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CHAPTER 162

Senate Engrossed
FILED
MICHELE REAGAN
SECRETARY OF STATE

SENATE BILL 1312

AN ACT

AMENDING SECTIONS 48-253, 48-805, 48-805.02, 48-807, 48-820, 48-821 AND 48-822, ARIZONA REVISED STATUTES; AMENDING TITLE 48, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 48-823; RELATING TO FIRE DISTRICTS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 48-253, Arizona Revised Statutes, is amended to
3 read:

4 48-253. District audits and financial reviews

5 A. Each district that is organized under this title, that is not
6 exempt under subsection G or H of this section and that is required to make
7 an annual report under this article shall have its reports audited in
8 accordance with generally accepted government auditing standards and the
9 following:

10 1. Audits required by this section shall be performed annually for
11 districts whose budgets are one million dollars or more. Districts whose
12 budgets are one hundred thousand dollars or more but less than one million
13 dollars shall have a financial review performed annually. Districts whose
14 budgets are more than fifty thousand dollars and less than one hundred
15 thousand dollars shall have a financial review performed at least biennially.
16 Districts whose budgets are fifty thousand dollars or less shall have a
17 financial review performed at the request of the county board of supervisors
18 or on receipt of a request for a financial review that is signed by at least
19 ten residents of that district. A district shall not be required to perform
20 a financial review more than once per fiscal year.

21 2. A district may select an outside auditor who is a certified public
22 accountant or ~~a representative~~ AN AGENT OF A CERTIFIED PUBLIC ACCOUNTANT who
23 is selected by the board of supervisors and who is trained as an auditor.

24 3. A district may advertise and use competitive bidding practices to
25 select an agent to perform the audits or financial reviews required by this
26 section.

27 B. Each district that submits a financial statement for the preceding
28 fiscal year that has been attested to by an independent certified public
29 accountant pursuant to section 48-251 is deemed to have complied with this
30 section by submitting a copy of the financial statement to the county
31 treasurer.

32 C. Each district shall submit a copy of the completed audit or
33 financial review to the county treasurer and the board of supervisors within
34 two hundred forty days after the close of the district's fiscal year or
35 within one hundred eighty days after a request for a financial review is
36 received by the district pursuant to subsection A, paragraph 1 of this
37 section.

38 D. If a district fails to submit an audit or financial review as
39 required by this section, any taxpayer residing in the district, the board of
40 supervisors or the county treasurer may petition the superior court in a
41 county where the district is organized to show cause why the audit or
42 financial review has not been submitted. On a failure to show cause the
43 court shall order the district to submit the audit or financial review within
44 ten days after the judgment is entered. Except for a district organized
45 pursuant to chapter 5, article 3 of this title, on complaint made to the

1 county attorney, the county attorney may investigate any claimed failure to
2 comply with this section, report publicly on the investigation's findings and
3 take any enforcement action deemed appropriate by the county attorney.

4 E. If the court enters a judgment against the district under this
5 section, the court may award the taxpayer, board of supervisors or county
6 treasurer reasonable attorney fees and costs associated with bringing the
7 action.

8 F. For districts organized under chapter 19 of this title, a district
9 with an annual budget of at least five million dollars shall have an audit
10 performed annually and a district with an annual budget of at least one
11 million dollars but less than five million dollars shall have an audit
12 performed every five years and a financial review performed each year an
13 audit is not performed. A district with an annual budget of at least one
14 hundred thousand dollars but less than one million dollars shall have an
15 audit performed every ten years and a financial review performed each year an
16 audit is not performed.

17 G. For districts organized under chapter 5 of this title and except
18 for districts organized under chapter 5, article 3 of this title, a district
19 that receives five hundred thousand dollars or more in total revenues shall
20 perform an annual audit. For the purposes of this subsection, revenues
21 include monies generated by tax levies, monies received through
22 appropriations, grants and other federal and state sources and monies
23 received from services or other private sources, including ambulance and
24 similar services. If a district's total budgeted revenues in a fiscal year
25 are less than five hundred thousand dollars and the district receives total
26 actual revenues in a fiscal year of five hundred thousand dollars or more,
27 the district shall have an audit performed for that preceding fiscal year as
28 if the audit had originally been required by this section. Districts whose
29 total annual revenues are one hundred thousand dollars or more but less than
30 five hundred thousand dollars shall have a financial review performed
31 annually. Districts whose total annual revenues are more than fifty thousand
32 dollars and less than one hundred thousand dollars shall have a financial
33 review performed at least biennially. Districts whose total annual revenues
34 are fifty thousand dollars or less shall have a financial review performed at
35 the request of the county board of supervisors or on receipt of a request for
36 a financial review that is signed by at least ten residents of that
37 district. A district shall not be required to perform a financial review
38 more than once per fiscal year. All financial reviews AND AUDITS prescribed
39 by this section must be conducted according to generally accepted government
40 auditing standards.

41 H. Districts organized under chapters 4, 6, 17, 22, 27 and 28 of this
42 title are exempt from the requirements of this section.

43 Sec. 2. Section 48-805, Arizona Revised Statutes, is amended to read:
44 48-805. Fire district; powers and duties

45 A. A fire district, through its board, shall:

1 1. Hold public meetings at least once each calendar month unless a
2 board consists of three members and the fire district levies less than five
3 hundred thousand dollars annually then the board shall meet in July and at
4 least every two months thereafter. A board for a district organized pursuant
5 to article 3 of this chapter shall hold public meetings at least every two
6 months.

7 2. Determine the compensation payable to district personnel.

8 3. Require probationary employees in a paid sworn firefighter
9 position, a reserve firefighter position or a volunteer firefighter position
10 to submit a full set of fingerprints to the fire district. The fire district
11 shall submit the fingerprints to the department of public safety for the
12 purpose of obtaining a state and federal criminal records check pursuant to
13 section 41-1750 and Public Law 92-544. The department of public safety may
14 exchange this fingerprint data with the federal bureau of investigation.

