

Mill Levy Proposal

For Deer Mountain Fire Protection District
July 8, 2020



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Introduction

Last year the former board members were considering a proposal to raise the mill levy to address the budget shortages. This proposal was set aside to deal with other issues more pertinent to the district at that time. When the proposal was raised in the May 2020 regular meeting, it was recommended the board conduct an analysis and create a report to layout the justifications for the mill levy increase proposal. A committee was formed, data collected and this report is the result of their work.

When the mill levy increase was originally proposed the economic conditions for the state and the country were very different from the situation today. The impact of the COVID-19 pandemic has resulted in a 3.3 billion budget shortfall for the State of Colorado which rolls down to all local governments. However, the underlying reason for the request, maintaining critical services locally has not changed. There has been a continual shortfall of the budget over the years which has required dependence on Wild Land revenue. This dependence is not sustainable in the long run. One poor Wild Land season and the district could fall in the red again as it did last year.

The board acknowledges it is also their responsibility to identify internal practices and steps the district could take to streamline processes, recover outstanding debt owed for services and identify possible ways costs could be reduced without affecting services.

The request to increase the mill levy will be submitted to Fremont County by the August deadline. Subsequently it will be placed on the ballot for the district in November. It is the responsibility of the Deer Mountain Fire Protection District board (DMFPD) to inform and educate residents as to the reasoning behind the request. We hope this report will answer the majority of questions residents may have as to why we are moving forward with the mill levy increase request.

Legislative Changes

Loss of Property Tax

In March 2020 the Colorado State legislation had agreed to a more than ample budget, then the state shutdown happened. The loss in revenue combined with the increase in costs generated by the COVID-19 pandemic resulted in a 3.3 billion budget deficit and harsh slashes to the state budget. State and local government entities are now scrabbling to adjust their own budgets to handle the loss in revenue. State authorities also predict the financial situation could continue into 2021, which leads into the legislation's decision to repeal the 1982 Gallagher Amendment. The bill passed and was signed by the Governor in June to add the repeal as a referendum on the November 2020 ballot. Below is the documentation regarding the repeal senate bill and the original Gallagher Amendment.

SB 20-SCR001 Repeal 1982 Gallagher Amendment

Property tax in Colorado is generally equal to the actual value of property multiplied by an assessment rate, and the resulting assessed value is multiplied by each applicable local government's mill levy. The assessment rate for residential real property is established by the general assembly in accordance with a provision of the state constitution that is commonly known as the Gallagher Amendment and is limited by section 20 of article X of the state constitution (TABOR). Under the Gallagher Amendment, there are 2 important classes of property for the purposes of determining the residential assessment rate: residential property and nonresidential property. The assessment rate for most nonresidential property is fixed in the state constitution at 29%. The residential assessment rate was initially set at 21%, but the rate has been adjusted prior to each 2-year reassessment cycle to keep the percentage of aggregate statewide assessed value attributable to residential property the same as it was in the year immediately preceding the new reassessment cycle. Currently, the residential assessment rate is 7.15%.

The concurrent resolution repeals the Gallagher Amendment so that the general assembly will no longer be required to establish the residential assessment rate based on the formula expressed in the Gallagher Amendment. The resolution also repeals the reference to the residential rate of 21%, which last applied in 1986, prior to the first adjustment required by the Gallagher Amendment. Finally, the resolution repeals the 29% assessment rate that applies for all nonresidential property, excluding producing mines and lands or leaseholds producing oil or gas.

Gallagher Amendment

The Gallagher Amendment made many significant changes to property taxes in Colorado:^[5]

1. It simplified the assessor's methodology for determining the actual value of property. Prior to this amendment, the assessor would consider some seven factors. The Gallagher Amendment established just three: cost, market, and income.

2. It established that the actual value of residential real property would be determined by the cost and market approaches to appraisal only.
3. It established that the actual value of agricultural land would be determined by the income approach to appraisal only (this is the earning or productive capacity of the land, capitalized at a rate prescribed by law).
4. It provided immediate relief to the tax burden on various types of property by reducing the assessments rates for 1983 and 1984.
5. It required the General Assembly to determine the percentage of the aggregate statewide valuation for assessment of various classes of property commencing January 1, 1985. Specifically, the General Assembly would be required to adjust the assessment percentage for residential property to ensure that the percentage of the aggregate statewide valuation for residential property in relation to other taxable property would remain the same as that in the prior year, except for increased valuation for assessment attributable to new construction and to increased volume of mineral and oil and gas production. This provision would become known as the **Gallagher Adjustment**.
6. It exempted certain property from taxation. These exemptions included: household furnishings and personal effects not used for the production of income; inventories of merchandise and material and supplies held for business consumption or for sale; livestock; agricultural and livestock products; and agricultural equipment used on a farm or ranch in the production of agricultural products. Many of these classes of property had been considered a nuisance tax based upon the complexity of the valuation (and the time and resources which it required) and the marginal revenue produced by the tax.

The Gallagher Amendment had other effects as well, including mechanisms for enforcing the provisions described above.

