

Flood Control District Tax Frequently Asked Questions (FAQ)

What is the background of the recent Flood Control District (FCD) Tax Increase?

On May 15, 2018, the Board of Supervisors approved an important affirmation to the County's Flood Control District (FCD) through Resolution 2018-16 to ensure the District is administered in accordance with Arizona Revised Statute 48, Chapter 21.

The Board's action affirmed that the Boundaries of the Flood Control District are and shall be contiguous with and coterminous to the boundaries of the County.

The affirmation also directed that all taxable properties within the Boundaries of the District shall be valued and assessed in order that each property pays its just and fair share of the property tax levied for the support, operations and regulation of flood control within the Boundaries of the District to advance effective flood control within the District.

The resolution also confirmed that incorporated cities and towns that elect to assume floodplain management powers and duties under ARS 48-3610 can do so, which will take them out of the District's regulatory area of jurisdiction but will not result in a change in the Boundaries of the District. Currently the cities and towns of Flagstaff, Williams, Page and Fredonia regulate floodplains within their jurisdictions, which are regulated by FEMA through the National Flood Insurance Program. Within the remaining cities and towns, Sedona and Tusayan, as well as the unincorporated areas, the County is regulating the floodplains again in accordance with the National Flood Insurance Program (FEMA).

This action by the County Board of Supervisors was also affirmed by the County Flood Control District Board of Directors (the Board of Supervisors also sits as the Board of the Flood Control District) through Flood Control District Resolution 2018-1.

What does this affirmation mean for tax bills?

The outcome of this affirmation is that **ALL** taxable properties within the jurisdictions of Flagstaff, Page and Fredonia will now be levied the Flood Control District tax along with those that have been historically taxed outside of those jurisdictions. Coconino County is now taxing all private and commercial properties within all municipalities consistent with Arizona's 14 other counties who all assess flood control district taxes on all properties within their boundaries (regardless of floodplain management). This means that the Flood Control District tax will now appear on all tax bills within Flagstaff, Page and Fredonia.

What will be the impact on the tax rate and the resulting tax bill to homeowners given the boundary affirmation?

The current FCD budget remains at approximately \$2.2 million for Fiscal Year 2019 and the tax rate for Tax Year 2018 will be 18.08 cents on \$100 of assessed property valuation. The tax rate drops because the assessed property valuation for the District increases to \$1.4 Billion, which reflects the addition of the private properties in Flagstaff, Page and Fredonia.

What will be the resulting tax bill to homeowners given the boundary affirmation?

Residential Properties: the annual FCD tax rate of 18.08 cents per \$100 of assessed property valuation translates to an estimated FCD tax bill for a home valued as shown below:

- ❖ Home Valuation = \$100,000 @ 18.08 rate = FCD Tax Bill of \$18.08
- ❖ Home Valuation = \$200,000 @ 18.08 rate = FCD Tax Bill of \$36.16
- ❖ Home Valuation = \$300,000 @ 18.08 rate = FCD Tax Bill of \$54.24
- ❖ Home Valuation = \$400,000 @ 18.08 rate = FCD Tax Bill of \$72.32
- ❖ Home Valuation = \$500,000 @ 18.08 rate = FCD Tax Bill of \$90.40

What will be the impact on the tax rate and the resulting tax bill to commercial property owners given the boundary affirmation?

If the current FCD budget remains at approximately \$2.7 million for Fiscal Year 2019, then the tax rate for Tax Year 2018 will be 18.08 cents on \$100 of assessed property valuation. The tax rate drops because the assessed property valuation for the District increases to \$1.5 Billion, which reflects the addition of the private properties in Flagstaff, Page and Fredonia.

As an example, the FCD commercial property tax bill for a property valued at \$500,000 would be calculated as follows:

- ❖ Commercial property value assessed at \$500,000
- ❖ Property value multiplied by 18% (commercial assessment ratio) = \$90,000 (Assessed Value)
- ❖ Assessed value is divided by 100 (taxes are paid on every \$100 worth of assessed value) = \$900
- ❖ \$900 multiplied by .1808 (FCD tax rate reflecting current FCD budget) and using the total assessed value of all private properties within the County = \$1.4 Billion)
- ❖ FCD Commercial Property FCD Tax Bill @ \$500,000 valuation is **\$162.72**

Importantly, the Board of the Flood Control District can choose to reduce or increase the Fiscal Year 2020 budget.