15 B. A fire district, through its board, may:

16 1. Employ any personnel and provide services deemed necessary for fire
17 protection, for preservation of life and for carrying out its other powers
18 and duties, including providing ambulance transportation services when
19 authorized to do so pursuant to title 36, chapter 21.1, article 2, but a
20 member of a district board shall not be an employee of the district. The
21 merger of two or more fire districts pursuant to section 48-820 or the
22 consolidation with one or more fire districts pursuant to section 48-822
23 shall not expand the boundaries of an existing certificate of necessity
24 unless authorized pursuant to title 36, chapter 21.1, article 2.

25 2. Construct, purchase, lease, lease-purchase or otherwise acquire the
26 following or any interest therein and, in connection with the construction or
27 other acquisition, purchase, lease, lease-purchase or grant a lien on any or
28 all of its present or future property, including:

29 (a) Apparatus, water and rescue equipment, including ambulances and
30 equipment related to any of the foregoing.

31 (b) Land, buildings, equipment and furnishings to house equipment and
32 personnel necessary or appropriate to carry out its purposes.

33 3. Finance the acquisition of property as provided in this section and
34 costs incurred in connection with the issuance of bonds as provided in
35 section 48-806. Bonds shall not be issued without the consent of a majority
36 of the electors of the district voting at an election held for that purpose.
37 For the purposes of an election held under this paragraph, all persons who
38 are eligible to vote in fire district elections under section 48-802 are
39 eligible to vote.

40 4. Enforce the fire code adopted by the district, if any, and assist
41 the state fire marshal in the enforcement of fire protection standards of
42 this state within the fire district including enforcement of a nationally
43 recognized fire code if expressly authorized by the state fire marshal.

44 5. After the approval of the qualified electors of the fire district
45 voting at a regular district election or at a special election called for

1 that purpose by the district board, as appropriate, or at any election held
2 in the county that encompasses the fire district, adopt the _____ fire
3 code, which is a nationally recognized fire code approved by the state fire
4 marshal. The words appearing on the ballots shall be "should _____ fire
5 district adopt the _____ fire code, which is a nationally recognized
6 fire code approved by the state fire marshal--yes", "should _____
7 fire district adopt the _____ fire code, which is a nationally
8 recognized fire code approved by the state fire marshal--no". The code shall
9 be enforced by the county attorney in the same manner as any other law or
10 ordinance of the county. Any inspection or enforcement costs are the
11 responsibility of the fire district involved. The district shall keep the
12 code on file which shall be open to public inspection for a period of thirty
13 days before any election for the purpose of adopting a fire code. Copies of
14 the order of election shall be posted in three public places in the district
15 at least twenty days before the date of the election, and if a newspaper is
16 published in the county having a general circulation in the district, the
17 order shall be published in the newspaper at least once a week during each of
18 the three calendar weeks preceding the calendar week of the election.

19 6. Amend or revise the adopted fire code, including replacement of the
20 adopted fire code with an alternative nationally recognized fire code, with
21 the approval of the state fire marshal and after a hearing held pursuant to
22 posted and published notice as prescribed by section 48-805.02, subsection A.
23 The district shall keep three copies of the adopted code, amendments and
24 revisions on file for public inspection.

25 7. Enter into an agreement procuring the services of an organized
26 private fire protection company or a fire department of a neighboring city,
27 town, district or settlement without impairing the fire district's powers.

28 8. Contract with a city or town for fire protection services for all
29 or part of the city or town area until the city or town elects to provide
30 regular fire department services to the area.

31 9. Retain a certified public accountant to perform an annual audit of
32 district books.

33 10. Retain private legal counsel.

34 11. Accept gifts, contributions, bequests and grants and comply with
35 any requirements of those gifts, contributions, bequests and grants that are
36 not inconsistent with this article.

37 12. Appropriate and expend annually monies as are necessary for the
38 purpose of fire districts belonging to and paying dues in the Arizona fire
39 district association and other professional affiliations or entities.

40 13. Adopt resolutions establishing fee schedules both within and
41 outside of the jurisdictional boundaries of the district for providing fire
42 protection services and services for the preservation of life, including
43 emergency fire and emergency medical services, plan reviews, standby charges,
44 fire cause determination, users' fees or facilities benefit assessments or
45 any other fee schedule that may be required.

1 14. With the approval of two of the three members of a three-member
2 board, four of the five members of a five-member board or five of the seven
3 members of a seven-member board, change the district's name and on so doing
4 shall give written notice to the board of supervisors of the change. The
5 governing board of a fire district may place a question on the general
6 election ballot as to whether the fire district shall change its name.

7 15. Require all employees to submit a full set of fingerprints as
8 prescribed by subsection A, paragraph 3 of this section.

9 16. Enter into intergovernmental agreements or contracts as follows:

10 (a) Enter into an intergovernmental agreement with another political
11 subdivision for technical or administrative services or to provide fire
12 services to the property owned by the political subdivision, including
13 property that is outside the district boundary.

14 (b) Enter into a contract with individuals to provide technical or
15 administrative services.

16 (c) Enter into a contract with individuals to provide fire protection
17 services or emergency medical services, or both, to the extent not regulated
18 by title 36, chapter 21.1 to property owned by the individual located outside
19 the district boundaries if the individual's property is not located in a
20 county island as defined in section 11-251.12 and at least one of the
21 following apply:

22 (i) The existing fire service provider where the individual's property
23 is located has issued a notice to the individual that the provider plans to
24 discontinue service.

25 (ii) Fire service is not available to the individual's property.

26 (iii) Fire service is offered pursuant to a contract or subscription
27 and the individual has not obtained service for a period of twenty-four
28 months before the date of the contract with the district.

29 (d) Enter into a contract with individuals to provide fire services to
30 property owned by the individual located outside the district boundaries,
31 where the individual's property is located in a county island as defined in
32 section 11-251.12, if both of the following apply:

33 (i) The existing fire service provider where the individual's property
34 is located has issued a notice to the residents of the county island and the
35 individual that the provider plans to discontinue or substantially reduce
36 service.

37 (ii) The district offers contracts to all residents and property
38 owners of the county island who will be affected by the discontinuance or
39 substantial reduction in service by the current fire service provider.

40 (e) For the purposes of subdivision (a), (b), (c) or (d) of this
41 paragraph, a district may contract with any public or private fire service
42 provider to provide some or all of the contractual services the district is
43 contracting to deliver.

1 (f) Any contract entered into pursuant to subdivisions (b), (c) and
2 (d) of this paragraph shall include a provision setting forth the cost of
3 service and performance criteria.