Impact to District Funds

The Deer Mountain Fire Protection District (DMFPD) receives \$248,807.09 annually from their portion of Fremont County property tax revenue. The estimated loss of funds due to the state budget deficit ranges from 10-15% (\$24,880.70 - \$37,321.06) of the annual amount. The proposed mill levy increase (DMFPD is asking to be included on the fall election ballots) will allow the district to hopefully recoup needed operating revenue lost from the fund shortages. The increase levy rate revenue for the district is anticipated to fall between \$80,000 - \$100,000. Keep in mind this is an estimate and it could change depending on any financial changes at the local and state levels. If passed, the additional revenue will be allocated to the general operating budget of the district.

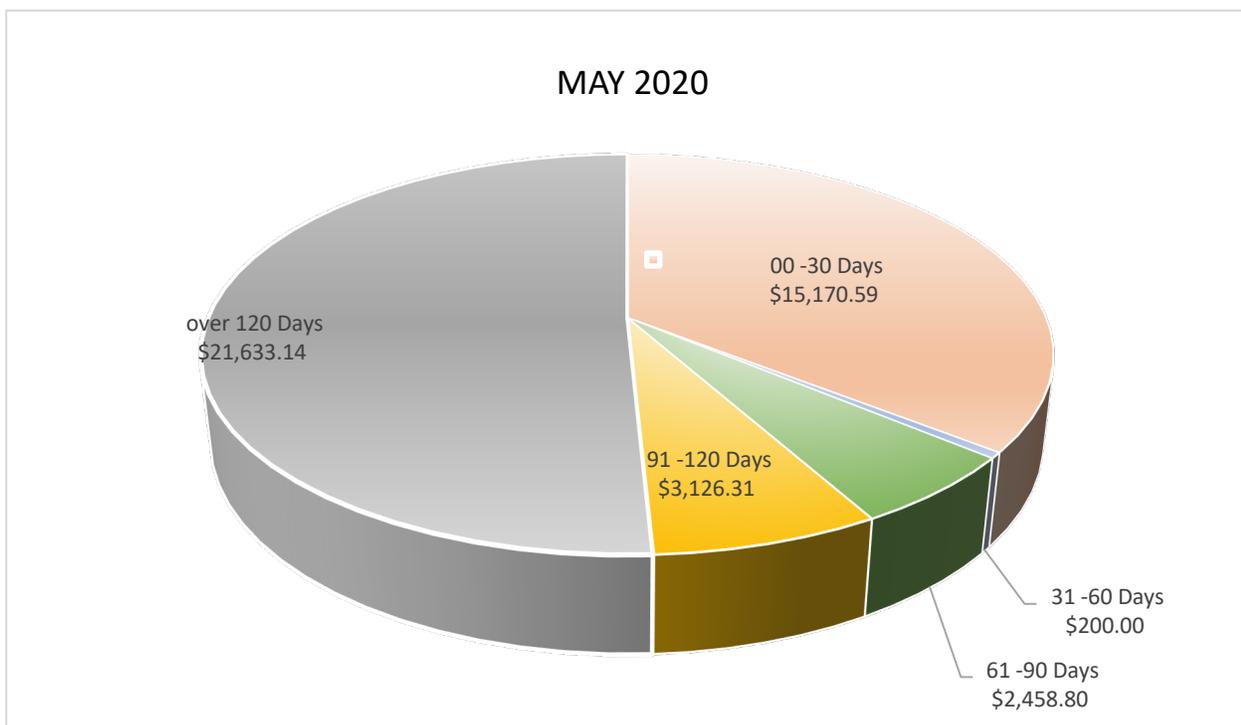
Home Value	Proposed Mill Increase	Additional Annual Cost Per \$100,000	Total Additional Cost	Monthly Cost
\$200,000	.08 mill	\$57	\$114	\$9.50
This is an example of possible estimated additional costs to property tax based on Fremont County Assessor Information. The final amount could change depending on whether the Gallagher Act is passed or if State of Local Governments change rates.				

Internal Improvements

DMFPD understands they need to look at how district business is conducted and find ways to improve processes in conjunction with the request for a mill levy increase. Some items have been identified, including the need to recoup owed receivables from the EMS services provided to community residents and car accidents. The district board in conjunction with the Fire & EMS Department will continue to review current practices and look for ways to improve them, along with migrating paper documents to electronic copies with a full computer backup system. Security applied to a computer system is more robust than paper and can easily adhere to HIPAA requirements and standard Information Technology security practices. Electronic storage of data will allow better management of inventory, easy access and control of who has access to personnel and medical documents, and the ability to do statistical analysis of services, equipment, maintenance and costs. Colorado Open Records Act (CORA) requests can be streamlined by appropriate person having access to electronic records instead of having to browse paper. Some funds output may be required to purchase applications for the inventory and other items migrated to electronic records.

Aging Accounts Receivable

In the June Board meeting a decision was made to hire a company to collect the outstanding debt from medical services. There is a substantial amount of money owed the district that should be recouped to enhance the operating budget. Below is the status of aging accounts receivable for the month of May, a total of \$42,588.84 due the district.



