

SUNSHINE FIRE PROTECTION DISTRICT BALLOT ISSUE 6A

Sunshine property owners will see the following issue on their ballot in November:

SUNSHINE FIRE PROTECTION DISTRICT BALLOT ISSUE 6A - GALLAGHER REVENUE STABILIZATION SHALL SUNSHINE FIRE PROTECTION DISTRICT BE AUTHORIZED TO INCREASE OR DECREASE ITS CURRENT AND ALL FUTURE GENERAL MILL LEVIES ONLY IF, ON OR AFTER NOVEMBER 3, 2020, THERE ARE CHANGES IN THE METHOD OF CALCULATING ASSESSED VALUATION, INCLUDING BUT NOT LIMITED TO A CHANGE IN THE PERCENTAGE OF ACTUAL VALUATION USED TO DETERMINE RESIDENTIAL ASSESSED VALUATION DUE TO ARTICLE X SECTION 3 OF THE COLORADO CONSTITUTION (COMMONLY KNOWN AS THE GALLAGHER AMENDMENT), SO THAT, TO THE EXTENT POSSIBLE, THE ACTUAL TAX REVENUES GENERATED BY SUCH MILL LEVIES ARE THE SAME AS THE ACTUAL TAX REVENUES THAT WOULD HAVE BEEN GENERATED HAD SUCH CHANGES NOT OCCURRED?

This ballot issue is not meant to raise taxes. It is meant to keep the District's General Fund tax revenue stable in the face of projected reductions in the residential assessment rate due to the COVID 19 economic downturn and the Gallagher Amendment. The residents in Lefthand and Four Mile Protection Districts passed similar ballot issues in the 2018/2019 elections because the increase in property values in their districts were not keeping pace with the decrease in the residential assessment rate. Below is a detailed explanation of this ballot issue.

As a primer for those not familiar with how property taxes are calculated:

Property Valuation x Assessment Rate = Assessed Value

Assessed Value x Mill Levy = Property Tax

Assessment Rates vary based on type of property:

Residential – 7.15%, floating rate, calculated every two years based on the provisions of the Gallagher Amendment. Due to TABOR, the residential assessment rate can only go down, it cannot be raised without a ballot referendum

Nonresidential - 29%, business and vacant land, fixed by state law

Oil and Gas - 87.5%, fixed by state law

Current Mill Levies for Sunshine Residents

Sunshine residents currently pay a property tax mill levy of 83.872 mills. Of that, 12.04 mills (14.4%) go to the Sunshine Fire Protection District. The remaining 71.832 mills go to Boulder County and the Boulder Valley School District.

The Sunshine Fire Protection District (SFPD) depends on the property tax as its primary source of income. The 12.04 mills levy is made up of two distinct levies. 8.48 mills go to SFPD's General Fund which supports all of the fire department assets, equipment and activities. An additional 3.56 mills are dedicated to Community Wildfire Protection including wildfire mitigation projects and community fire cisterns. The two levies are projected to generate \$105,000 and \$44,500 respectively in the 2020 budget year. The property tax revenues are supplemented with donations and grants.

Effect of Gallagher Amendment

The Gallagher Amendment requires a state wide, 45%-55% split of the total property tax revenue between residential and non-residential/oil and gas properties. The current Residential Assessment Rate (RAR), set in 2019, is 7.15%. Due to the Gallagher Amendment, it is projected that the RAR will decrease to 5.88% in 2021

because of the downturn of the Colorado economy due to COVID 19 and its dire effects on business output and the oil and gas industries. This represents a 17.8% drop in the RAR.

Given the District's split between residential vs non-residential property, the 17.8% drop in the RAR would result in a 15% decrease in SFPD's tax revenue for taxes collected for 2021.

Proposed Ballot Issue

Because of this significant revenue drop in an already tight budget, the Board has taken the action to introduce a ballot issue in the November election to shield the District from the effects of Gallagher. It does this by authorizing the Board to raise the General Fund mill levy to compensate for tax revenue lost because of the lowering the RAR from its current value of 7.15%.

The proposed ballot issue has been written so that it will only affect the General Fund mill levy of 8.48 mills. The reasoning is that the fire department mill levy must support the ongoing expenses of utilities, maintenance, purchase of firefighter PPE and the leasing costs associated with the purchase of fire engines. As such, the district depends on a stable, ongoing revenue stream from property taxes. By contrast, the 3.56 mill levy for fire mitigation covers expenses that can be tailored to fit the available funding on a year-to-year basis.

Effect of Ballot Issue

As an example, if the ballot issue passed and if, as projected, the RAR dropped to 5.88% then the Board would be authorized to raise the General Fund mill levy from 8.48 to 9.93 mills to keep the General Fund tax revenue equal to what it would have been had the RAR remained at 7.15%. SFPD's 3.56 mills levy as well as the levies supporting Boulder County and Boulder Valley School District would be unaffected. SFPD's total mill levy would increase from 12.04 mills to 13.49 mills, a 12% increase. Assuming there was no change to the Boulder County or BVSD mill levies, the total mill levy that Sunshine residents pay would increase from 83.872 mills to 85.322 mills, a 1.73% increase. Assuming there was no property value increase, resident's Assessed Value would drop 17.8% due to the decrease in RAR and total property taxes would be reduced by 16.3%.

In the interest of transparency, in the example above, owners of non-residential property in the district (i.e. vacant land) would see the SFPD portion of their property taxes increase by 12% and their total property taxes increase by 1.73%. This would be due to the increased mill levy and the fact that the non-residential assessment rate is fixed at 29%. Also, in the example above and without the ballot issue being passed, residents would have seen their property taxes reduced by 17.8%, equal to the decrease in the residential assessment rate.

Related State Ballot Issue

There is also a state-wide ballot issue on the November ballot to eliminate the Gallagher Amendment. If the voters approve that issue then Senate Bill 223 would place a moratorium on changing the ratio of valuation for assessment for any class of property. Should this issue pass the residential assessment rate would remain at 7.15% and the General Fund mill levy would remain at 8.48 mills. However, in recent years similar ballot issues have failed to pass in state wide referendums.

Questions

If you have questions or comments, you may contact the board at directors@sunshine-fpd.org.