When will the FCD tax appear on tax bills in Flagstaff, Page and Fredonia?

The FCD tax will appear on tax bills received by taxpayers in Flagstaff, Page and Fredonia in October 2018.

Does this change impact flood insurance requirements for residential or commercial properties?

No. The requirement for flood insurance is determined primarily by whether a property is in a Federal Emergency Management Agency (FEMA)-designated flood area. If your home or business is in a high-risk flood area (known as a Special Flood Hazard Area or SFHA) and you have a mortgage through a federally regulated or insured lender, then you are required to carry flood insurance. The FCD Board's affirmation does not impact flood-area designation by FEMA.

Why was the District's taxation area set up without Flagstaff, Page and Fredonia?

The interpretation of the state statute at the time of initiating the FCD tax (1980s) was that those cities and towns that managed their floodplains could opt out and not be included in the taxing area for the FCD. It recently came to the attention of the Board of Supervisors of Coconino County and the Board of Directors of the Coconino County Flood Control District that the County was not collecting property taxes to fund the District from the taxable property located within the city limits of the cities of Flagstaff, Fredonia and Page, notwithstanding that these municipalities are located wholly within the District Boundaries of the County. While these municipalities have opted to carry out their own floodplain management responsibilities, thereby removing themselves from the flood control district's area of jurisdiction, such decision did not and cannot take municipalities out of the Boundaries of the District nor exempt the property located therein from the general flood control district tax obligation.

Will the FCD tax replace the storm water fees collected by any city or town?

No. Cities and towns are authorized by the state to establish and collect stormwater fees through their utility bills. The stormwater fee revenues are used to manage stormwater within their jurisdictions. FCD revenues are used to address regional flood control risks and needs.

Were any private property owners within jurisdictions billed taxes that should not have been billed?

No. All properties within Coconino County are in the District and should have been receiving the FCD tax on their tax bills.

Are any back taxes due for previous years?

The FCD Board of Directors has not taken an action to collect back taxes. A decision to pursue back taxes can be made by the FCD Board of Directors, but that is unlikely unless unforeseen issues arise.

What is the history of the Coconino County Flood Control District?

In the early 1980's, the State of Arizona enacted legislation, which included authority to counties to establish flood control districts to address flood control needs within their jurisdictions.

In 1984, the Coconino County Board of Supervisors, through Resolution 84-40 established the Coconino County Flood Control District. The resolution establishing the district at that time identified the Boundaries of the district as contiguous with the boundaries of the County.

The resolution also allowed incorporated areas to assume floodplain management within those cities and towns. Prior, at or near this time the cities and towns of Flagstaff, Page and Fredonia elected to assume responsibility for flood control within their areas of jurisdiction. Subsequently, Williams assumed responsibility for its own flood control. Therefore, the County is responsible for flood control within the other incorporated areas and all remaining unincorporated areas within its jurisdiction (not including Indian Nations).

Recently a review of the Flood Control District policies was undertaken by outside legal counsel that specializes in flood control districts and other special taxing districts. The outcome of this review was the recommendation from outside legal counsel that the County must levy taxes on all properties within the County and not exclude those within Flagstaff, Page and Fredonia to be in compliance with State Statutes. All properties within the District shall be equitably taxed according to State law.

What is the history of the FCD tax rate?

The initial FCD tax rate of the District was approximately 8 cents on \$100 of assessed property valuation. The FCD tax rate was this low because the Board decided to only fund administration of the National Flood Insurance Program and no capital projects. The FCD tax rate was raised in 2006 to 20 cents on \$100 of assessed property valuation to begin to fund some FCD capital projects as well as additional administration costs. The FCD Board raised the tax rate to 40 cents on \$100 of assessed property valuation in 2010 to address the Schultz Flood Area impacts (mostly to match federal grants) and to address FEMA designated floodplain area issues in other parts of the County. The Flood Control District Board of Directors can elect to lower or increase the rate based upon the budget needs of the Flood Control District. The maximum tax rate that can be levied is 50 cents on \$100 of assessed property valuation.