4 17. SELL OR OTHERWISE DISPOSE OF ANY REAL PROPERTY, FACILITIES OR
5 EQUIPMENT IF THE DISTRICT BOARD DETERMINES THE REAL PROPERTY, FACILITIES OR
6 EQUIPMENT TO BE SURPLUS.

7 C. A fire district may not administratively add or annex additional
8 property or delete property or otherwise modify its boundaries except in a
9 merger or consolidation pursuant to this chapter or in a boundary change made
10 pursuant to section 48-262. This subsection does not apply to a district
11 organized pursuant to article 3 of this chapter.

12 D. The chairman and clerk of the district board or their respective
13 designees, as applicable, shall draw warrants on the county treasurer for
14 money required to operate the district in accordance with the budget and, as
15 so drawn, the warrants shall be sufficient to authorize the county treasurer
16 to pay from the fire district fund.

17 E. For any fire district that designates one or more board members to
18 have access to the financial books and records of the district, those board
19 members are authorized by law to have full access to those financial books
20 and records.

21 F. The district board may assess and levy a secondary property tax
22 pursuant to this article to pay for the costs of fire protection services or
23 emergency medical services except for services regulated pursuant to title
24 36, chapter 21.1.

25 G. The county attorney may advise and represent the district if in the
26 county attorney's judgment the advice and representation are appropriate and
27 not in conflict with the county attorney's duties under section 11-532. If
28 the county attorney is unable to advise and represent the district due to a
29 conflict of interest, the district may retain private legal counsel or may
30 request the attorney general to represent it, or both.

31 Sec. 3. Section 48-805.02, Arizona Revised Statutes, is amended to
32 read:

33 48-805.02. Fire district annual budget; levy; requirements

34 A. A fire district shall prepare an annual budget that contains
35 detailed estimated expenditures for each fiscal year and that clearly shows
36 salaries payable to employees of the district. The budget summary shall be
37 posted in three public places and a complete copy of the budget shall be
38 published on the district's official website for twenty days before a public
39 hearing at a meeting called by the board to adopt the budget. Copies of the
40 budget shall also be available to members of the public on written request to
41 the district. Following the public hearing, the district board shall adopt a
42 budget. A complete copy of the adopted budget shall be posted in a prominent
43 location on the district's official website within seven business days after
44 final adoption and shall be retained on the website for at least sixty
45 months. For any fire district that does not maintain an official website,

1 the fire district may comply with this subsection by posting on a website of
2 an association of fire districts in this state.

3 B. Not more than ten days after the organization of a fire district
4 and not later than August 1 of each year thereafter, the chairman of the
5 district board shall submit to the county board of supervisors a budget
6 estimate that contains certifications by item and that specifies the amount
7 of money required for the maintenance and operation of the district for the
8 ensuing year.

9 C. Based on the budget submitted by the district, the board of
10 supervisors shall levy the tax as prescribed in section 48-807, subsection E.

11 D. Every budget adopted by a fire district shall include the
12 following:

13 1. A certification by the chairman and clerk of the district board as
14 to both of the following:

15 (a) That the district has not incurred any debt or liability in excess
16 of taxes levied and to be collected and the money actually available and
17 unencumbered at that time in the district general fund, except for those
18 liabilities as prescribed in section 48-805, subsection B, paragraph 2 and
19 sections 48-806 and 48-807.

20 (b) That the district complies with subsection F of this section.

21 2. For each of the items listed in the budget summary approved
22 pursuant to subsection A of this section, the district shall estimate the
23 revenue or expense for the next two fiscal years. Estimates shall be based
24 on the average increase or decrease of the item for the previous two fiscal
25 years unless more certain information is available to the district.
26 Estimates shall include any applicable levy or rate limitations.

27 3. If a district's total estimate of expenses exceeds its total
28 estimate of revenues for any fiscal year, the district shall undertake a
29 study of merger, consolidation or joint operating alternatives. The study
30 required by this paragraph shall be presented to the fire district board in a
31 special public meeting called for the sole purpose of evaluating the study.
32 The study shall include an identification of districts available for merger,
33 consolidation or joint operations, an analysis of the level of service and
34 cost of service that may be provided to the residents of a merged,
35 consolidated or jointly operated district as compared to the level and cost
36 of service to the residents of the districts without any merger,
37 consolidation or joint operations.

38 E. For any district that amends its budget after its initial adoption,
39 the district board shall hold at least two hearings on the revision of the
40 budget and the revised budget must be considered and adopted in a special
41 meeting that is called for the adoption of the revised budget. The special
42 meeting must be held one week after the consideration of the revision of the
43 budget at a regularly scheduled meeting of the board of directors of the
44 district. This subsection does not apply to a district organized pursuant to
45 article 3 of this chapter.

1 F. When a fire district has adopted a budget and the board of
2 supervisors has levied a fire district tax as provided in subsection C of
3 this section and the district has insufficient monies in its general fund
4 with the county treasurer to operate the district, the chairman of the fire
5 district board of directors, on or after August 1 of each year, may draw
6 warrants for the purposes prescribed in section 48-805 on the county
7 treasurer, payable on November 1 of that year or on April 1 of the succeeding
8 year. The aggregate amounts of the warrants may not exceed ninety ~~per cent~~
9 PERCENT of the taxes levied by the county for the district's current fiscal
10 year. If the treasurer cannot pay a warrant for lack of monies in the fire
11 district general fund, the warrant shall be endorsed, be registered, bear
12 interest and be redeemed as provided by law for county warrants, except that
13 the warrants are payable only from the fire district general fund.

14 G. Any audit, ~~or~~ report OR REVIEW of a fire district made pursuant to
15 section 48-253 shall be presented ~~in person~~ to the district board by the
16 auditor ~~and~~ TELEPHONICALLY OR IN ANOTHER LIVE ELECTRONIC FORMAT DURING A
17 PUBLIC MEETING OF THE BOARD OR, AS DIRECTED BY THE BOARD, IN PERSON AT A
18 PUBLIC MEETING OF THE BOARD. The district board shall ~~accept~~ TAKE FORMAL
19 ACTION AT THE PUBLIC MEETING TO REVIEW AND RECEIVE the audit, ~~or~~ report OR
20 REVIEW. The audit, ~~or~~ report OR REVIEW shall include a ~~certification~~ AN
21 ATTESTATION by the auditor of the district as to ~~both~~ ALL of the following:

22 1. That the district has not incurred any debt or liability in excess
23 of taxes levied and to be collected and the monies actually available and
24 unencumbered at that time in the district general fund except for those
25 liabilities as prescribed in section 48-805, subsection B, paragraph 2 and
26 sections 48-806 and 48-807.

