



County Financial Planning & Overview of County Budget

***County Transportation Advisory
Committee***

November 13, 2013

Overview

- Understanding County's Overall Current Financial Status
- Understanding County's Financial History
- County's Financial Planning Approach
- County's Current Financial Status - Overall Budget & General Fund
- History of State Funding Cuts & Shifts
- Revenue Comparisons with Other Counties



County's Financial Status

Understanding County's Financial Status

- **First Meeting – Questions Concerning County's Overall Financial Status**
- **Three Key Elements to Understanding County's Current Financial Status:**
 - **First Element is Understanding County's Financial History**
 - **Second Element is Understanding County's Approach to Financial Planning**
 - **Third Element is Understanding Impact of State Cuts & Cost Shifts Over the Past Thirteen Years**

Important County Financial Milestones

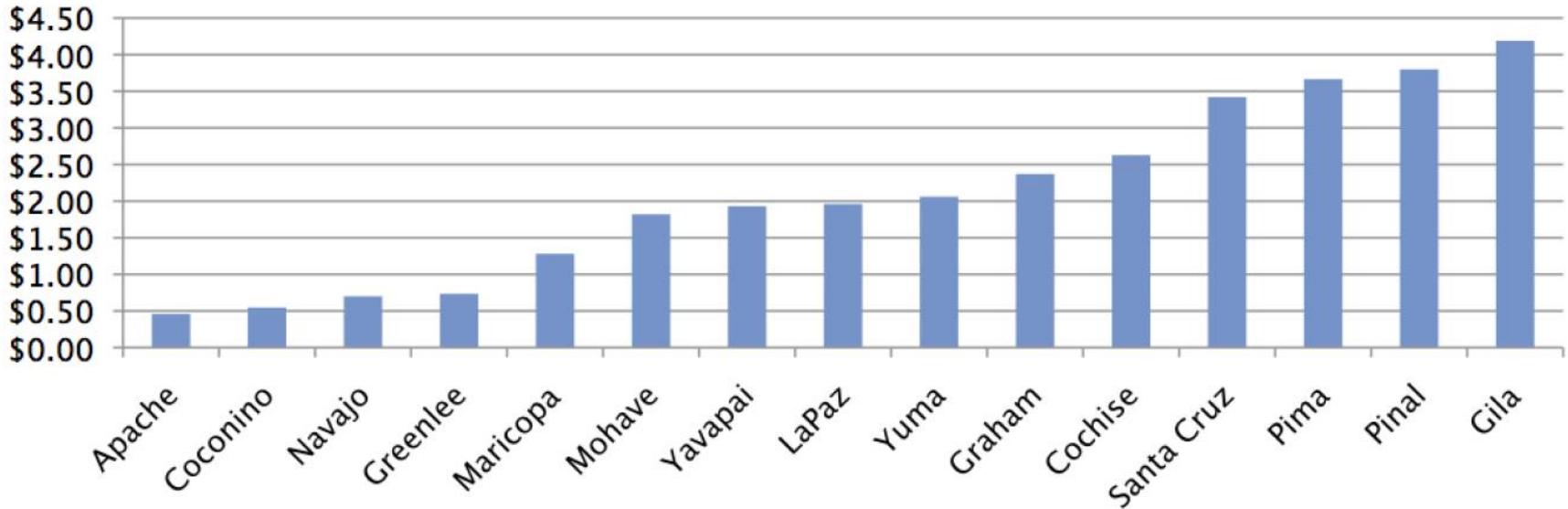
- Long History of Prudent Financial Management
- Established Ten Year Financial Plan - 2007
- Aligned Revenue Type with Expenditures
- Spent Only to Recessionary Revenue Level
- Paid Debt & Built Prudent Reserves
- Compensation Plan - Addressed Very High Turnover Cost > \$8 Million
- Planned for Future – FMP & IT Strategic Plan
- Continuing Development of Strategic Budgeting
- Began Considering New Revenue Sources in 2007

County's Financial History

- **County Has Taken Conservative Approach to Revenues**
- **Property Taxes Capped in 1980 When Coconino County Had One of the Lowest Overall Revenue Levels**
- **Property Tax Cap Adjusted Downward in 2006**
- **Coconino County Now Has Second Lowest Property Tax Collections**
- **State Provided Authority for 1/2 Cent Local Sales Tax in 1994, Which Raised \$11.7 Million Last Year, But...**
- **Over Past 13 Years the State Cut Funding & Shifted Costs Totaling \$14.6 Million**