Migrate from Paper to Computer

Three processes currently documented on paper have been identified as feasible of migrating to a computer system. The processes migration will occur over the next 2 years as funds and staff become available. There are computer applications available for purchase to handle inventory and service calls. Reporting to State and Federal entities are required, and the information from the internal application is entered directly into the government systems. The District Board and Fire Chief will research available applications and contact other special districts as to the product(s) they use. The current hardware used is sufficient at this time and should be augmented by the purchase of an external drive¹ to store regularly scheduled backups at the fire station and cloud storage² leased to store a second backup offsite. The offsite backup is normal Information Technology procedures. Rigid security can be applied to the offsite storage and ensures the district will always have a complete set of records.

Inventory Process

An inventory application can really enhance the ability to track location of equipment, stock and costs. Reports can be generated monthly and analyzed to determine usage levels, damaged or lost equipment. Comparisons of vendor costs and quality would be easier to determine as to which vendors are the most cost effective, whether they offer guarantees and other pertinent factors for purchasing. Changing the inventory process to use the program for ANY movement of equipment or supplies provides tracking of their locations and can reduce loss in equipment. Adherence to strict protocols must be incorporated and required as part of the duties of responsible parties for inventory.

Personnel Files

Personnel files need to be kept in a secure location, and having an electronic system allows for prior employee records to be securely stored for future access if an issue arises or a former employee wants to return to work for the district. The files cannot be lost or removed because a backup would exist in two locations.

Service Calls

EMS staff uses an electronic application in the ambulance however the district does not have control of it. Adding an in-house application with required input fields will decrease the amount of missing information, especially for MVA, and enhance the ability to bill the insurance companies or individuals responsible for payment of services. As with the inventory, reports can be generated in order to analyze call volumes, length of calls and number of staff answering the calls. The data that was used to generate the charts in the Service Call History Section had to be manually entered into a spreadsheet which is time consuming and not the best use of EMS staff. This same system should be used to track fire data that can be analyzed for improvements or actions to increase fire prevention.

¹ 2TB External Drive Price Range is \$59 - \$120

² Cloud Storage cost can be as low as \$3.48 for 5TB a year

Study of Other Practices

It is always a good practice to reassess established procedures for ways to improve, especially if they have not been reviewed in the past 2-5 years. This type of practice is called the quality improvement cycle. Legal considerations or other factors originally used in establishing procedures may have changed. While there may be other policies, procedures that will need to be looked at the prominent ones the district will start with are contracts and bids, Public Relations communications and usage of Wild Land revenue.

Contracts/Bids

Current contract forms need to be reviewed to ensure legal language is included for contingences of failure to complete work, funds become unavailable, other terms of the contract such as completion dates, quality of work, approval sign-off and completed work parameters. Request for Bids language should be reviewed at the same time to make sure the contract legal language is included in the bid request put out to the public. This will help eliminate any conflicts between district and vendor regarding expectations and legal factors.

Public Relations Communications

Recent conflicts with former board members, unauthorized comments, accusations and rumors has caused many people in the district to develop a negative view of the district. True or false, these unauthorized communications in social media have tainted the residents, surrounding communities and entities perception of the district. People's perception is a higher driving force of opinion than facts. To turn around the district's reputation it is important to control through an official spokesperson the message and news about DMFPD. There should be consistency on all media; social and local news. Assigning a person(s) to handle all public relations communications, along with a review of information to be released will help control those negative statements and make sure the information is accurate.