27 2. That the district complies with subsection F of this section.

28 3. WHETHER THE AUDIT, REPORT OR REVIEW DISCLOSED ANY INFORMATION
29 CONTRARY TO THE CERTIFICATION MADE AS PRESCRIBED BY SUBSECTION D, PARAGRAPH 1
30 OF THIS SECTION.

31 Sec. 4. Section 48-807, Arizona Revised Statutes, is amended to read:
32 48-807. County fire district assistance tax; annual budget;
33 override

34 A. The board of supervisors of a county shall levy, at the time of
35 levying other property taxes, a county fire district assistance tax on the
36 taxable property in the county of not more than ten cents per one hundred
37 dollars of assessed valuation. The tax levy provided for in this subsection
38 shall be a levy of secondary property taxes and shall not be subject to title
39 42, chapter 17, article 2. The county treasurer shall pay to each fire
40 district, including a fire district formed pursuant to section 48-851, in the
41 county from the proceeds of the tax an amount equal to twenty ~~per cent~~
42 PERCENT of the property tax levy adopted by the district for the fiscal year
43 in which the tax will be levied, except that:

44 1. The amount of assistance from the county to a fire district shall
45 be reduced as follows:

1 (a) Through the fiscal year that ends June 30, 2012, by the dollar
2 amount that the fire district receives from the fire district assistance tax
3 that exceeds three hundred thousand dollars from and after June 30 of each
4 fiscal year.

5 (b) Beginning with the fiscal year that starts July 1, 2012, by the
6 dollar amount that the fire district receives from the fire district
7 assistance tax that exceeds four hundred thousand dollars from and after
8 June 30 of each fiscal year, without regard to whether the district is
9 located in more than one county.

10 (c) Except as provided in paragraph 2 of this subsection, if the total
11 amount to be paid to all districts in the county under this paragraph exceeds
12 the amount to be raised by the levy of ten cents per one hundred dollars
13 assessed valuation, then the county treasurer shall pay an amount less than
14 twenty ~~per-cent~~ PERCENT of the property tax levy of each district. The
15 amount to be paid by the county treasurer to each district shall be
16 determined by multiplying the proceeds of the county fire district assistance
17 tax against the proportion that twenty ~~per-cent~~ PERCENT of the property tax
18 levy of each district bears to the total of twenty ~~per-cent~~ PERCENT of the
19 property tax levies of all fire districts in the county.

20 2. For fiscal years beginning from and after July 1, 1992, the amount
21 of assistance from the county to a fire district shall not be less than the
22 assistance provided from and after June 30, 1991 through June 30, 1992, if,
23 for the fiscal year in which the tax will be levied, the district levies a
24 tax, in addition to any tax levied under section 48-806, of three dollars per
25 one hundred dollars of assessed valuation and the assessed valuation is at
26 least ninety ~~per-cent~~ PERCENT of the assessed valuation for the 1991 tax
27 year. This paragraph does not apply to fire districts subject to paragraph
28 1, subdivision (a) or (b) of this subsection.

29 B. For the purpose of subsection A of this section, the property tax
30 levy of the fire district shall include in lieu contributions pursuant to
31 chapter 1, article 8 of this title but shall not include property tax levies
32 to be applied to the payment of principal and interest on bonds issued
33 pursuant to section 48-806.

34 C. Beginning with the fiscal year that starts July 1, 2012, a
35 consolidated district shall not receive more than four hundred thousand
36 dollars in fire district assistance tax monies, without regard to whether the
37 consolidated district is located in more than one county.

38 D. Beginning with the fiscal year that starts July 1, 2012, if two or
39 more fire districts merge to form a consolidated district and the total of
40 the amounts received by each fire district from the fire district assistance
41 tax is less than four hundred thousand dollars, the consolidated district may
42 continue to receive monies until its receipts total four hundred thousand
43 dollars, as prescribed in subsection A of this section, without regard to
44 whether the consolidated district is located in more than one county.

1 E. The board, based on the budget submitted by the district, shall
2 levy, in addition to any tax levied as provided in section 48-806, a tax not
3 to exceed three dollars twenty-five cents per one hundred dollars of assessed
4 valuation, or the amount of the levy in the preceding tax year multiplied by
5 1.08, whichever levy is less, and minus any amounts required to reduce the
6 levy pursuant to subsection H of this section, against all property situated
7 within the district boundaries and appearing on the last assessment roll.
8 The levy shall be made and the taxes collected in the manner, at the time and
9 by the officers provided by law for the collection of general county taxes.

10 F. The qualified electors of the district, voting in an election as
11 prescribed by subsection G of this section, may authorize the board to levy a
12 tax exceeding the limits prescribed by subsection E of this section under
13 one, but not both, of the following options:

14 1. The electors may authorize a permanent override allowing annual
15 levies without reference to the levy in the preceding tax year, but remaining
16 subject to the tax rate limit of three dollars twenty-five cents per one
17 hundred dollars of assessed valuation. An election for the purposes of this
18 paragraph must be held at a regularly scheduled general election held on the
19 first Tuesday following the first Monday in November as prescribed by section
20 16-204, subsection B, ~~paragraph 1, subdivision (d)~~ F.

21 2. If the net assessed valuation of all property in the district
22 declines by a combined total of twenty ~~per cent~~ PERCENT or more over two
23 consecutive valuation years, the electors voting at the next regularly
24 scheduled general election held on the first Tuesday following the first
25 Monday in November as prescribed by section 16-204, subsection B, ~~paragraph~~
26 ~~1, subdivision (d)~~ F may authorize an override for five consecutive tax years
27 allowing annual levies that are exempt from the tax rate limit of three
28 dollars twenty-five cents, but subject to an annual levy limit of the amount
29 of the levy in the preceding tax year multiplied by 1.05. After the fifth
30 tax year, the district is again subject to the limits prescribed by
31 subsection E of this section, computed by multiplying the levy beginning in
32 the year preceding the override by 1.08 for each year through the current tax
33 year.