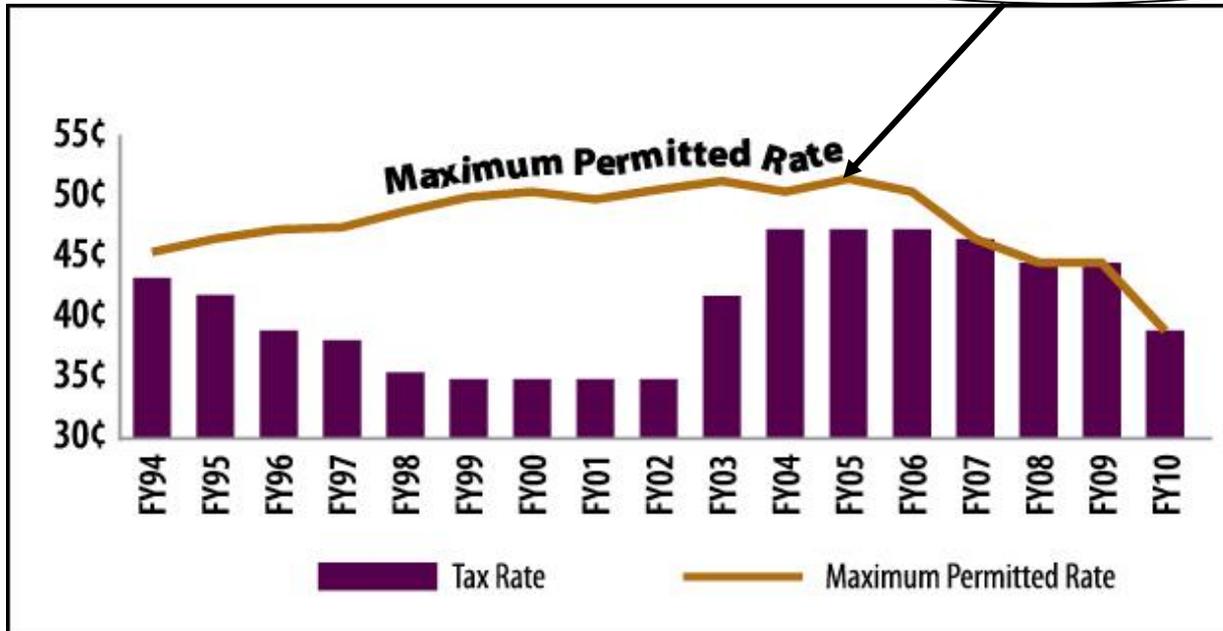
County Primary Property Tax Rates

FY14 Primary Tax Rate



Coconino County Primary Property Tax Rate History

\$11 Million in Lower Taxes





County Financial Planning Approach

What Are the County's Critical Financial Challenges?

- Our Reality - Revenues Are Capped
 - Property Taxes (Proposition 101)
 - Sales Taxes (Legislative Allocation)
- Workforce Issues Impacting Program Costs and Service Delivery
 - High Vacancy & Turnover Rates
 - Costs are Significant
 - Compensation is Not Competitive
 - Shrinking Labor Pool
 - Higher Cost of Living

*2007 -
Pre-Great
Recession*

Will Discuss in Detail on March 13th



Steps to Securing the County's Financial Future

2007

- Develop and Utilize a Ten-Year Financial Plan that Includes a Revenue & Expenditure Planning
 - Previously Used a Five-Year Forecast
- Align Expenditures with Revenue Types
 - Process Previously Driven by Expenditures Only
 - Match Characteristics of Sources and Uses

“Annual Budgeting is not Financial Planning”

Alan Maguire, 2006

Steps to Securing the County's Financial Future

2007

- Manage & Control Expenditures
 - Revenues are Largely Beyond County Control
 - Anticipate Long-Term Consequences
- Institute a Competitive Pay Plan
 - Retains Our #1 Asset – Our People



Revenue Projections

Revenue Growth Assumptions:

- Long-Term: Actual Revenue Growth Trend
- Short-Term: Recession Revenue Growth Trend
 - Previously Long & Short-Term Were the Same
- New Technique:

Higher Confidence of Attainability

2007



Aligning and Allocating

2007

Focus On:

1. Aligning Expenditures to Available Revenues

- Types and Sources (Risk Correlation)
- Base On-Going vs. One-Time

2. Prioritize Key Expenditures Areas

-- County-Wide *Mission Critical* Areas

- Personnel
- Operational Infrastructure

Quality Service Requires Quality People



Budget Prioritization & Alignment with Revenue Types

2007

- MANDATES —————> • LEGALLY REQUIRED
- Wages & Benefits —————> • Recurring Base Growth
- Core Operations —————> • Recurring Base Growth

- Other (one-time) —————> • Incremental Growth and One-Time Revenues
 - R&R (IT & Facilities)
 - Small FMP & CIP
 - Operations (one-time)
- CIP & FMP funding —————> • Temporary Revenues

Paid Debt and Built Prudent Reserves

- Paid Off Construction Debt
 - Saved About \$1 Million in Interest
 - Avoided Debt Service Payments
- Establish Prudent Reserves
 - Created Revenue Smoothing Reserves
 - Continued Emergency Reserves
 - Prudent Expenditures Created Fund Balances at County and Departmental Levels

2007-2009



Prudent Financial Planning Paying Off

- *County Managed Through:*
- First Recession in History that Board Has *NO* Primary Property Tax Capacity (Prop. 101)
- “Great Recession”
 - Recent State Cuts & Costs Shifts Over \$5.8 Million
 - Recent Revenue Loss Over \$6 Million
- Increasing Service Demands

2010



Prudent Financial Planning Paying Off

- *While Facing Unparalleled Challenges:*
 - Second Lowest Primary Property Tax Levy of any County in the State
 - Keep Only 6 Cents of Every Property Tax Dollar Collected in General Fund
 - Collect over \$122M – Keep \$7M in GF
 - Collect Only \$7M in Primary Property Tax vs. Over \$30M in Yavapai County
 - Collect Only \$11M in County Sales Tax While State Cuts/Shifts over \$13M/Year
 - Providing Services in the Geographically Largest County in the State

2010



The Critical Action:
Conservatively Managed
Expenditure Growth

County Committed to Consistent Level of Service and Spending that Did Not Exceed Recessionary Revenue Levels

