona*

Popular Annual Financial Report



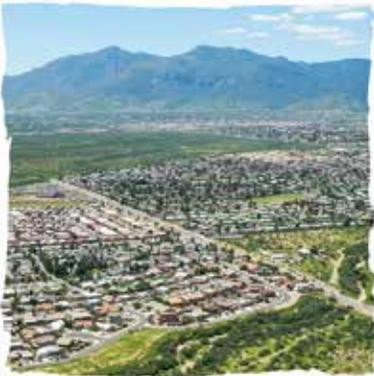
Photo by Tim Roberts

Fiscal Year 2015

July 1, 2014 – June 30, 2015

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 an unaudited summary 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 2014 Arizona Department of Administration estimates, the City's population is 44,286, 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 1% and 11% 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. This past year a new regional medical center was constructed in town that led to a short term increase in City taxes.

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 27 consecutive years.
- The City has won the Government Finance Officers' Association's Distinguished Budget Presentation Award 23 times.
- The City met the Council's 2014 strategic objective of preserving the general fund reserve levels.
- The City submitted and won its fourth consecutive Government Finance Officers Association's Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR).



Outstanding Achievement Award

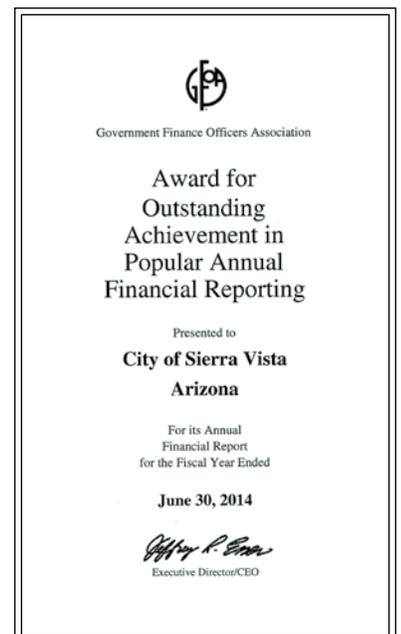
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the City of Sierra Vista for its Popular Annual Financial Reporting (PAFR) for the fiscal year ending June 30, 2014. The Award for 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.