34 G. The call for an override election held for the purposes of
35 subsection F of this section must state:

36 1. The purpose for requesting additional secondary property tax
37 revenue for the district.

38 2. If the voters approve the levy:

39 (a) The maximum dollar amount of secondary property tax that may be
40 collected in the first year compared to the existing maximum secondary
41 property tax levy prescribed in subsection E of this section.

42 (b) The estimated secondary property tax rate to fund the proposed
43 levy under subdivision (a) OF THIS PARAGRAPH in the first tax year compared
44 to the secondary property tax rate levied in the current year.

1 H. If the district annexes additional territory, the limit under
2 subsection E of this section shall be adjusted by applying the district's tax
3 rate to the assessed valuation of the annexed property in the preceding tax
4 year. If districts are merged or consolidated under this chapter, the
5 limitation under this subsection in the first year after the districts are
6 merged or consolidated is the total of the levies of the merged or
7 consolidated districts in the preceding tax year multiplied by 1.08 or the
8 amount of the levies allowed by the maximum rate prescribed by subsection E
9 of this section, whichever is less.

10 I. The district shall maintain any property tax revenues collected in
11 excess of the sum of the amounts of taxes collectible pursuant to section
12 42-17054 and the allowable levy determined under subsection E of this section
13 in a separate fund and used to reduce the property tax levy in the following
14 tax year.

15 J. The levy limit under this section is considered to be increased
16 each year to the maximum limit permissible under subsection E of this section
17 regardless of whether the district actually levies taxes up to the maximum
18 permissible amount in that year.

19 K. The county treasurer shall keep the money received from taxes
20 levied pursuant to subsection E of this section in a separate fund known as
21 the "fire district general fund" of the district for which collected. Any
22 surplus remaining in the fire district general fund at the end of the fiscal
23 year shall be credited to the fire district general fund of the district for
24 which it was collected for the succeeding fiscal year and after subtraction
25 of accounts payable and encumbrances, shall be used to reduce the property
26 tax levy in the following tax year.

27 L. A fire district may maintain separate accounts with a financial
28 institution that is authorized to do business in this state for the purpose
29 of operating a payroll account or for holding special revenues or ambulance
30 revenues, or both, as necessary to fulfill the district's fiduciary
31 responsibilities.

32 M. A fire district, through the county treasurer, shall establish the
33 relevant governmental funds necessary for the proper management and fiscal
34 accountability of district monies from property taxes, grants, contributions
35 and donations, as defined by the government accounting standards board.
36 Unless the monies received are legally restricted by contract, agreement or
37 law, those monies may be transferred between fund accounts according to the
38 original or amended budget of the fire district.

39 N. A fire district shall reconcile all balance sheet accounts for
40 accounts for each calendar month of the fiscal year within thirty days after
41 the end of that calendar month. The fire district board shall review the
42 reconciled balance sheet accounts monthly, EXCEPT THAT FOR A FIRE DISTRICT
43 THAT IS GOVERNED BY A THREE-MEMBER BOARD, THE BOARD MAY REVIEW THE RECONCILED
44 BALANCE SHEET ACCOUNTS EVERY TWO MONTHS.

1 O. A fire district shall produce monthly financial reports to include
2 a register of checks, warrants and deposits, a statement of financial
3 activities and a statement of net assets for each calendar month. A fire
4 district shall produce a cash flow projection report for each fiscal year.
5 The cash flow projection report shall be updated monthly with the actual
6 revenues and expenditures from the preceding month. Each month, the fire
7 district board shall review the financial reports, the updated cash flow
8 projections report and all month-end fund statements and reports of the
9 preceding month to include those reports provided by the county treasurer and
10 each of the financial institutions in which the district maintains an
11 account, EXCEPT THAT FOR A FIRE DISTRICT THAT IS GOVERNED BY A THREE-MEMBER
12 BOARD, THE BOARD MAY REVIEW THE REPORTS AND STATEMENTS PRESCRIBED BY THIS
13 SUBSECTION EVERY TWO MONTHS. Any financial report or cash flow projection
14 report that would indicate that the district is likely to violate section
15 48-805.02, subsection D, paragraph 1 or that would indicate an adverse impact
16 on the ongoing operations or liquidity of the district shall be reported by
17 the fire district board chairman in writing and delivered by certified mail
18 to the county treasurer and the county board of supervisors within ten days
19 after the discovery.

20 P. Notwithstanding section 11-605, a fire district may register
21 warrants only if separate accounts are maintained by the county treasurer for
22 each governmental fund of a fire district. Warrants may only be registered
23 on the maintenance and operation account, the unrestricted capital outlay
24 account and the special revenue account, and only if the total cash balance
25 of all three accounts is insufficient to pay the warrants and after any
26 revolving line of credit has been expended as prescribed in section 11-635.

27 Q. When a fire district has adopted a budget and the board of
28 supervisors has levied a fire district tax as provided in subsection E of
29 this section and the district has insufficient money in its general fund with
30 the county treasurer to operate the district, the chairman of the board, on
31 or after August 1 of each year, may draw warrants for the purposes prescribed
32 in section 48-805 on the county treasurer, payable on November 1 of that year
33 or on April 1 of the succeeding year. The aggregate amounts of the warrants
34 may not exceed ninety ~~per cent~~ PERCENT of the taxes levied by the county for
35 the district's current fiscal year. If the treasurer cannot pay a warrant
36 for lack of funds in the fire district general fund, the warrant shall be
37 endorsed, be registered, bear interest and be redeemed as provided by law for
38 county warrants, except that the warrants are payable only from the fire
39 district general fund.