What is the assessed value of properties in each of the incorporated areas and the unincorporated area of the County?

- ❖ Flagstaff - \$739 million
- ❖ Sedona - \$120 million
- ❖ Page - \$66 million
- ❖ Williams - \$39 million
- ❖ Tusayan - \$10 million
- ❖ Fredonia - \$6 million
- ❖ Unincorporated Areas of the County - \$509 million
- ❖ County-wide - \$1.4 Billion

What kinds of expenses are paid for through the Flood Control District budget?

County flood control districts are charged with taking action within the district for the benefit of the district, to reduce the risk of flood loss, to minimize the impact of floods on human safety, health and welfare and to restore and preserve the natural and beneficial values served by floodplains. In effect, flood control funds are to be used for flood control purposes with a regional benefit.

The FCD budget was most recently used to match all the grants the County secured to address the Schultz Flood area impacts, and to pay for a significant portion of the costs that were not covered by those grants. Total expenditures on Schultz mitigation exceeded \$30 million.

The other main area of costs is the administration of the National Flood Insurance Program (FEMA mandated program) for all the unincorporated areas of the County as well as within the city of Sedona and the town of Tusayan.

In addition, the County has historically provided funds to the cities of Williams and Sedona relative to the level of tax revenues received from those areas to address floodplain issues. The practice of providing direct funds to these jurisdictions must be revised under the statute. A process will be developed by which the jurisdictions within the District can apply for funds. However, the FCD Board will continue to set the priorities of the FCD and will ultimately approve any funding. The FCD is not required to provide any funds to cities or towns, and the other county flood control districts in the state provide varying amounts to cities and towns within their counties but all projects funded must have a regional flood control district benefit.

How was it determined that an affirmation of the District Boundaries was needed?

Through a review by outside legal counsel secured by the FCD Administrator to review FCD practices and policies.

When was the need for the affirmation of the District Boundaries determined by outside counsel?

The recommended administrative change (affirmation of the District Boundaries) was communicated to the FCD Board of Directors by outside counsel earlier this spring.

Can a city or town “opt out” of the Flood Control District by managing the floodplains within their jurisdictions?

No. A city or town cannot opt out of the FCD for the purposes of taxation. However, a city and town can “opt out” of the District’s Area of Jurisdiction by electing to manage its floodplains independently of the Flood Control District. A city or town can return the management of its floodplains at any time by passing the appropriate resolution and notifying FEMA. If a city or town elects to return floodplain management to the District, then a process will be developed to accept that responsibility. The timeline will reflect the level of complexity.

For what jurisdictions within the County does the County FCD now manage the floodplains?

Sedona and Tusayan, as well as all the unincorporated area of the County excepting the Indian Nations. However, the town council of Tusayan recently took action to administer the FEMA floodplain with the town limits. Once they formally notice FEMA, the administration will move from the County to the Town.

If a city or town elects to return the management of its floodplains to the District, then what is the status of past projects and floodplain management decisions made by the city or town council prior to the return?

The city or town retains all responsibility for maintenance and operations as well as liability for **ALL** projects engineered and/or constructed prior to the return of management of the floodplains to the District. Two examples include the Fredonia Dam, which requires major investments according to ADWR and the NRCS. All responsibility for remedying this existing flood control structure rests with the town of Fredonia as well as the all the liability. A second example is the city of Flagstaff’s Rio de Flag related projects. All of those projects would remain the responsibility of the city of Flagstaff as well as the liability.

Would more projects have been completed if all private properties in the County had been taxed?

Potentially. The FCD Board of Directors sets the budget for the FCD annually. The FCD budget includes projects and expenditures the Board deems needed, prudent and reasonable relative to the tax impact and projects have a regional flood control district impact. With increased revenues, the County has more ability to impact flood control and more importantly the greatest threat to public safety - post-wildfire flooding. The

FCD Board of Directors will set the priorities for the District and the budget and projects will reflect those priorities.

What are the current County Flood Control District's Priorities?