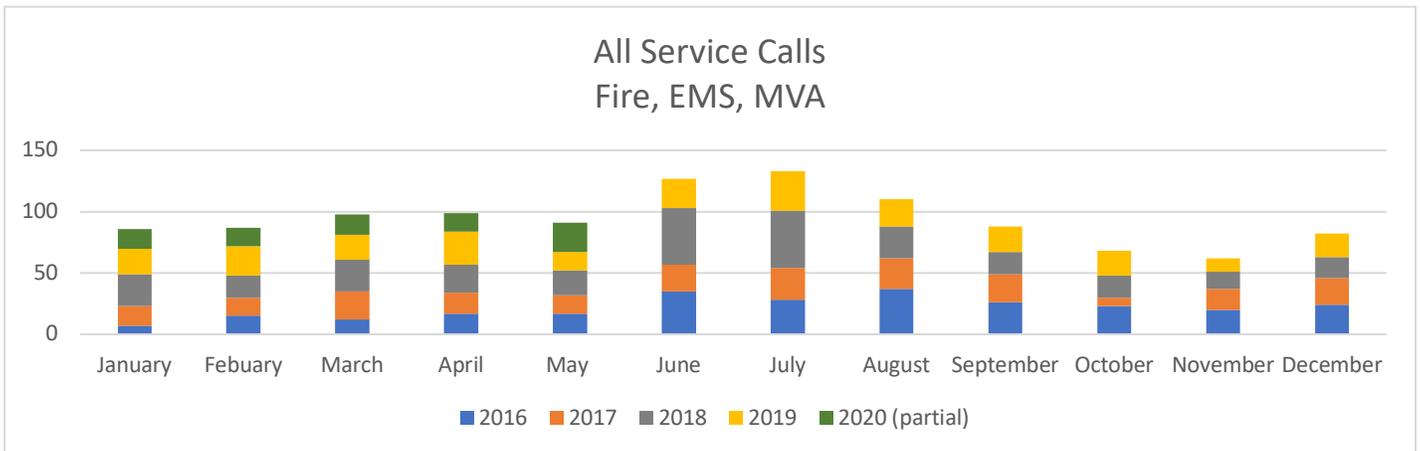
Wild Land Revenue

Historically Wild Land funds have been used to shore up the operating budget for the district, specifically EMS. Wild Land income provides a good revenue stream when it occurs but it is not guaranteed and is not included in budget projections because incoming revenue will always be unpredictable. Continual reliance on the funds as a method to account for budget shortfalls does not fall under best business practices, however due to other budget and revenue factors the district has had to rely on it to continue operations. The district board in conjunction with the Fire Chief will look at ways to reduce Wild Land overhead, utilize revenue in the most critical areas of the budget and gradually reduce dependency by the district on the Wild Land revenue. Part of the reasoning behind the mill levy increase proposal includes decreasing dependence on the Wild Land revenue.

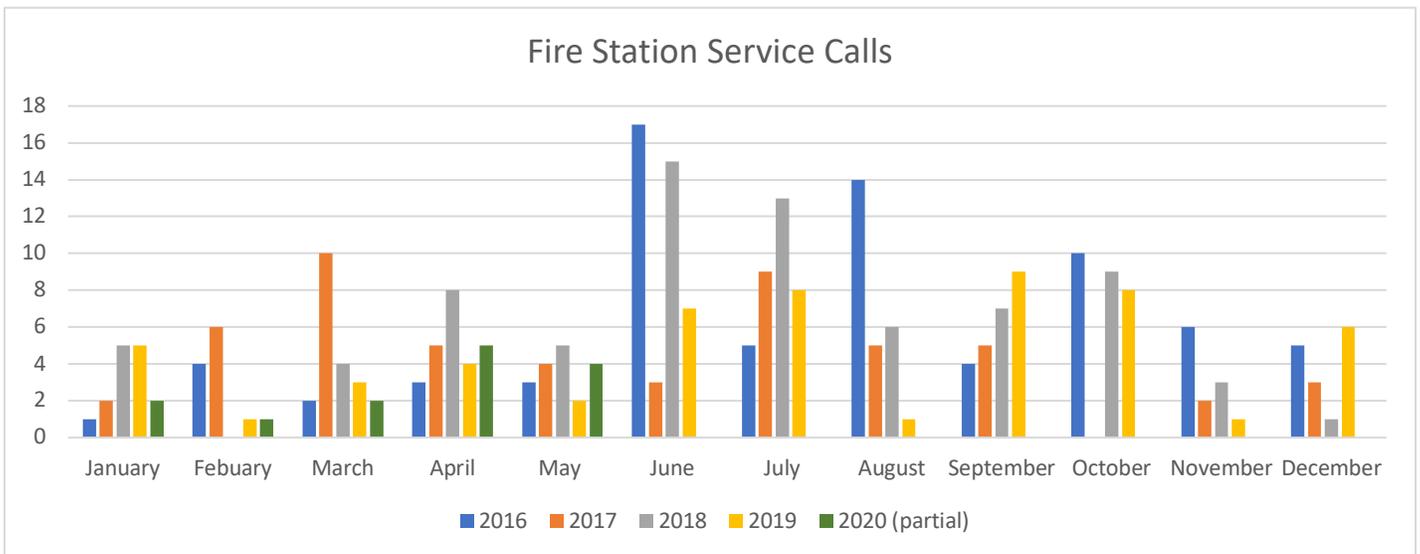
Service Call History

Manual data was tabulated in order to analysis service calls over the years providing information regarding call patterns and growth. The following chart(s) provide a breakdown of those calls.