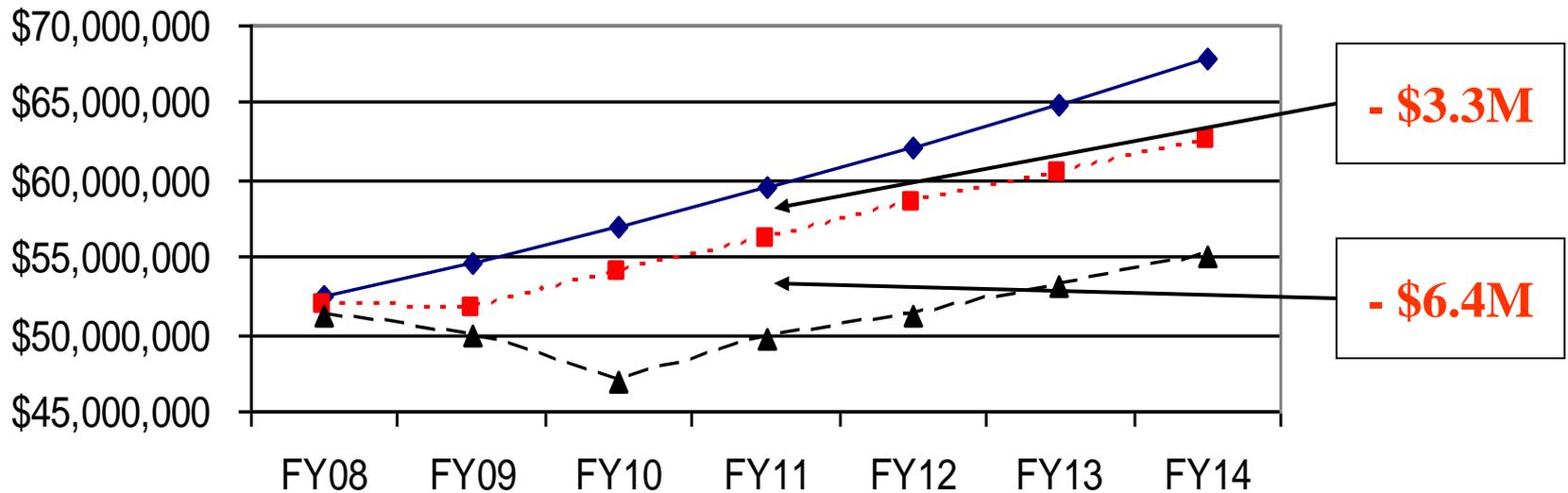
If County Spending Had Reflected Typical Revenue Forecasting and Associated Spending, Then Budget Cuts and Resulting Service Reductions Would be Drastic

2010

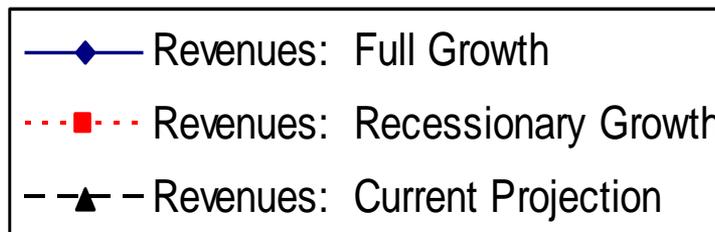


The Critical Action:

Conservatively Managed Expenditure Growth



2010

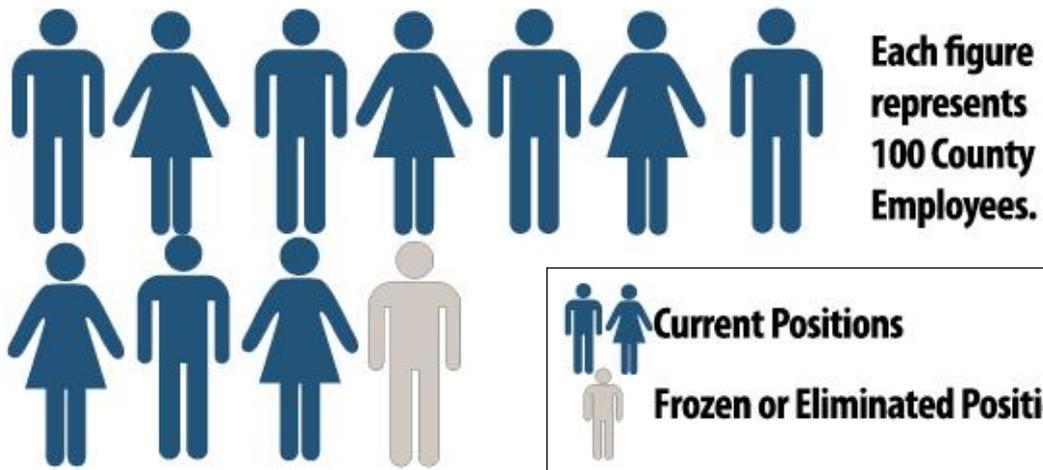


Total:
- \$9.7M



Service Levels Impacted

10% of County Positions Frozen



2010





County's Current Financial Status

Overview – Fiscal Year 2014

Planning Remains Critical to Financial Health:

- ***Investment in Planning Efforts Still Paying Dividends***
 - Weathered Great Recession Better than Most
 - Emergency Reserves in Place for Future Needs
 - Recessionary Revenue Model (Adjusted to “New Normal”)
 - In FY12 & FY13 – Implemented First Steps to Re-Start Compensation Plan Phases
- ***Focused & Prudent Financial Planning in the Past Provides the Opportunity Now to Invest Strategically and Proactively in the Future***

Key Considerations – Fiscal Year 2014

- **As Economy Recovers, Cautious Yet Optimistic Outlook**
 - **Some Positive Trends, However, Larger Range of Unknowns & Uncertainty Exists**
 - **Expiration of 1 Cent Sales Tax (Expired in May 2013)**
 - **Revenue Growth Rates – HURF Flat**
 - **Although State Revenues Improving, Cuts/Cost Shifts Continue**
 - **Federal Financial Challenges – Grants Gone or More Competitive**
- **On-Going Challenges**
 - **Short-term - Mission Critical Investments**
 - **Long-Term - Future Deficits & Maintaining Service Levels**

Current Financial Environment

Continuing Challenges:

- All Major Funds Under Pressure
 - In Each Fund At Least One Significant Revenue Stream is Negatively Impacted
 - Expenditure Growth Faster than Revenue Growth
 - Ongoing in All Funds
 - Current Impacts Can Accelerate
 - Salaries, Health Care, Retirement, Utilities, Basic Inflation