Recently the Coconino County FCD Board identified **forest restoration** as the top priority of the Flood Control District given that wildfires and post-wildfire flooding pose the greatest risk to public safety in our County. Severe wildfires and the resulting massive flooding, like what was experienced in the Schultz Flood Area result from untreated forests, thus forest restoration is critical to reducing this public safety threat. In addition, there are significant financial impacts to private property owners and to the County. For example, NAU's Rural Policy Institute estimated the economic impact of the Schultz Fire and Floods at about \$150 million. Furthermore, just last week 33 homes in the Blue Ridge area were destroyed by the Tinder Fire. Thankfully no lives were lost.

The FCD District recently hired its first Forest Restoration Director who will be responsible for developing and implementing, with many stakeholders, the County's Forest Restoration Plan. Additional revenue received by the District because of the boundary affirmation approved today would be available for potential investment contingent upon FCD Board approval, if the funds are to be used for flood control purposes with a regional benefit.

Last year the FCD Board also set as a priority the engineering and construction of a flood control project within the Mountain Dell area (one of four FEMA Floodplain Areas within the unincorporated areas of the County), which is an area within the City of Flagstaff that is unincorporated just north of Fort Tuthill County Park. This project was identified as a priority in previous years and the project is in the engineering phase now.

What will be the process in the future for the FCD Board to decide the District's priorities, which would translate to identifying funded studies and projects?

The process remains to be fully developed. The plan is to develop a process that will result in the FCD Board setting its priorities likely over a multi-year timeframe, and then using those priorities to both identify specific projects and criteria for selection of projects that may be proposed by jurisdictions within the District. Given that forest restoration was very recently identified as a FCD top priority given the positive impact on public safety and the cost to manage that initiative is already in the FCD 10 Year Financial Plan, it is likely that forest restoration will remain a strong component of the District's future.

What will be the District's role in any project that may be funded or partially funded by the District? How would maintenance and operation of those projects be funded or managed?

As to the process (which has not been fully developed), if the District Board approved funding for any specific project, then the FCD staff and/or consultants shall review and

approve all plans through the engineering process and shall conduct inspections during the construction process including a required construction sign off procedure. The FCD Board shall also require a maintenance and operations plan for the resulting flood control structure and a funding plan for maintenance and operations of said structure. All costs associated with project development, construction and approvals shall be included in the project cost as well as all maintenance and operations costs (insurance, labor, materials, etc.). The FCD Board can also require a funding match and commitment for funding maintenance and operations.

Can the FCD establish zones?

Yes, the FCD Board can establish zones according to the statutes. The County's understanding, at this stage of process development is that the formation of zones has not be done with any frequency by other county FCDs. However, the expenditure of FCD funds, irrespective of zones should be in alignment with the FCD Board's priorities, which shall be regional in nature. It is unlikely that purely local flood control projects could not be funded by the District. However, irrespective of any specific taxing zones the maximum FCD tax rate is 50 cents on \$100 of assessed property valuation.

What are the estimated Flood Control District tax revenues for Fiscal Year 2018 and Fiscal Year 2019 under the status quo?

The current estimated Flood Control District tax revenues for Fiscal Year 2018 are \$1.9 million. Estimated revenues for FY 2019 are \$2.7 million.

What would the estimated FCD revenues be after the resolutions are approved using the existing FCD budget and current assessed property valuation for all taxable property in the county?

\$2.7 million (rate drops to 18.08 cents on \$100 of assessed property valuation)

What would the estimated FCD revenues be at the current rate of 40 cents of \$100 of assessed property valuation if taxes are collected from all properties in the County as required by state statute?

The revenues are approximately \$6.0 million with a rate of 40 cents per \$100 of assessed valuation given that the overall assessed property value increases to \$1.4 billion when private properties in Flagstaff, Page and Fredonia are included.

What are the current estimated FCD expenditures for Fiscal Year 2018 and Fiscal Year 2019?

The estimated Flood Control District expenditures in FY **2018** are \$1.43 million. Estimated Flood Control District expenditures in FY **2019** are \$2.2 million.

For more information about the County Flood Control District please visit www.coconino.az.gov/FloodControlDistrict.