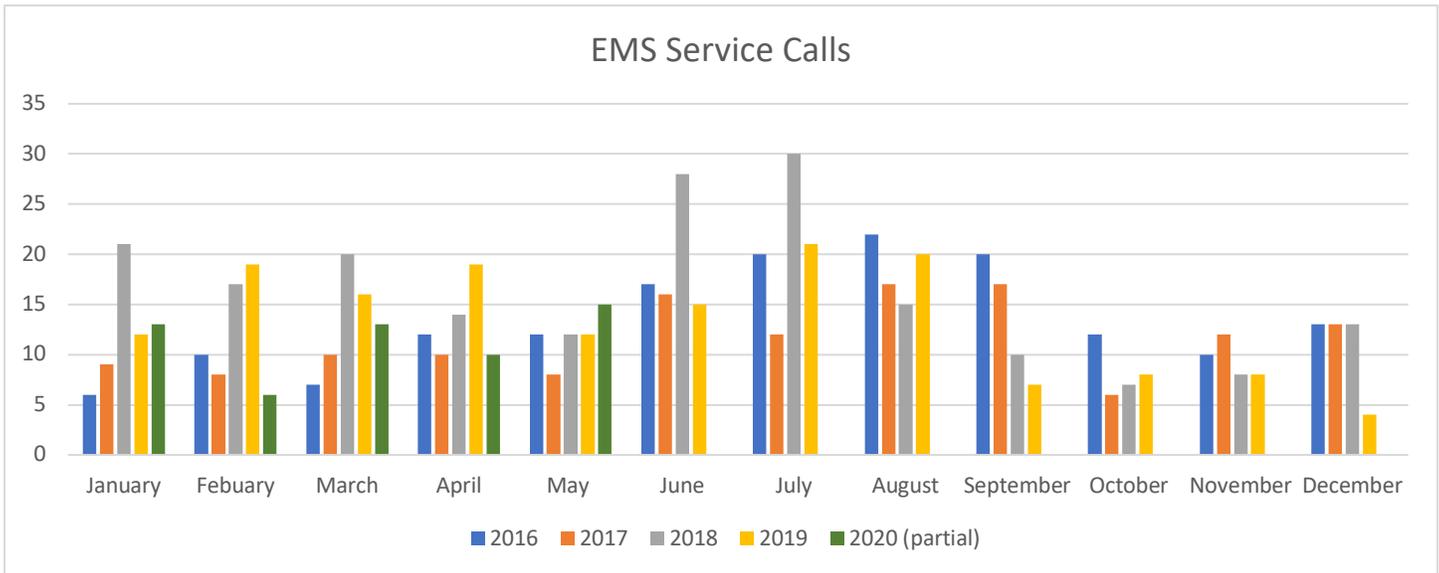
The chart below tallies the three types of calls, Fire, Emergency Medical Services (EMS), and Motor Vehicle Accidents (MVA) by month with each stack representing one year. This year (2020) contains only data from January through May.



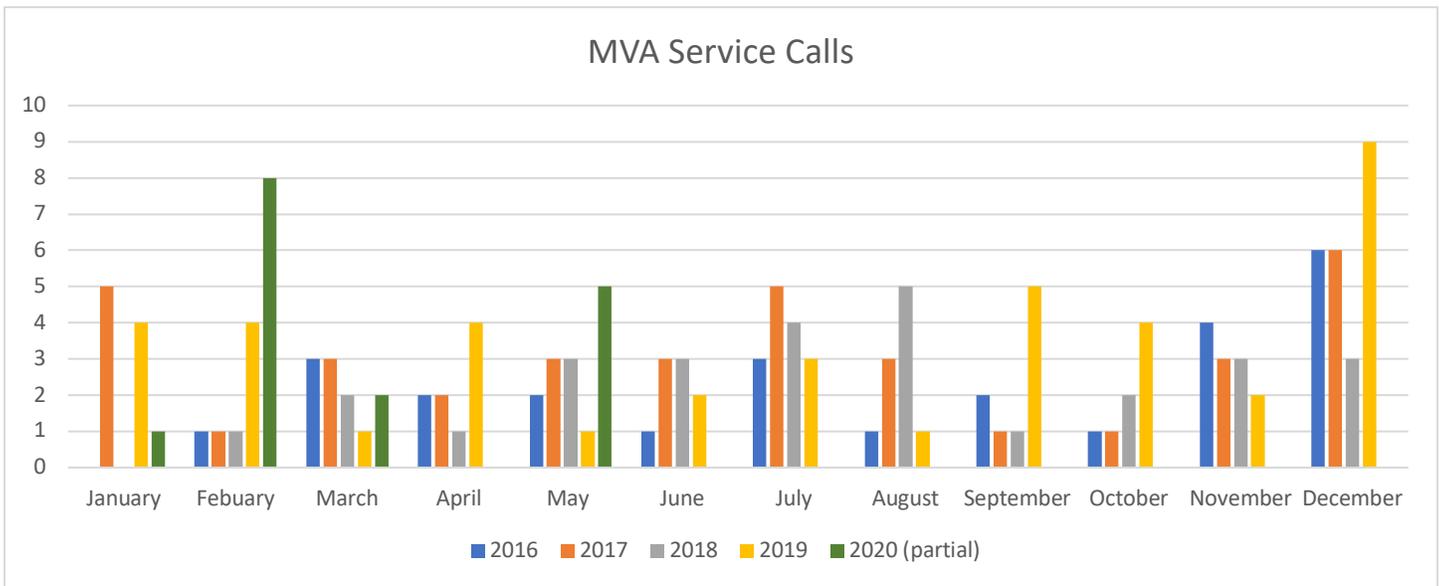
To better analysis the data, the following breakout charts were created for each individual service type.