Fund Accounting

- **A Fund is a Fiscal and Accounting Entity with a Self-Balancing Set of Accounts**
- **Segregated for the Purpose of Carrying on Specific Activities**

General Fund

- Every Government MUST Have a General Fund
- The General Fund Accounts for all Resources that are **Not Required to be Accounted for in Other Funds**
- Unrestricted Money!!!
- Also, the Source of Funding for State Cost Shifts

Special Revenue Funds

- Special Revenue Funds are Established to Account for Revenues that are Restricted to Expenditures for Specific Purposes
- The Restriction is by a Third Party, **NOT** the Board of Supervisors

Coconino County Major Funds

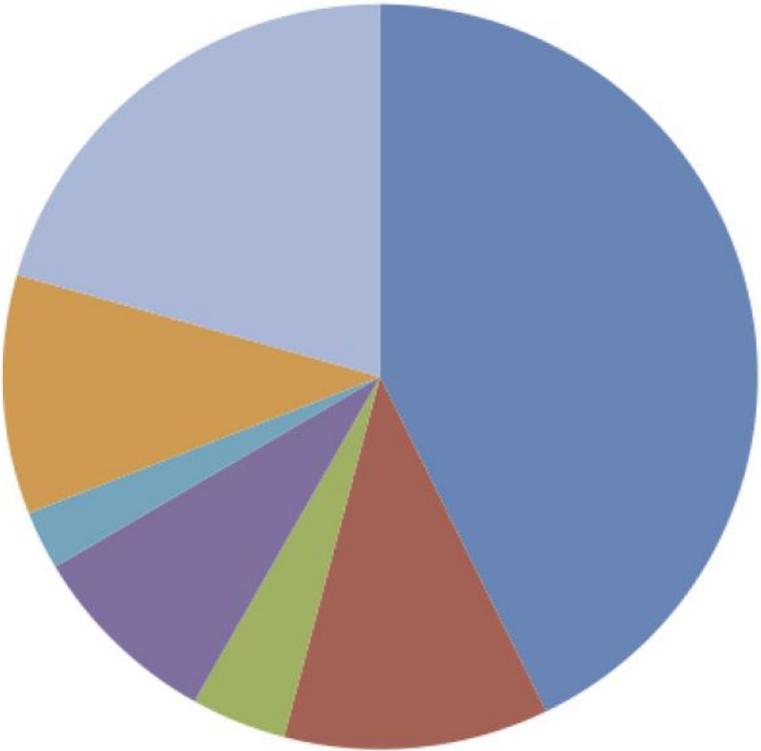
Unrestricted:

- **General Fund**

Restricted:

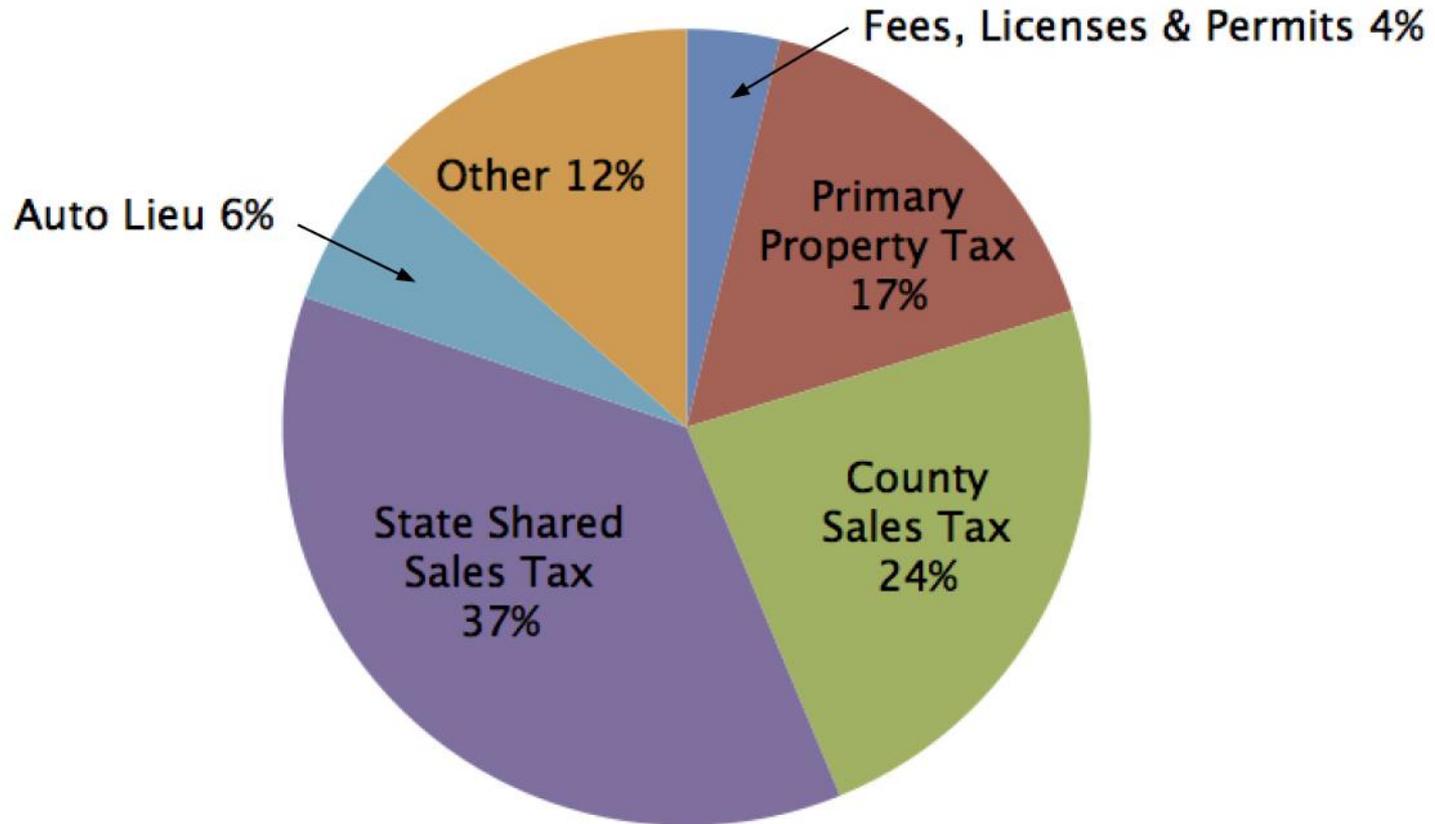
- **HURF (Transportation)**
- **Jail District**
- **Public Health Services District**
- **Flood Control District**
- **Parks and Open Space**
- **Improvement Districts**