40 Sec. 5. Section 48-820, Arizona Revised Statutes, is amended to read:
41 48-820. Election to merge fire districts; notice; hearing;
42 approval; joint meeting; merged district board

43 A. Except as provided in subsection K of this section, the board of
44 supervisors shall make an order calling for an election to decide whether to
45 merge fire districts when a resolution for merger from each district is

1 submitted to the board. The board of supervisors shall not make an order
2 calling for an election to merge fire districts more frequently than once
3 every two years. Whether or not the districts are merged, the fire districts
4 shall reimburse the counties for the expenses of the election, including the
5 cost of mailing any notices required pursuant to this section. If the
6 proposed district is located in more than one county, the resolutions shall
7 be submitted to the board of supervisors of the county in which the majority
8 of the assessed valuation of the proposed district is located. The words
9 appearing on the ballot shall be "(insert fire districts' names) merge as a
10 fire district--yes" and "(insert fire districts' names) merge as fire
11 district--no."

12 B. Except for a district organized pursuant to article 3 of this
13 chapter, at least six days but not more than twenty days after the election,
14 the board of supervisors shall meet and canvass the returns, and if it is
15 determined that a majority of the votes cast at the election in each of the
16 affected districts is in favor of merging the fire districts, the board shall
17 enter that fact on its minutes.

18 C. For a district organized pursuant to article 3 of this chapter,
19 within fourteen days after the election, the board of supervisors shall meet
20 and canvass the returns, and if it is determined that a majority of the votes
21 cast at the election in each of the affected districts is in favor of merging
22 the fire districts, the board shall enter the fact on its minutes.

23 D. Except as prescribed in subsection E of this section, two or more
24 fire districts may merge if the governing body of each affected fire
25 district, by a majority vote of the members of each governing body, adopts a
26 resolution declaring that a merger be considered and a public hearing be held
27 to determine if a merger would be in the best interests of the district and
28 would promote public health, comfort, convenience, necessity or welfare.
29 After each district adopts such a resolution, the governing body by first
30 class mail shall send written notice of the resolution, its purpose and
31 notice of the day, hour and place of a hearing on the proposed merger to each
32 owner of taxable property within the boundaries of the district. The notice
33 shall contain the name and A GENERAL description of the boundaries of each
34 district proposed to be merged and a detailed, accurate map of the area to be
35 included in the merger. The notice also shall contain an estimate of the
36 assessed value of the merged district, the estimated change in property tax
37 liability for a typical resident of the proposed merged district and a list
38 of the benefits and injuries that may result from the proposed merged
39 district. No new territory may be included as a result of the merger.

40 E. A noncontiguous county island fire district formed pursuant to
41 section 48-851 shall not merge with a fire district formed pursuant to
42 section 48-261.

43 F. The clerk of the governing body shall post notice in at least three
44 conspicuous public places in the district and shall also publish notice twice
45 in a daily newspaper of general circulation in the county in which the

1 district is located, at least ten days before the public hearing. The clerk
2 of each governing body affected by the proposed merger shall also mail notice
3 and a copy of the resolution in support of considering the merger to the
4 chairman of the board of supervisors of the county or counties in which the
5 affected districts are located. The chairman of the board of supervisors
6 shall order a review of the proposed merger and shall submit written comments
7 to the governing body of each fire district located in that county within ten
8 days after receipt of the notice.

9 G. At the hearing, each governing body of the district shall consider
10 the comments of the board of supervisors, hear those persons who appear for
11 or against the proposed merger and determine whether the proposed merger will
12 promote public health, comfort, convenience, necessity or welfare. If, after
13 the public hearing each of the governing bodies of the districts affected by
14 the proposed merger adopt a resolution by a majority vote that the merger
15 will promote public health, comfort, convenience, necessity or welfare, each
16 of the governing bodies of the districts affected by the proposed merger
17 shall submit to the board of supervisors the resolutions that call for an
18 election.

19 H. Before considering any resolution of merger pursuant to this
20 section, a governing body shall obtain written consent to the merger from any
21 single taxpayer residing within each of the affected districts who owns
22 thirty ~~per cent~~ PERCENT or more of the net assessed valuation of the total
23 net assessed valuation of the district. If written consent contemplated by
24 this subsection is not obtained, subsections A and B OF THIS SECTION apply,
25 and the merger may only be accomplished by election. IF ONE OF THE AFFECTED
26 DISTRICTS DOES NOT HAVE A SINGLE TAXPAYER RESIDING IN THE DISTRICT WHO OWNS
27 THIRTY PERCENT OR MORE OF THE NET ASSESSED VALUATION OF THE TOTAL NET
28 ASSESSED VALUATION OF THE DISTRICT, THIS SUBSECTION DOES NOT APPLY TO THAT
29 DISTRICT AND WRITTEN CONSENT IS NOT REQUIRED FOR THAT DISTRICT.

30 I. If the merger is approved as provided by subsection B or K of this
31 section, within thirty days after the approval, the governing body of the
32 affected district with the largest population shall call a joint meeting of
33 the governing bodies of all of the affected districts. At the joint meeting,
34 a majority of the members of the governing body of each affected district
35 constitutes a quorum for the purpose of transacting business. The members of
36 the governing body shall appoint a total of five persons from those currently
37 serving on the governing bodies who shall complete their regular terms of
38 office, except that no more than three of the persons appointed may serve
39 terms that end in the same year. No more than three members shall be
40 appointed from the same fire district board. Subsequent terms of office for
41 district board members shall be filled by election of board members who shall
42 be qualified electors of the merged district.

43 J. The appointed governing body shall immediately meet and organize
44 itself and elect from its members a chairman and a clerk. THE APPOINTED
45 GOVERNING BODY SHALL IMMEDIATELY HAVE THE POWERS AND DUTIES PRESCRIBED BY LAW

1 FOR GOVERNANCE AND OPERATION OF THE NEWLY MERGED DISTRICT. The appointed
2 board by resolution shall declare the districts merged and each affected
3 district joined. ~~The governing board by resolution shall declare~~ AND the
4 name of the newly merged fire district. The resolution and the names of the
5 new board members for the newly organized district shall be sent to the board
6 of supervisors, and the districts are merged effective thirty days after the
7 adoption of the resolution. IF THE NEWLY MERGED DISTRICT IS AUTHORIZED TO
8 OPERATE AN AMBULANCE SERVICE PURSUANT TO TITLE 36, CHAPTER 21.1, ARTICLE 2,
9 THE NAME OF THE AMBULANCE SERVICE SHALL BE CHANGED ADMINISTRATIVELY BY THE
10 DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES TO THE NAME OF THE NEWLY MERGED
11 DISTRICT AND A HEARING ON THE MATTER IS NOT REQUIRED PURSUANT TO SECTION
12 36-2234.

