

CENTRAL COVENTRY TAX RATE EXPLANATION

THE TAX RATES PREVIOUSLY USED BY THE CENTRAL COVENTRY FIRE DISTRICT (“CCFD”) WERE BASED UPON A MULTI-TIERED SYSTEM AND A CALCULATION ERROR RELATING TO THE COMMERCIAL TAX BASE, AND DID NOT PRODUCE A BALANCED BUDGET. IN ORDER TO HAVE A BALANCED BUDGET AND TO USE A TAX STRUCTURE THAT COMPLIES WITH THE LAW, THE SPECIAL MASTER HAD TO DEVELOP A NEW SINGLE-TIER TAX RATE, TREATING RESIDENTIAL AND COMMERCIAL PROPERTY THE SAME. THIS EXPLANATION IS INTENDED TO DEMONSTRATE HOW THE OLD, TIERED RATES RELATE TO THE NEW SINGLE RATE.

OLD TAX RATES: The old tax rates, used for fiscal years 2010-2011, 2011-2012, and as the basis for the Special Master’s Court-authorized invoices, used the December 31, 2009 property assessments and applied a tiered rate system. These rates were calculated based upon a \$217,000,000 (approximate) overstatement on the commercial tax base. As a result, these tax rates were not enough to generate the income needed to support the fire district’s operations.

Residential	\$1.82
Commercial	\$3.62
Tangible	\$1.82

Actual Deficit: **\$995,480**

Example 1 – under the old tax rates: A residence assessed at \$200,000 would have paid \$364 per year in CCFD taxes. A commercial property assessed at \$200,000 would have paid \$724 per year in CCFD taxes.

OLD TAX RATES ADJUSTED FOR ASSESSMENT ERROR. Still using the December 31, 2009 assessments and multiple tiers for comparison purposes, the following demonstrates the tax rates that would have been required had the \$217,000,000 error not occurred and there was a balanced budget.

Residential	\$2.44
Commercial	\$4.85
Tangible	\$2.44

Estimated Surplus: \$3,078

Example 2 – December 31, 2009 assessments, multiple tiers, no error, balanced budget: A residence assessed at \$200,000 would have paid \$488 per year in CCFD taxes which is 34% higher than the old tax rates (See Example 1). A commercial property assessed at

\$200,000 would have paid \$970.63 in CCFD taxes per year, which is 34% higher than the old tax rates (See Example 1).

OLD TAX RATE ADJUSTED FOR ASSESSMENT ERROR AND SINGLE RATE. Again using the December 31, 2009 assessments for comparison purposes, the following demonstrates the tax rates that would have been required under a single tier rate system and adjusted for the assessment error and a balanced budget.

Residential	\$2.76
Commercial	\$2.76
Tangible	\$2.76

Estimated Surplus: \$3,393.39

Example 3 - December 31, 2009 assessments, no error, single tier tax, balanced budget:
A residence assessed at \$200,000 would have paid \$552 per year in CCFD taxes which is 52% higher than the old tax rates (See Example 1).

Example 4- December 31, 2009 assessments, no error, single tier tax, balanced budget:
A commercial property assessed at \$200,000 would have paid \$552 per year which is **24% lower** than the old tax rates (See Example 1)

NEW TAX RATE. Using the **December 31, 2011** assessments (this is the correct assessment date for the District's 2012 – 2013 fiscal year), the following demonstrates the actual tax rates for a balanced budget, correcting for the single tier tax rate (and removing the 2009 commercial tax assessment error).

Residential	\$3.15
Commercial	\$3.15
Tangible	\$3.15

Estimated Surplus: \$110,673

Residential property assessments decreased on average by 17.8% between 2009 and 2011. Therefore, a property valued at \$200,000 on December 31, 2009 (as in the prior examples) would be valued at \$164,328 under the December 31, 2011 assessment.

Example 6 – December 31, 2011 assessments, single tier tax, balanced budget: The residence assessed at \$200,000 in Example 1 which paid \$346 per year in CCFD taxes will now, on average, have an estimated valued at \$164,328 and receive a bill of \$517.63 per year, a 50% increase.

Example 7 – Commercial tax rate adjustment: The commercial property assessed at \$200,000 in Example 1 which paid \$724 per year in CCFD taxes would now receive a bill of \$579.92 per year, a **20% reduction**.

It is important to keep in mind that the old rate did not result in a balanced budget, was understated due to the commercial assessment error, and was based upon impermissible tiered tax rates.