Overall County Budget – All Funds



- General Fund
- Jail District
- PHSD
- HURF
- CPOS
- Flood Control
- Other Special Revenues

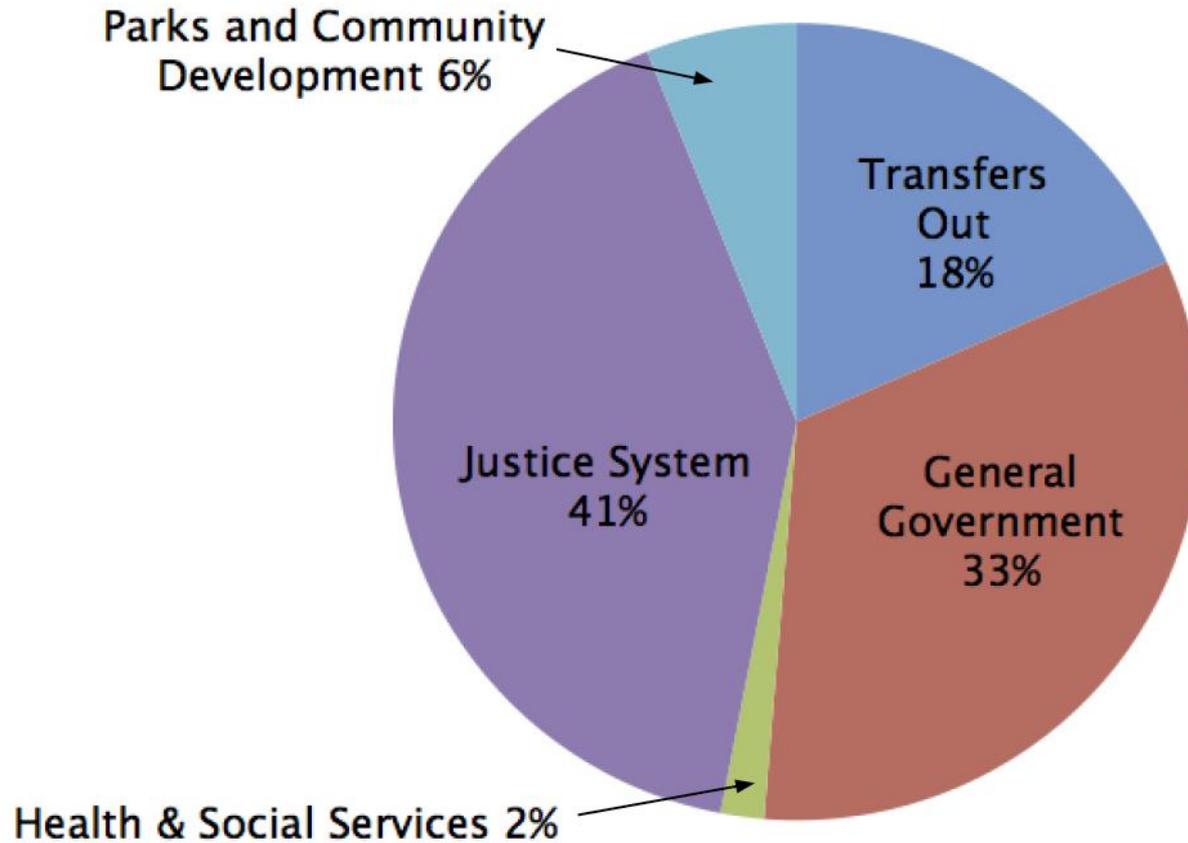
County General Fund Revenues



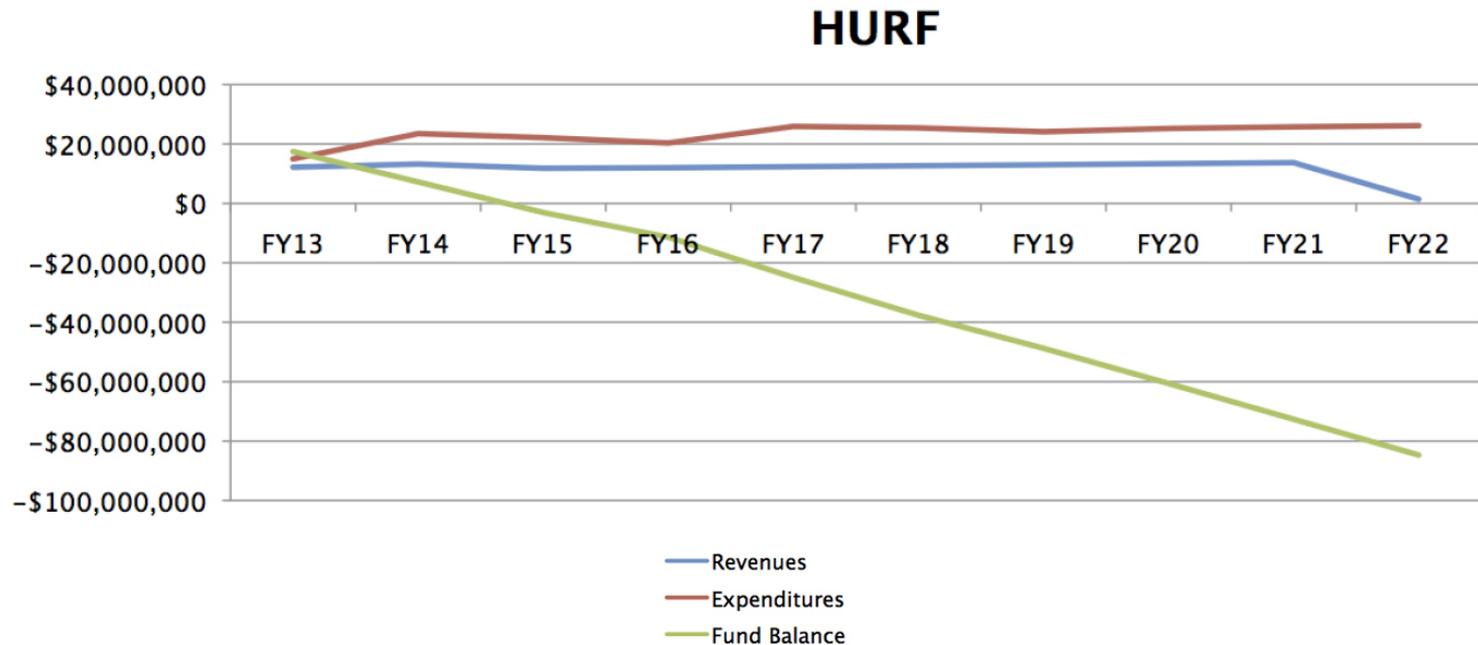
90% of General Fund Revenues Cannot be Increased

Revenue Source	Percent of Budget	Who Controls
State Shared Sales Tax	31%	State Allocated
County Sales Tax	24%	State Capped
Primary Property Tax	16%	Voter Capped
State and Federal	14%	State and Federally Allocated
Other	4%	Capped and Allocated
Investment Income	1%	Limited Investment Options
Subtotal: Allocated, Capped or Dependent on Outside Factors	90%	
Licenses, Permits, Fees	10%	Board of Supervisors Cannot Exceed Cost of Service
Total Revenues		100%