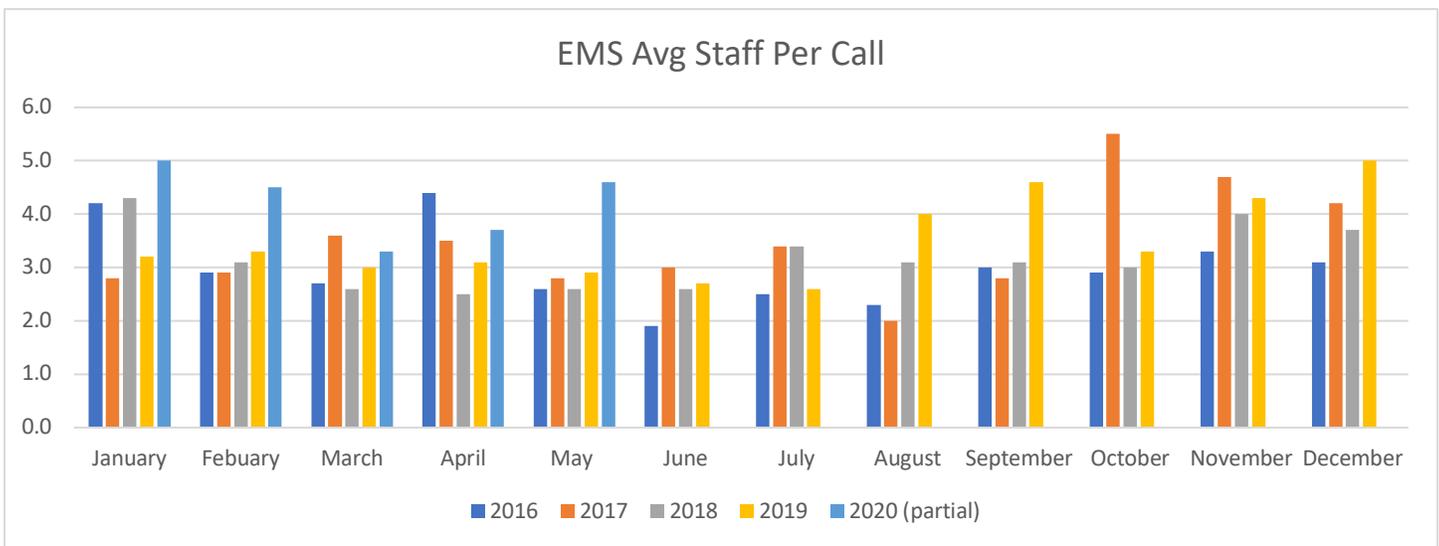
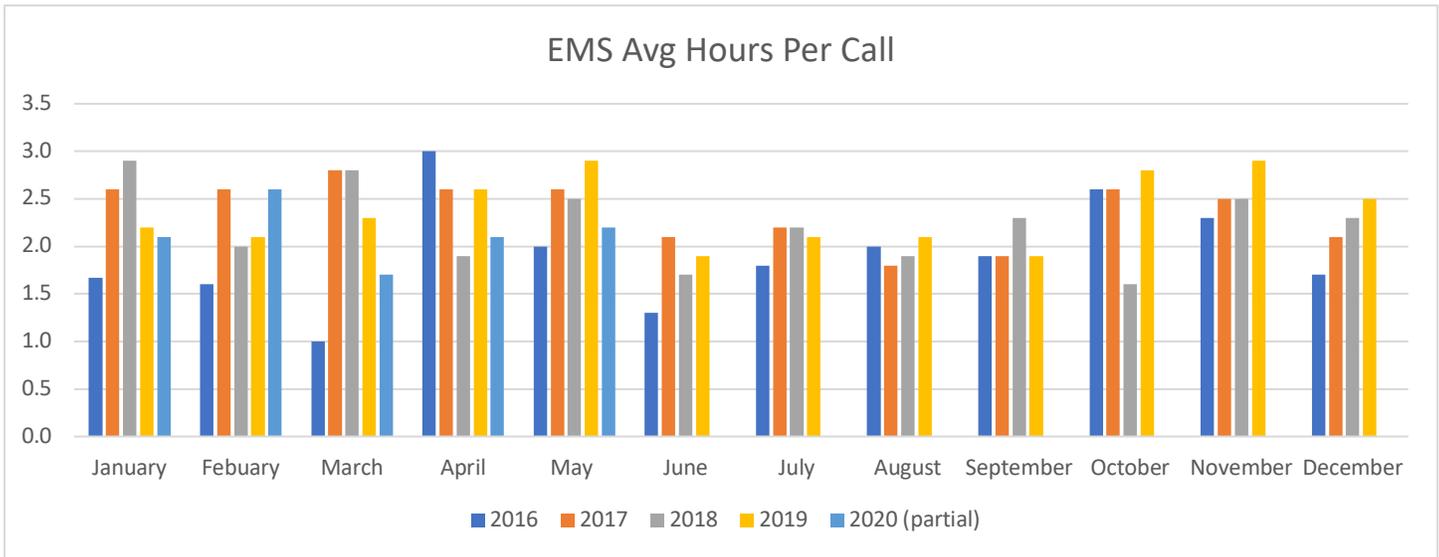
Fire call volumes reflect drought conditions and storms during the year. 2016 and 2018 experienced high volume for fires.



EMS calls appear to be relatively stable except for 2018. There does appear to be patterns based on the time of year.



MVA calls are another type of service where the weather and road conditions have an impact on calls. There was a huge spike this year during February and May.



2019 shows a spike in the average number of staff responding to a call. 2020 continues to follow the pattern established last year. Further research is needed to determine if those calls were more complicated and therefore required additional staff.