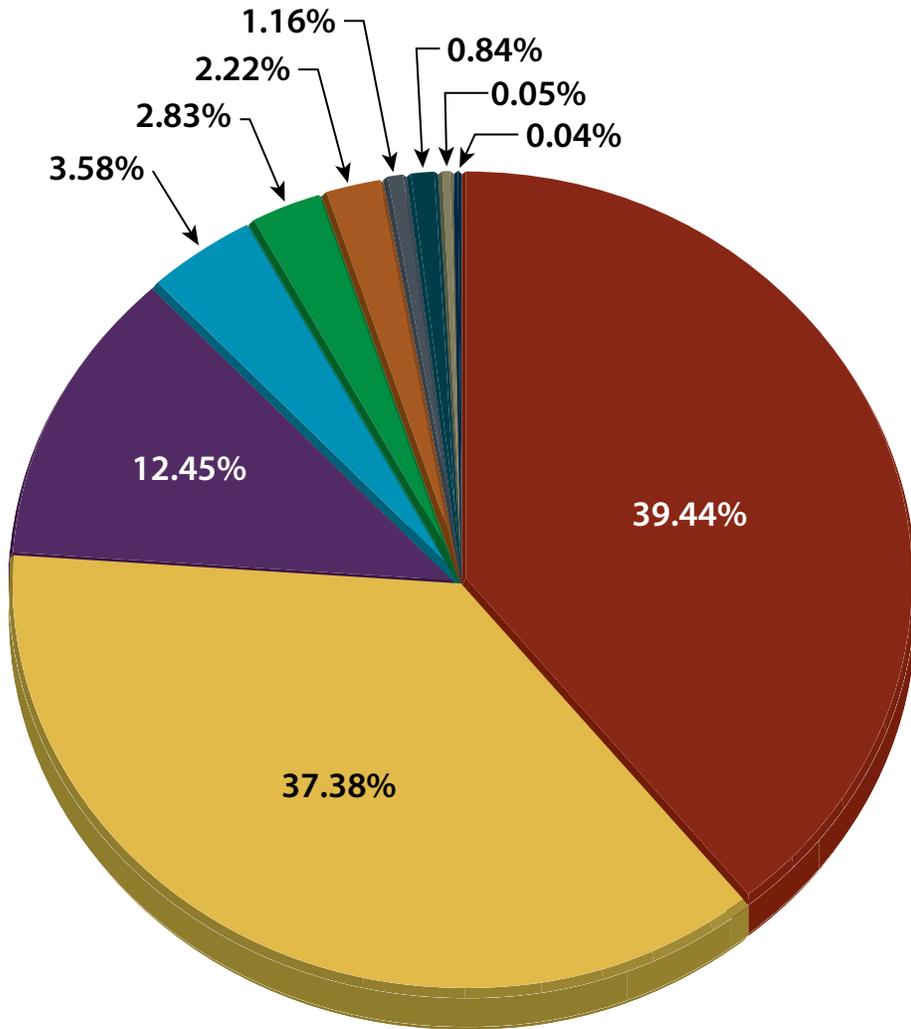
Tracking Revenues and Expenditures

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.

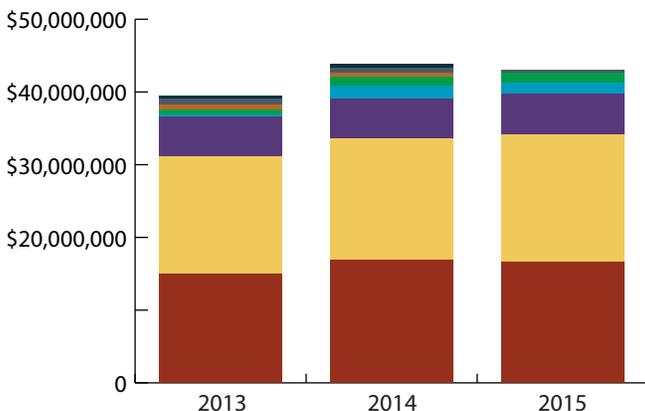


Where the Money Comes From

In fiscal year 2015, the City received \$44,506,847 in revenue. The breakdown of where the revenue comes from is as follows:



- **Sales Taxes:** Revenue from the City's transaction privilege (sales) tax (1.75% on regular retail sales).
- **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.).
- **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.
- **Other:** Miscellaneous revenues.
- **Licenses:** Includes business and dog licenses, building permits, etc.
- **Property Taxes:** Revenues from the City's primary property tax levy.
- **Fines:** Includes library fines.
- **Investment Income:** Interest earned on cash in city accounts.