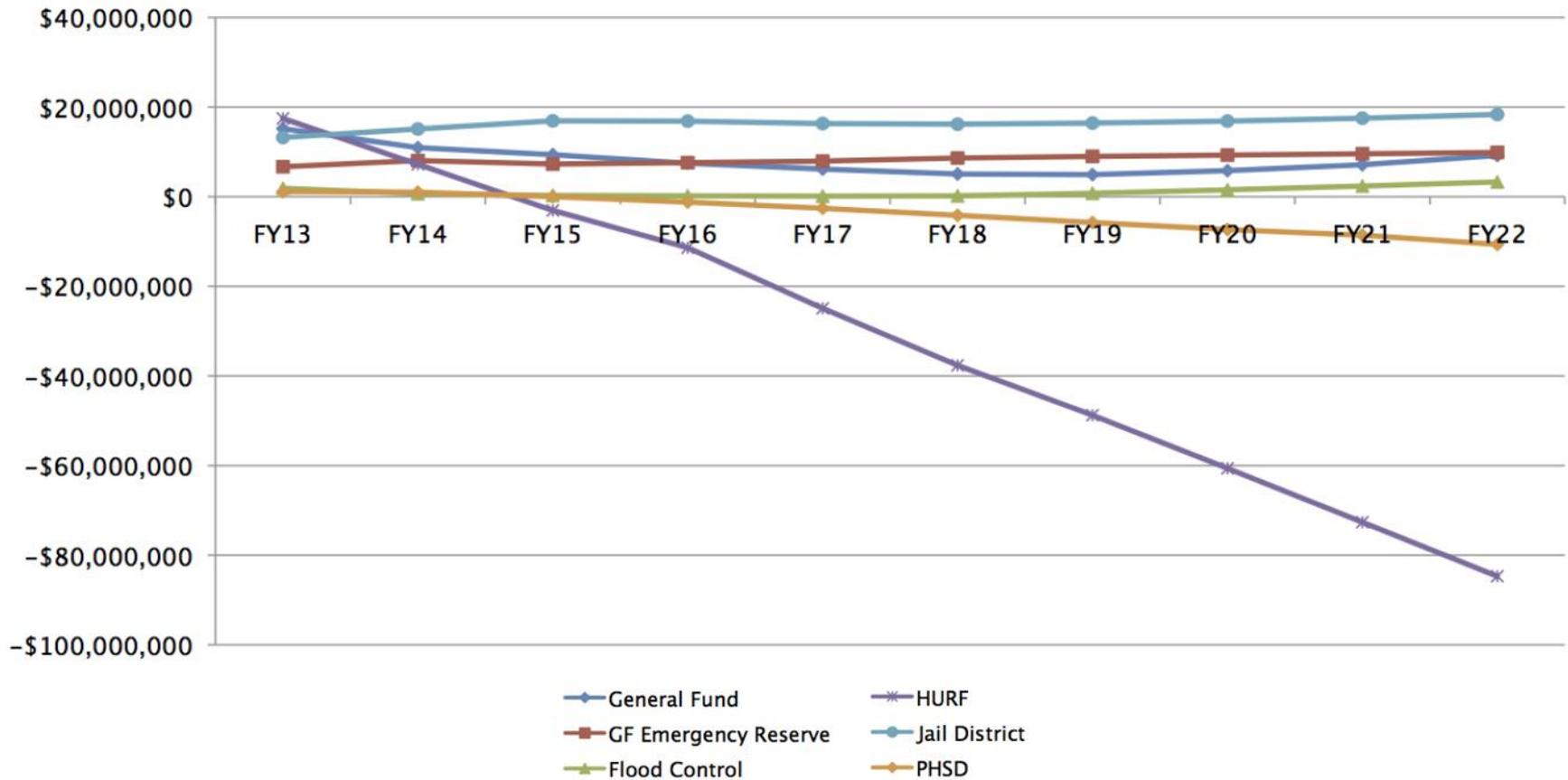
County General Fund Expenditures



HURF Fund – FY 2014



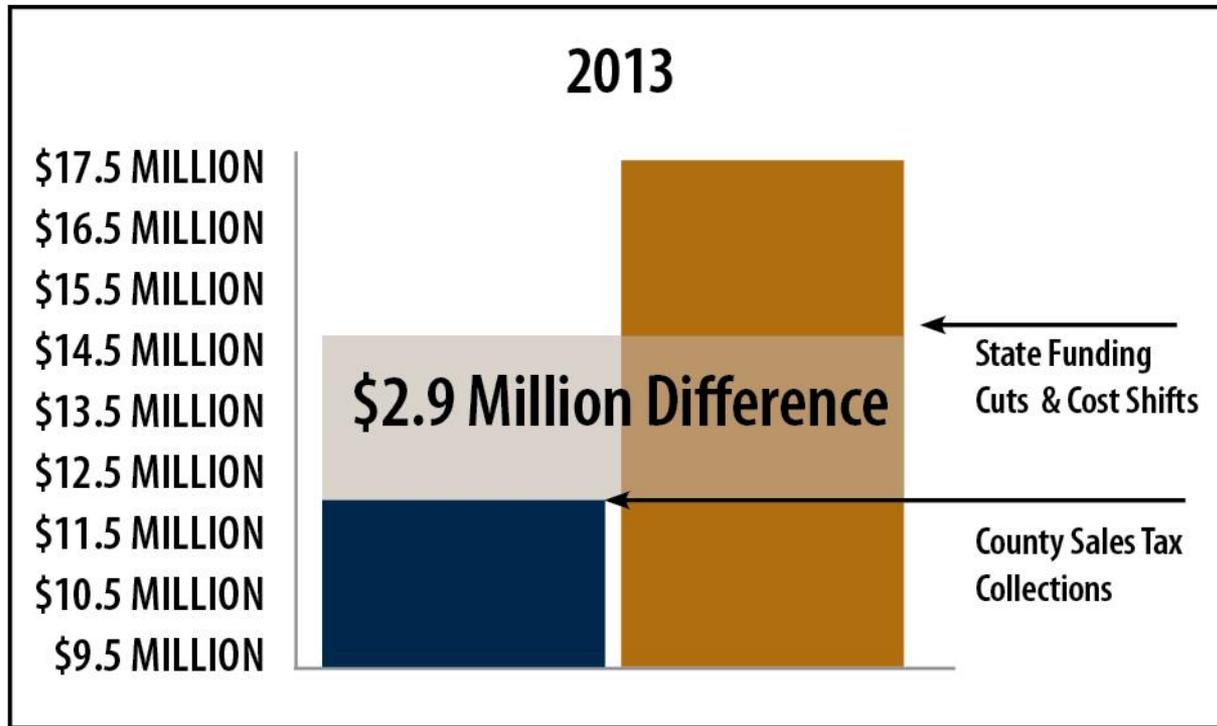
HURF Fund Deficit Strips General Fund





State Funding Cuts & Shifts

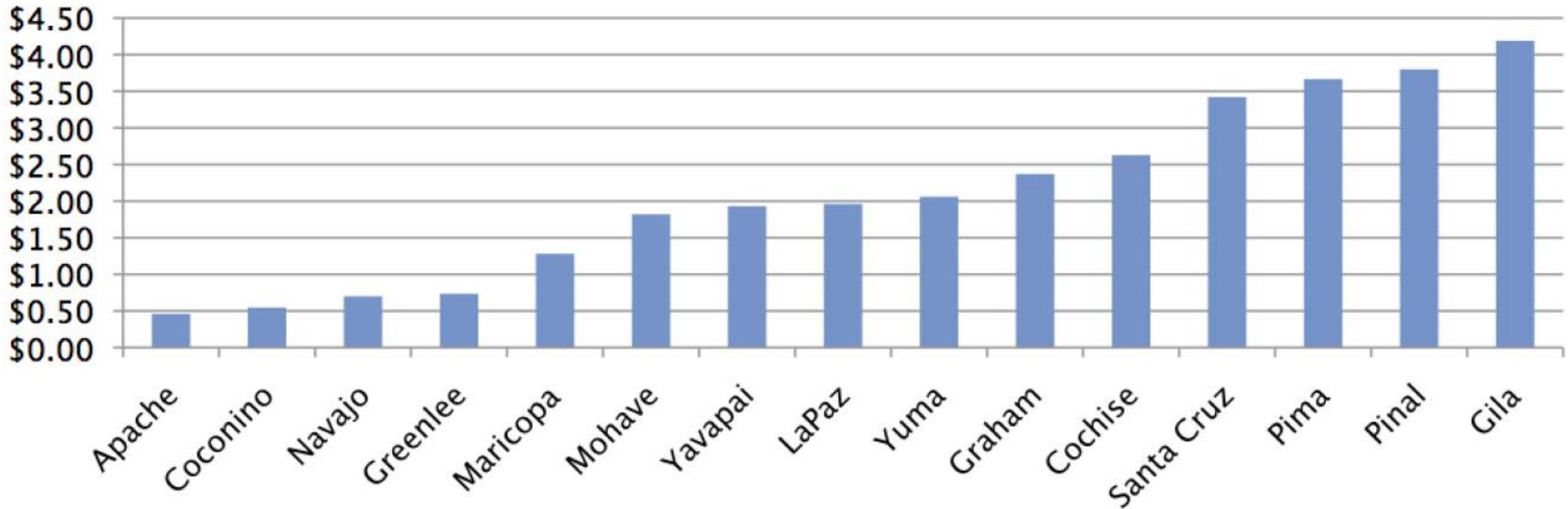
State Funding Cuts & Shifts 2000 Through 2013



The state cut funding for state mandated programs delivered by the County and shifted costs to the County over the past 13 years – long before and during the current recession. The impact to Coconino County is over \$14.5 million.