Recruit and Retain Staff

Recruiting and retaining qualified staff are critical for services in the community. National Human Resources studies on this subject are quite clear on the increased costs when there is high turnover and the different reasons for it. While wages are a factor, it is not always the most important one to employees. High on the list is good leadership, respect for the employees, adaptability to changing circumstances and employees having a voice are factors that contribute to strong, satisfied team members. The final decision of what actions are to be taken for improvement fall under the jurisdiction of the Fire Chief.

Wages in Deer Mountain Fire Department are at the lower end compared to surrounding communities and can motivate people to make a change. To help retain staff it would be beneficial to have a sit-down session with employees to find out what is most important to them for improving their work environment. It could be changing length of shifts, additional training or other factors they feel is important. Involving staff and getting their ideas for improvements to the work environment can assist Deer Mountain Fire Department in retaining staff.

In the current economic environment and the remote location of the Deer Mountain Fire Department service area wages may be a higher factor for successful recruiting. This was reflected in the recent search for a fire chief where the district only received 2 applications. Those with experience may choose to go where the money is. People new to the profession usually look for where they can gain experience. While the district does have a path through annual job reviews for promotions and wage increase it might be beneficial to highlight that in the recruiting process. An analysis could also be conducted into whether paying higher wages for a qualified senior who could internally train entry level staff could increase candidates' interest. A higher percent of employees are apt to staying working for a business that invests in them through training and opportunities for experience.

State Wage Data

Entry level wages for the district fall below the state's 25th % of wages across the state. While the district does not expect to meet the level of wages provided in the metro areas, the district is still below the Median for the southern area of the state.

**** the 10th % salary of \$25,889 extrapolated to determine hourly wage is equal to \$12.37 per hour**

Occupational Employment and Wage Rates (OES) for Emergency Medical Technicians and Paramedics in Colorado in All years									
The table below shows the annual occupational employment and annual wage data for Emergency Medical Technicians and Paramedics in Colorado in All years.									
Time Period	Employment	10th %	25th %	Entry level	Median	Mean	Experienced	75th %	90th %
2009	3,180	\$19,700	\$25,519	\$22,342	\$33,191	\$36,081	\$42,950	\$45,035	\$58,478
2010	2,880	\$18,412	\$24,812	\$21,456	\$34,812	\$36,599	\$44,171	\$46,227	\$59,169
2011	3,120	\$20,706	\$26,598	\$23,240	\$38,103	\$41,009	\$49,893	\$55,026	\$67,812
2012	3,220	\$20,663	\$26,325	\$23,091	\$35,706	\$39,530	\$47,750	\$51,604	\$65,907

2013	3,270	\$20,026	\$25,072	\$22,379	\$35,063	\$39,465	\$48,007	\$52,169	\$68,455
2014	3,500	\$21,846	\$27,255	\$24,195	\$35,350	\$39,175	\$46,665	\$47,410	\$65,175
2015	4,110	\$20,476	\$26,613	\$23,309	\$36,307	\$40,705	\$49,403	\$50,551	\$71,274
2016	4,290	\$21,065	\$29,231	\$25,067	\$37,647	\$42,287	\$50,898	\$53,399	\$72,297
2017	4,220	\$21,175	\$29,708	\$25,793	\$37,652	\$41,901	\$49,955	\$51,477	\$69,399
2018	3,700	\$25,889	\$31,902	\$28,780	\$38,303	\$42,321	\$49,092	\$50,420	\$62,700

Source: Occupational Employment Statistics Program

The mean wage is also known as the average wage. The mean wage is calculated by dividing the estimated total wages for an occupation by the number of workers in that occupation. Entry level and Experienced wage rates represent the means of the lower 1/3 and upper 2/3 of the wage distribution, respectively. Data is from an annual survey.

**** Counties with lower population do not always report wage information to the state**

Occupational Employment and Wage Rates(OES) for Emergency Medical Technicians and Paramedics in All Colorado Areas 2018

The table below shows the annual occupational employment and annual wage data for Emergency Medical Technicians and Paramedics in All Areas In Colorado in 2018.