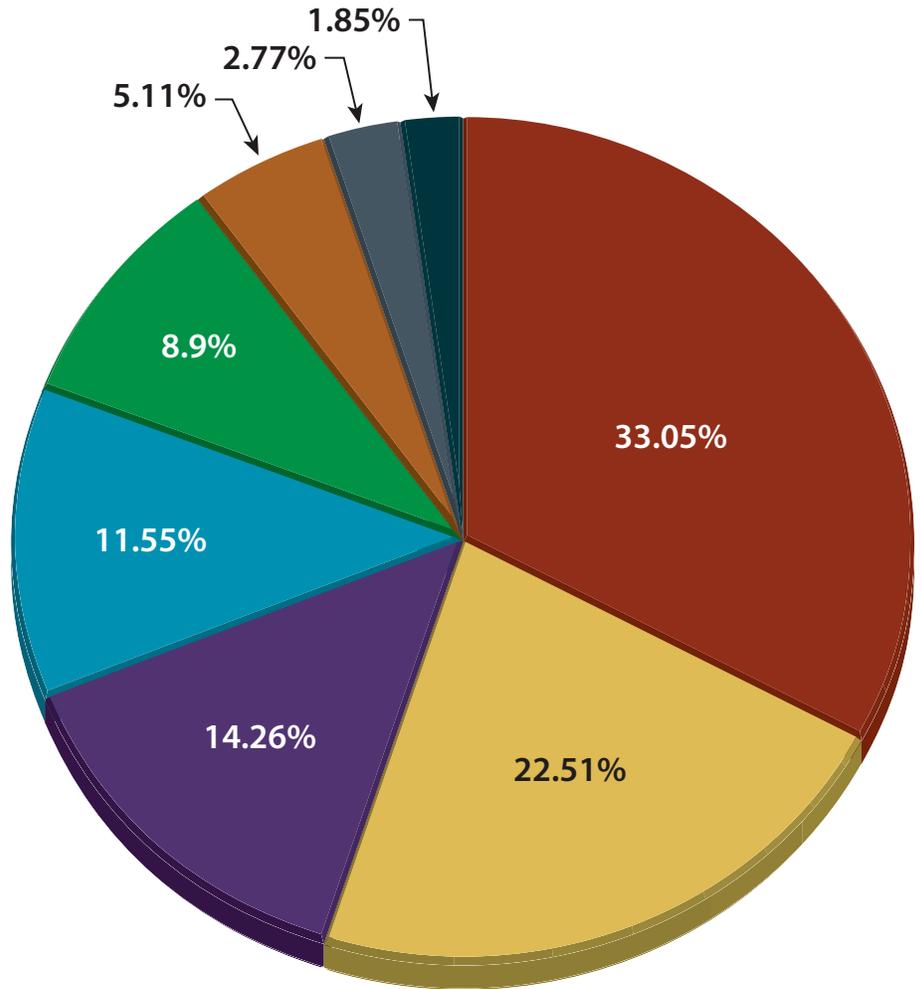
Income Trends

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

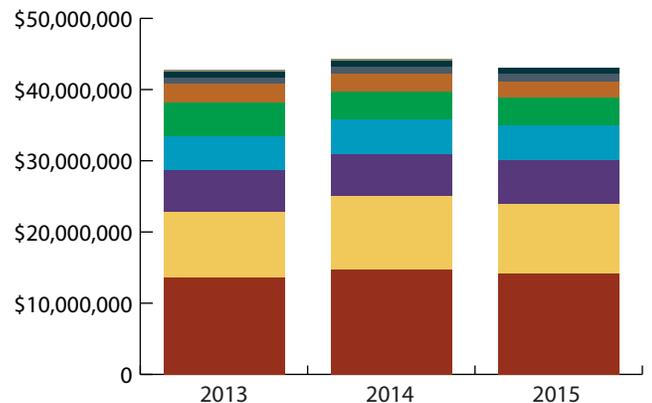
Last fiscal year, the City spent \$43,028,515. This is how the money was used in our community:

- **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.

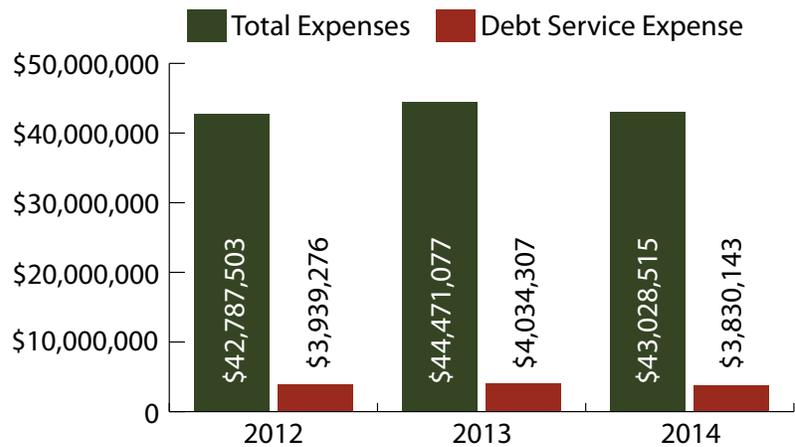




Debt

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 \$27.7 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 Environmental Operations Park, Fire Station #3, The Nancy J. Brua Animal Care Facility, the Police Station expansion, Cyr Center Park, The Cove, and Centennial Pavilion. The City has a strong record of paying its debt off early when financially advantageous.