County Primary Property Tax Rates

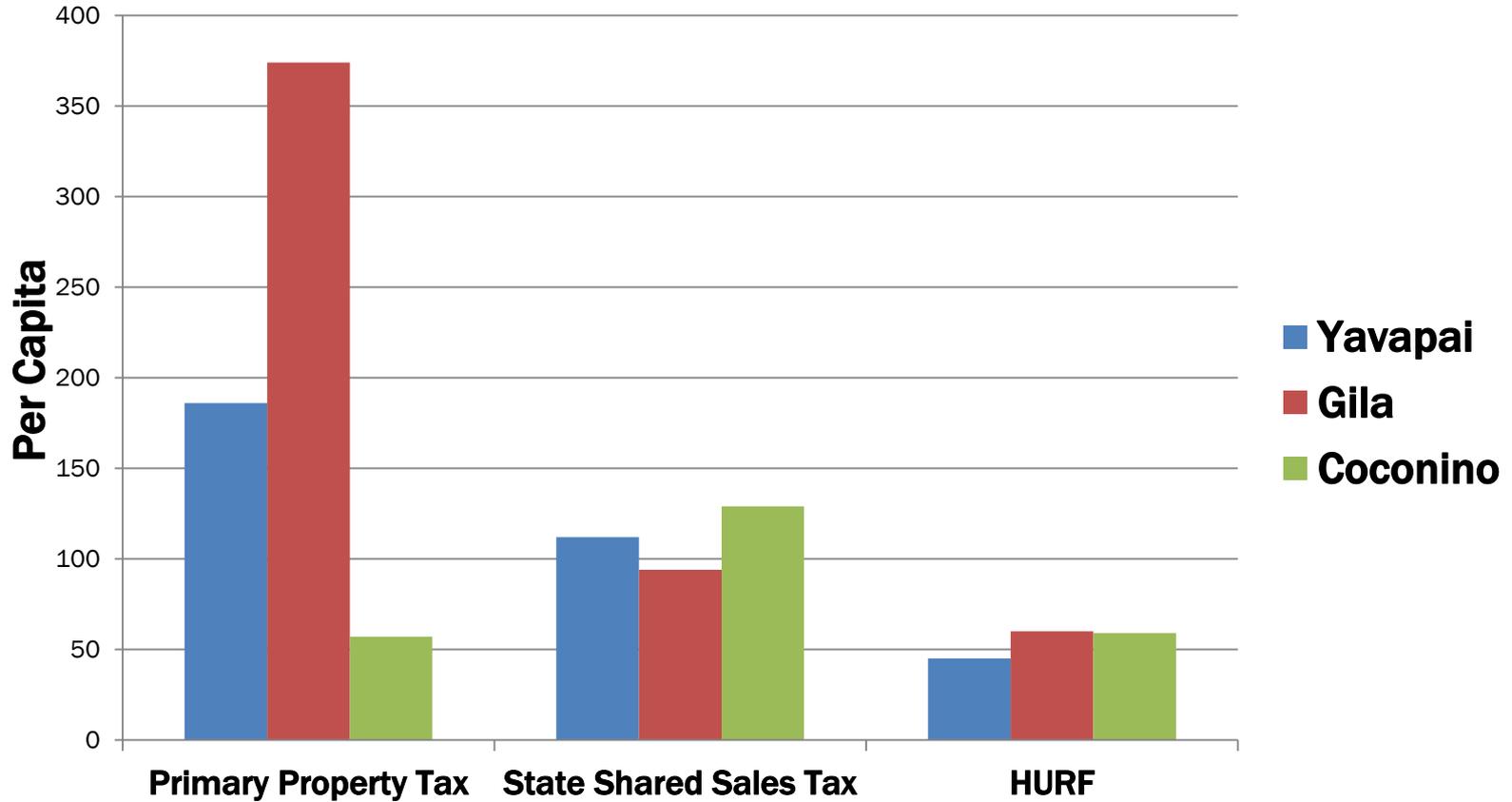
FY14 Primary Tax Rate



Total Major Revenues

	Primary Property Tax	State Shared Sales Tax	HURF	Transportation Tax	Population	Square Mileage	Total Tax Revenues
Yavapai	39.5 M	23.8 M	9.6 M	-	212,637	8,123.50	72.9 M
Gila	19.9 M	5 M	3.2 M	2.9 M	53,144	4,757.93	31 M
Coconino	7.8 M	17.6 M	8.1 M	-	136,011	18,618.89	33.5 M

Per Capital Revenues



Coconino County's Property Tax Revenues with Yavapai & Gila Tax Rates

	Coconino County Assessed Value	Rate	Levy
Coconino Tax Rate	\$ 1,519,086,333	0.5466	\$ 8,303,326
Yavapai Tax Rate	\$ 1,519,086,333	1.9308	\$ 29,330,519
Gila Tax Rate	\$ 1,519,086,333	4.1900	\$ 63,649,717

Key Takeaways

- **County Has Taken Conservative Approach to Revenues**
- **Imposition of Primary Property Tax Caps Resulted in Significantly Less Revenue than Other Counties**
- **State Cuts and Cost Shifts over Past 13 Years Seriously Reduced Funding Capacity**
- **Coconino County Weathered Great Recession Without Draconian Cuts and Service Level Reductions Due to Prudent Financial Planning and Cost Reductions**
- **Flat Gas Tax Means Road Maintenance Needs Could Strip General Fund – Can't Increase General Fund Revenues**



Questions