

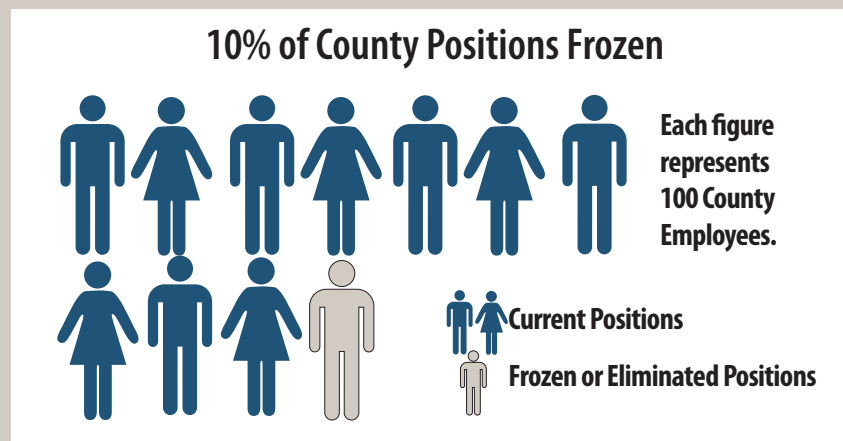
# What Is The County Doing To Address The Fiscal Crisis?

The County is taking a three-prong approach to addressing the fiscal crisis –

- Cutting expenses,
- Using some reserves, and
- Developing additional revenue.

All three actions must be taken to protect services and maintain solvency. The County has reduced costs. The County cut \$2.1 million from General Fund spending last year. Currently over 100 positions are frozen. The County is preparing to cut costs by about another 7% this year and another 7% next year. The County is using reserves to assist with balancing the budget. The County developed these reserves through its very conservative financial management. Finally, after all these efforts, the Board approved a public health services district funded by a property tax.

## Cutting Expenses



## Use of Reserves

The County's conservative fiscal approach also involves maintaining reserves that can be used in an emergency and what we call "revenue smoothing." Revenue smoothing funds means funds that can be used to stabilize the budget during a typical recessionary period when revenues are down. The County's goal is to maintain 15% of its revenues in the General Fund for emergency reserves and revenue smoothing. During the years with higher than average revenues, the County diligently allocated more funds to emergency reserves and revenue smoothing with the goal of being able to weather a typical recession without having to impact services. However, the current severe recession is requiring the use of a substantial amount of our reserves to balance budgets.



# What Is The County Doing To Address The Fiscal Crisis? continued

## WHY DID THE COUNTY BOARD VOTE NOW TO RAISE PROPERTY TAXES?

The Board has been formally discussing the need for additional revenue since early 2007 when it could see there would be a revenue shortfall in the next few years. At that time, it was clear that a future tax increase might be necessary. In September 2007, the County began exploring and evaluating the few, limited options available under state law, including enacting a property tax to fund a public health services district. **State budget cuts have made it impossible for the county to maintain essential services without additional revenue.** And, it is likely the state will push more costs onto the County given the growing state deficit. By voting now, the Board assured the County will remain solvent.

## WHAT AUTHORIZED THE BOARD TO RAISE THE PROPERTY TAX?

In 2000, the State law authorized counties to raise property taxes for public health services at the same time it transferred more of the public health costs to counties and eliminated the payments from cities that had helped pay those costs.

## WHY DID THE COUNTY WAIT TO RAISE THE PROPERTY TAX WHEN IT WAS FIRST AUTHORIZED IN 2000?

Coconino County has resisted tax increases and has exercised strict budget control for years. By carefully controlling their budget, the Board of Supervisors has been able to live within their existing tax revenues, even as revenues declined and the state shifted over \$13 million in costs to the County. However, additional state cuts to counties and the weak economy have made the county's current fiscal challenges even greater. **By delaying this property tax increase as long as possible, the Board saved county taxpayers over \$35 million since 2000.**

## WHAT WILL THE PROPERTY TAX INCREASE MEAN FOR COUNTY TAXPAYERS?

First, it is important to remember that county government only receives a very small part of the property taxes (**only six cents of every tax dollar**) that county residents pay each year, even though the county serves as the tax **collector** for the state, the cities, the schools, and many special districts. The new property tax will increase property taxes for a \$300,000 home by about \$80 a year or less than \$10 each month. The amount is even smaller for less expensive homes. On the total property tax bill, the additional tax amounts to a 3% - 5% increase for residential, commercial and agricultural properties. **The County's primary property tax rate remains the second lowest in the state even with the tax increase.**

## WHY WAS IT REPORTED AS AN 18% INCREASE IN COUNTY PROPERTY TAXES?

That 18% is based on only the County portion of property taxes, not the entire property tax bill. Right now the County's portion of every tax dollar is 6 cents. **The tax increase equates to a 3% - 5% increase on the overall property tax bill.**



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