13 K. THE MERGER OF TWO OR MORE FIRE DISTRICTS PURSUANT TO THIS SECTION
14 OR THE CONSOLIDATION WITH ONE OR MORE FIRE DISTRICTS PURSUANT TO SECTION
15 48-822 SHALL NOT EXPAND THE BOUNDARIES OF AN EXISTING CERTIFICATE OF
16 NECESSITY UNLESS AUTHORIZED PURSUANT TO TITLE 36, CHAPTER 21.1, ARTICLE 2.

17 ~~K.~~ L. If the requirements of subsection H of this section are met and
18 ~~each~~ of the governing body votes required by ~~subsections D and~~ SUBSECTION G
19 of this section are unanimous, the following apply:

20 1. The governing bodies of each district may choose to merge by
21 unanimous resolution without an election and subsections A and B of this
22 section do not apply.

23 2. The governing bodies of each district may choose to hold an
24 election on the question of merger and subsections A and B of this section
25 apply.

26 Sec. 6. Section 48-821, Arizona Revised Statutes, is amended to read:
27 48-821. Disposition of assets on merger of fire districts

28 A. If fire districts established under this article are merged, all
29 the equipment, assets and liabilities of the affected districts shall be
30 transferred to the fire district created by the merger.

31 B. All assets and liabilities of whatever description and all books
32 and records belonging to the fire fighters' relief and pension fund of merged
33 fire districts shall be transferred to and become the property of the fire
34 fighters' relief and pension fund of the fire district created by the merger.

35 C. ON MERGER OF FIRE DISTRICTS PURSUANT TO SECTION 48-820, THE FIRE
36 DISTRICTS THAT WERE MERGED ARE DISSOLVED BY OPERATION OF LAW AND NO LONGER
37 EXIST AND THE NEWLY ORGANIZED AND MERGED FIRE DISTRICT IS A SEPARATE AND NEW
38 LEGAL ENTITY BY OPERATION OF LAW.

39 Sec. 7. Section 48-822, Arizona Revised Statutes, is amended to read:
40 48-822. Election to consolidate fire districts; resolution;

41 hearing

42 A. Except as provided in subsection E of this section, the board of
43 supervisors shall make an order calling for an election to decide whether to
44 consolidate fire districts when a resolution for consolidation of fire
45 districts from each district is submitted to the board of supervisors. The

1 board of supervisors shall not make an order calling for an election to
2 consolidate fire districts more frequently than once every two years.
3 Whether or not the districts are consolidated, the fire districts shall
4 reimburse the counties for the expenses of the election, including the cost
5 of mailing any notices. If the proposed district is located in more than one
6 county, the resolutions shall be submitted to the board of supervisors of the
7 county in which the majority of the assessed valuation of the proposed
8 district is located. The words appearing on the ballot shall be "(insert
9 fire districts' names) consolidate as a fire district--yes" and "(insert fire
10 districts' names) consolidate as fire district--no."

11 B. Within fourteen days after the election, the board of supervisors
12 shall meet and canvass the returns, and if it is determined that a majority
13 of the votes cast at the election in each of the affected districts is in
14 favor of consolidating the fire districts, the board shall enter that fact on
15 its minutes.

16 C. Except as proscribed by subsection D of this section, a fire
17 district may consolidate with one or more other fire districts formed
18 pursuant to section 48-261 as follows:

19 1. A resolution requesting the consolidation of a fire district is
20 passed by a majority vote of the governing body requesting consolidation into
21 another fire district. The requesting district shall send by first class
22 mail the notice of request to consolidate districts to the fire district in
23 which the consolidation is requested.

24 2. On receipt of the resolution requesting consolidation, and on
25 approval by majority vote of the governing body receiving the request, two or
26 more fire districts may consolidate if the governing body of each affected
27 fire district by a majority vote of the members of each governing body adopts
28 a resolution declaring that a consolidation be considered and a public
29 hearing be held to determine if a consolidation would be in the best interest
30 of the districts and would promote the public health, comfort, convenience,
31 necessity or welfare. After each district adopts such a resolution, the
32 governing body by first class mail shall send written notice of the
33 resolution, its purpose and notice of the day, hour and place of a hearing on
34 the proposed consolidation to each owner of taxable property within the
35 boundaries of the district. The notice shall contain the name and A GENERAL
36 description of the boundaries of each district that is proposed to be
37 consolidated and a detailed, accurate map of the area to be included in the
38 consolidation. The notice also shall contain an estimate of the assessed
39 value of the consolidated district, the estimated change in the property tax
40 liability for a typical resident of the proposed consolidated district and a
41 list of the benefits and injuries that may result from the proposed
42 consolidated district. No new territory may be included as a result of the
43 consolidation.

44 3. The clerk of the governing body of the fire districts affected by
45 the proposed consolidation shall post notice in at least three conspicuous

1 public places in the district and also shall publish notice twice in a daily
2 newspaper of general circulation in the county in which the district is
3 located at least ten days before the public hearing. The clerk of each
4 governing body affected by the proposed consolidation shall also mail notice
5 and a copy of the resolution in support of considering consolidation to the
6 chairman of the board of supervisors of the county or counties in which the
7 affected districts are located. The chairman of the board of supervisors
8 shall order a review of the proposed consolidation and shall submit written
9 comments to the governing body of each fire district located in the county
10 within ten days after receipt of the notice.

11 4. At the hearing, the governing body of the district shall consider
12 the comments of the board of supervisors, hear those persons who appear for
13 or against the proposed consolidation and determine whether the proposed
14 consolidation will promote the public health, comfort, convenience, necessity
15 or welfare. If, after the public hearing, each of the governing bodies of
16 the districts affected by the proposed consolidation adopt a resolution by a
17 majority vote that the consolidation will promote the public health, comfort,
18 convenience, necessity or welfare, each of the governing bodies of the
19 districts affected by the proposed consolidation shall submit the resolutions
20 calling for an election to the board of supervisors.