Area	Employment	10th %	25th %	Entry level	Median	Mean	Experienced	75th %	90th %
Colorado	3,700	\$25,889	\$31,902	\$28,780	\$38,303	\$42,321	\$49,092	\$50,420	\$62,700
Adams County	Confidential	\$31,042	\$34,063	\$32,754	\$38,988	\$40,766	\$44,773	\$46,488	\$53,195
Arapahoe County	Confidential	\$26,716	\$31,408	\$29,215	\$39,318	\$51,676	\$62,906	\$77,984	\$96,406
Boulder County	70	\$26,560	\$29,128	\$27,726	\$33,836	\$36,033	\$40,186	\$38,955	\$53,109
Denver County	700	\$33,442	\$39,148	\$35,439	\$51,618	\$51,431	\$59,427	\$60,901	\$73,279
Douglas County	Confidential	\$30,974	\$34,231	\$32,872	\$39,418	\$43,059	\$48,153	\$50,809	\$60,197
El Paso County	620	\$25,521	\$28,349	\$26,838	\$33,877	\$37,409	\$42,694	\$45,945	\$58,015
Jefferson County	Confidential	\$29,392	\$33,855	\$32,081	\$39,258	\$39,527	\$43,250	\$45,600	\$49,571
La Plata County	70	\$33,384	\$37,297	\$34,928	\$53,701	\$49,222	\$56,369	\$59,933	\$63,723
Larimer County	100	\$31,169	\$34,654	\$33,218	\$39,430	\$43,445	\$48,559	\$53,598	\$62,340
Mesa County	Confidential	\$21,226	\$23,677	\$22,769	\$34,409	\$34,864	\$40,911	\$42,997	\$49,678
Pueblo County	150	\$30,454	\$35,597	\$32,217	\$45,440	\$47,648	\$55,364	\$60,154	\$68,560
Northwest	140	\$21,234	\$30,857	\$27,110	\$35,379	\$39,228	\$45,287	\$39,819	\$58,148
Pikes Peak	360	\$25,477	\$28,119	\$26,802	\$33,292	\$37,057	\$42,185	\$44,943	\$57,772
Pueblo	150	\$30,454	\$35,597	\$32,217	\$45,440	\$47,648	\$55,364	\$60,154	\$68,560
Rural Resort	210	\$28,779	\$33,905	\$31,853	\$38,287	\$39,812	\$43,791	\$44,768	\$50,761
Southeast	180	\$22,549	\$24,550	\$23,680	\$33,042	\$33,350	\$38,185	\$37,955	\$49,608
Southwest	160	\$21,231	\$31,012	\$26,804	\$38,870	\$41,816	\$49,322	\$56,070	\$62,240
Tri-County	370	\$28,791	\$33,410	\$31,604	\$38,663	\$39,013	\$42,717	\$45,094	\$49,370
Upper Arkansas	80	\$25,787	\$30,938	\$28,413	\$36,438	\$36,904	\$41,150	\$43,786	\$48,938
Western	100	\$21,220	\$21,227	\$21,226	\$28,827	\$35,460	\$42,577	\$52,184	\$60,832
Boulder-Longmont MSA	70	\$26,560	\$29,128	\$27,726	\$33,836	\$36,033	\$40,186	\$38,955	\$53,109
Colorado Springs MSA	360	\$25,477	\$28,119	\$26,802	\$33,292	\$37,057	\$42,185	\$44,943	\$57,772
Denver - Aurora MSA	1,680	\$28,806	\$34,069	\$31,661	\$40,797	\$46,086	\$53,299	\$52,667	\$74,117

Fort Collins-Loveland MSA	160	\$31,169	\$34,654	\$33,218	\$39,430	\$43,445	\$48,559	\$53,598	\$62,340
Grand Junction MSA	Confidential	\$21,226	\$23,677	\$22,769	\$34,409	\$34,864	\$40,911	\$42,997	\$49,678
Pueblo MSA	150	\$30,454	\$35,597	\$32,217	\$45,440	\$47,648	\$55,364	\$60,154	\$68,560
Eastern and Southern Colorado	330	\$21,754	\$24,324	\$23,320	\$31,781	\$33,234	\$38,191	\$38,010	\$52,937
Northwest Colorado	350	\$26,425	\$32,741	\$29,864	\$37,111	\$39,577	\$44,433	\$43,739	\$53,542
Southwest Colorado	330	\$21,226	\$26,209	\$23,501	\$36,080	\$38,717	\$46,325	\$51,998	\$60,742
Source: Occupational Employment Statistics Program									

Conclusion

DMFPD delivers critical medical and fire services to the residents of the district. The district has a large number of retired, older residents who experience higher risk health events. Local emergency medical services provide those residents with chronic health problems, sudden health threats, such as heart attacks and in-home accidents a better chance of recovery because of the reduced response time compared to relying on services outside of the community. It is at least a 35-minute lag time before an ambulance could get to fire station one.

The continual drought in southern Colorado, along with the impact of climate change increases fire risk within the community. Local fire response is able to quickly and efficiently contain a small fire from growing, save structures and possibly lives.

Without the local emergency medical and fire services the community would need to rely on Canon City or other communities which would greatly decrease by 75% the survival risk for medical emergencies experienced by residents.

Another advantage to having local services available is it creates an incentive for people interested in moving to the area whether they are retirees or families with children. In fact, the number one question retirees ask when considering moving to a new location is availability of medical services. Growth within the community will additionally widen the tax base the district relies on for maintaining local services. Home insurance could see a decline in costs with a higher level of skilled employees, volunteers who are trained to go into a house fire, employees and better equipment.

The decision to ask for an increase of the mill levy during this time of economic uncertainty is not viewed lightly by the board. Balancing the need to continue offering local services with the potential impact on residents financially was not an easy decision. In the end, the district tipped the scales toward the importance of these critical services for the lives of community residents.

Resources

- Special District Association
- Colorado Department of Labor & Occupation
- Fremont County Assessor Office
- DMFPD Service Call Records
- Business Options
- Gallagher Amendment Link
 - <https://buildingabettercolorado.org/understanding-the-gallagher-amendment/>

Acknowledgements

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- Thank you to Sherry Hastings, JR Niblett, Business Options for contributing to the information for this Report
- Gratitude Expressed to the State Employees, Special District Association, and everyone else Committee Members received timely assistance from.