While \$27.7 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 7% and 8% 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:

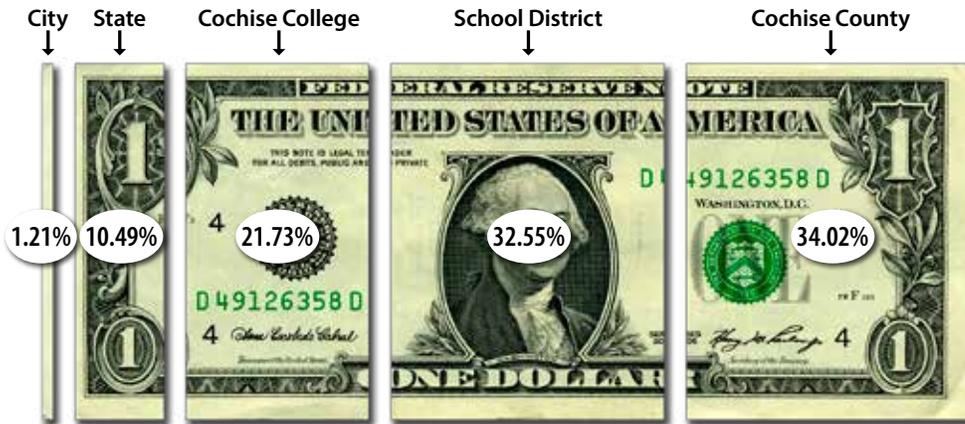
Standard & Poor’s	Moody’s	Fitch
AA	A1	AA-

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 2014. This means homeowners with a house valued at \$150,000 would pay only \$17.04 in City property tax annually as part of the property tax bill.

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



Please note the 32.55% 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 one of the lowest combined property and retail transaction privilege taxes in Arizona.

City/Town	2014 Combined Property Tax	City Retail TPT	Overall Retail TPT
Chandler	1.1792	1.50%	7.80%
Gilbert	1.0695	1.50%	7.80%
Huachuca City	0.7562	1.50%	7.60%
Scottsdale	1.2449	1.65%	7.95%
Yuma	1.8281	1.70%	8.41%
Flagstaff	0.8234	1.72%	8.32%
Sierra Vista	0.1136	1.75%	7.85%
Mesa	1.1853	1.75%	8.05%
Peoria	1.44	1.80%	8.10%





Major Accomplishments

The City Council approves a strategic leadership plan every two years, outlining major objectives to accomplish during the period. Fiscal year 2015 marked the end of one plan and launched another. The 2013-2015 plan closed with these major accomplishments:

- Developed and launched a new community brand that reflects Sierra Vista's relationship between the environment and community. "Extraordinary Skies. Uncommon Ground." ties the community together and gives merit to Sierra Vista's unique landscape, limitless opportunity, and unparalleled resources. Brand implementation remains a top priority in the coming year.
- Launched an economic develop program to grow Sierra Vista's economy. The business attraction work leverages Sierra Vista's assets to attract new businesses, while retention and expansion efforts focus on business district redevelopment and consultation.
- Expanded the City's recycling program to include large commercial customers, overcoming the logistics of transporting a significant volume to the local transfer station, thereby diverting it from the landfill and mitigating the financial impact of waste tipping fees, increasing landfill longevity, and enabling Transportation and Environmental Services to become self-sustaining.
- Developed and implemented a Community Awareness Response Education (CARE) program through Fire & Medical Services. In partnership with Canyon Vista Medical Center, CARE provides paramedicine services to reduce hospital readmission rates and non-emergency demand for ambulance and paramedic services. The program is expected to realize cost savings from reduced demand on emergency response and personnel costs while providing out-patient medical support for the service area's 62,000 residents.
- Mitigated the spread of rabies by launching a dog licensing campaign in conjunction with a grant-funded rabies vaccination program that uses a free vaccination mobile unit in low income areas. This program furthers the City's goal of ensuring a healthy community.
- Expanded the City's paved multi-use paths to nearly 30 miles, connecting segments and providing a safe pedestrian route between area schools. The multi-use paths have been consistently identified as top community amenities by residents and are valuable assets for business attraction.
- Expanded tourism marketing to reach bicycle and Mexican niches while maintaining awareness with high response targets by utilizing diversified advertising media, bilingual collateral development and distribution, expanded social media, trade missions, and media coverage.

City of Sierra Vista Officials

Mayor & City Council

Rick Mueller, *Mayor*

Bob Blanchard, *Mayor Pro Tem*

Alesia Ash, Gwen Calhoun, Rachel Gray,

Henrietta "Hank" Huisiking, Craig Mount

City Manager

Charles Potucek

Chief Financial Officer

David J. Felix, CPA