21 5. If the proposal for consolidation is approved as provided in
22 subsections A and B of this section, the governing body of the district into
23 which consolidation was requested shall by resolution declare the district
24 consolidated and each affected district joined. Those persons currently
25 serving as the governing body of the district into which consolidation was
26 requested shall serve as the governing body of the newly consolidated
27 district and complete their regular terms of office. The newly consolidated
28 district governing body shall consist of at least five members WHO SHALL
29 IMMEDIATELY HAVE THE POWERS AND DUTIES PRESCRIBED BY LAW FOR GOVERNANCE AND
30 OPERATION OF THE NEWLY CONSOLIDATED DISTRICT.

31 6. If the consolidation results in a new district population that is
32 greater than fifty thousand persons, the new governing board may appoint an
33 additional two members to serve until the next general election at which time
34 the newly elected member with the highest number of votes serves a four year
35 term and the other member serves a two year term. Thereafter, the term of
36 office for these two new members is four years.

37 7. The governing body by resolution shall declare the name of the
38 newly consolidated fire district. IF THE NEWLY CONSOLIDATED FIRE DISTRICT IS
39 AUTHORIZED TO OPERATE AN AMBULANCE SERVICE PURSUANT TO TITLE 36, CHAPTER
40 21.1, ARTICLE 2, THE NAME OF THE AMBULANCE SERVICE SHALL BE CHANGED
41 ADMINISTRATIVELY BY THE DIRECTOR OF THE DEPARTMENT OF HEALTH SERVICES TO THE
42 NAME OF THE NEWLY CONSOLIDATED DISTRICT AND A HEARING ON THE MATTER IS NOT
43 REQUIRED PURSUANT TO SECTION 36-2234.

44 8. If a proposed consolidated district would include property located
45 in an incorporated city or town, in addition to the other requirements of

1 this section, the governing body of the district shall approve the creation
2 of the consolidated district only if the governing body of the city or town
3 endorses the creation by ordinance or resolution.

4 9. Before considering any resolution of consolidation pursuant to this
5 section, a governing body shall obtain written consent to the consolidation
6 from any single taxpayer residing within each of the affected districts who
7 owns thirty ~~per cent~~ PERCENT or more of the net assessed valuation of the
8 total net assessed valuation of the district. IF ONE OF THE AFFECTED
9 DISTRICTS DOES NOT HAVE A SINGLE TAXPAYER RESIDING IN THE DISTRICT WHO OWNS
10 THIRTY PERCENT OR MORE OF THE NET ASSESSED VALUATION OF THE TOTAL NET
11 ASSESSED VALUATION OF THE DISTRICT, THIS SUBSECTION DOES NOT APPLY TO THAT
12 DISTRICT AND WRITTEN CONSENT IS NOT REQUIRED FOR THAT DISTRICT.

13 D. A noncontiguous county island fire district formed pursuant to
14 section 48-851 shall not consolidate with a fire district formed pursuant to
15 section 48-261.

16 E. THE MERGER OF TWO OR MORE FIRE DISTRICTS PURSUANT TO SECTION 48-820
17 OR THE CONSOLIDATION WITH ONE OR MORE FIRE DISTRICTS PURSUANT TO THIS SECTION
18 SHALL NOT EXPAND THE BOUNDARIES OF AN EXISTING CERTIFICATE OF NECESSITY
19 UNLESS AUTHORIZED PURSUANT TO TITLE 36, CHAPTER 21.1, ARTICLE 2.

20 ~~E.~~ F. If the requirements of subsection C, paragraph 9 of this
21 section are met and ~~each of~~ the governing body votes required by SUBSECTION
22 C, PARAGRAPH 4 OF this section are unanimous, the following apply:

23 1. The governing bodies of each district may choose to consolidate by
24 unanimous resolution without an election and subsections A and B of this
25 section do not apply.

26 2. The governing bodies of each district may choose to hold an
27 election on the question of consolidation and subsections A and B of this
28 section apply.

29 Sec. 8. Title 48, chapter 5, article 1, Arizona Revised Statutes, is
30 amended by adding section 48-823, to read:

31 48-823. Disposition of assets on consolidation of fire
32 districts

33 A. IF FIRE DISTRICTS ESTABLISHED UNDER THIS ARTICLE ARE CONSOLIDATED,
34 ALL THE EQUIPMENT, ASSETS AND LIABILITIES OF THE AFFECTED DISTRICTS SHALL BE
35 TRANSFERRED TO THE FIRE DISTRICT CREATED BY THE CONSOLIDATION.

36 B. ALL ASSETS AND LIABILITIES OF WHATEVER DESCRIPTION AND ALL BOOKS
37 AND RECORDS BELONGING TO THE FIRE FIGHTERS' RELIEF AND PENSION FUND OF
38 CONSOLIDATED FIRE DISTRICTS SHALL BE TRANSFERRED TO AND BECOME THE PROPERTY
39 OF THE FIRE FIGHTERS' RELIEF AND PENSION FUND OF THE FIRE DISTRICT CREATED BY
40 THE CONSOLIDATION.

41 C. ON CONSOLIDATION OF FIRE DISTRICTS PURSUANT TO SECTION 48-822, THE
42 FIRE DISTRICTS THAT WERE CONSOLIDATED INTO ANOTHER FIRE DISTRICT ARE
43 DISSOLVED BY OPERATION OF LAW AND NO LONGER EXIST AND THE NEWLY ORGANIZED AND
44 CONSOLIDATED FIRE DISTRICT IS A SEPARATE AND NEW LEGAL ENTITY BY OPERATION OF
45 LAW.

- 18 -
APPROVED BY THE GOVERNOR APRIL 1, 2015.

FILED IN THE OFFICE OF THE SECRETARY OF STATE APRIL 2, 2015.

Passed the House March 24, 2015,

by the following vote: 58 Ayes,

0 Nays, 2 Not Voting

[Signature]
Speaker of the House

[Signature]
Chief Clerk of the House

Passed the Senate February 19, 2015,

by the following vote: 29 Ayes,

0 Nays, 1 Not Voting

[Signature]
President of the Senate

[Signature]
Assistant Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

26th day of March, 2015,

at 3:28 o'clock P. M.

[Signature]
Secretary to the Governor

Approved this 1st day of

April, 2015,

at 4:13 o'clock P. M.

[Signature]
Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this 2 day of April, 2015,

at 9:00 o'clock A M.

[Signature]
Secretary of State

S.B. 1312