



Securing the County's Financial Future ...

Responsible Solutions for a New Reality

December 14, 2009



Introduction

- **Critical Time in History of County**
 - Citizen Needs Growing
 - Revenue Declines Unprecedented
- **Current Fiscal Crisis Presents Challenges and Opportunities**
- **Responsible Solutions that Address Crisis Include Eliminate & Reduce Services, Use Limited Reserves, and Develop Additional Revenue**



Overview of Today's Presentation

- Three Sections to Today's Important Presentation:
- *Part 1* – Financial “Fundamentals” & Financial History
- *Part 2* – Current Financial Crisis
- *Part 3* – Our Future



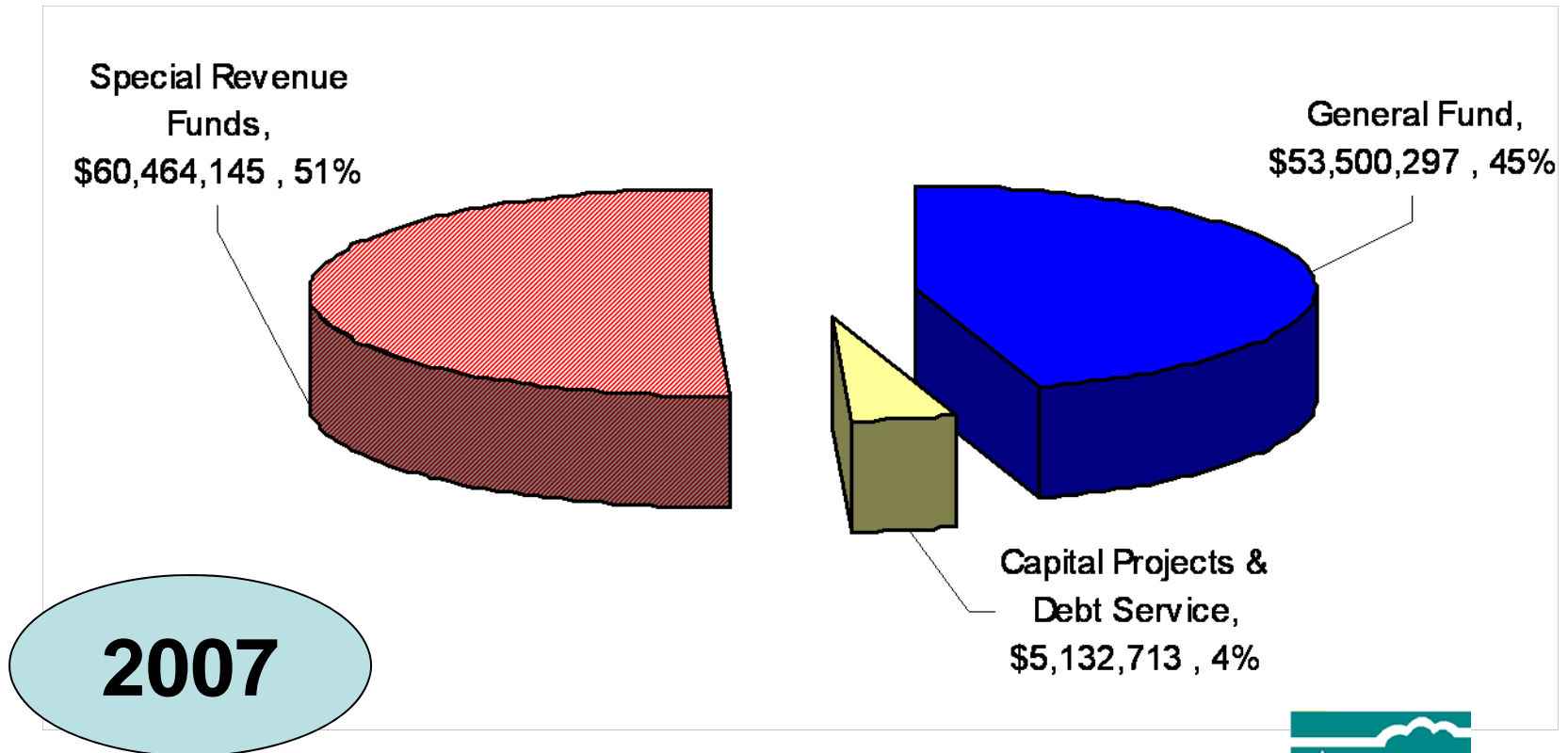


Looking Back: Financial “Fundamentals” & County Financial History



Coconino County All Funds

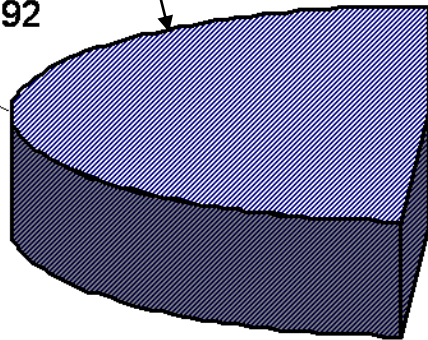
FY 2007 Revenues



Coconino County Non-General Funds FY 2007 Revenues

Experiencing Severe
Reductions

Other Special
Revenues,
\$32,138,792



Parks & Open
Space Sales Tax,
\$3,076,949

HURF,
\$10,750,254

VLT - HURF,
\$2,243,784

Flood Control Tax,
\$1,242,162

Forest Fees,
\$3,645,988

Library District
Secondary
Property Tax,
\$2,807,240

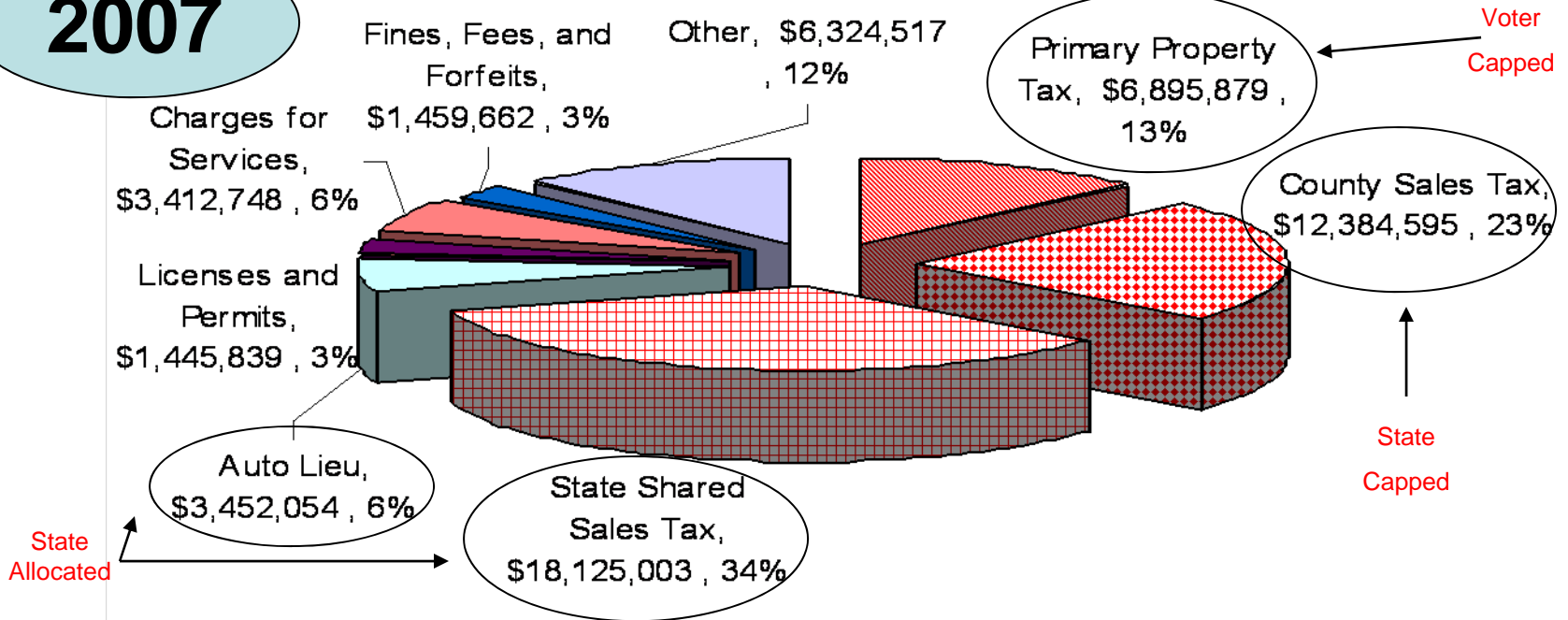
Jail District Sales
Tax, \$9,691,689

2007



General Fund FY 2007 Revenues

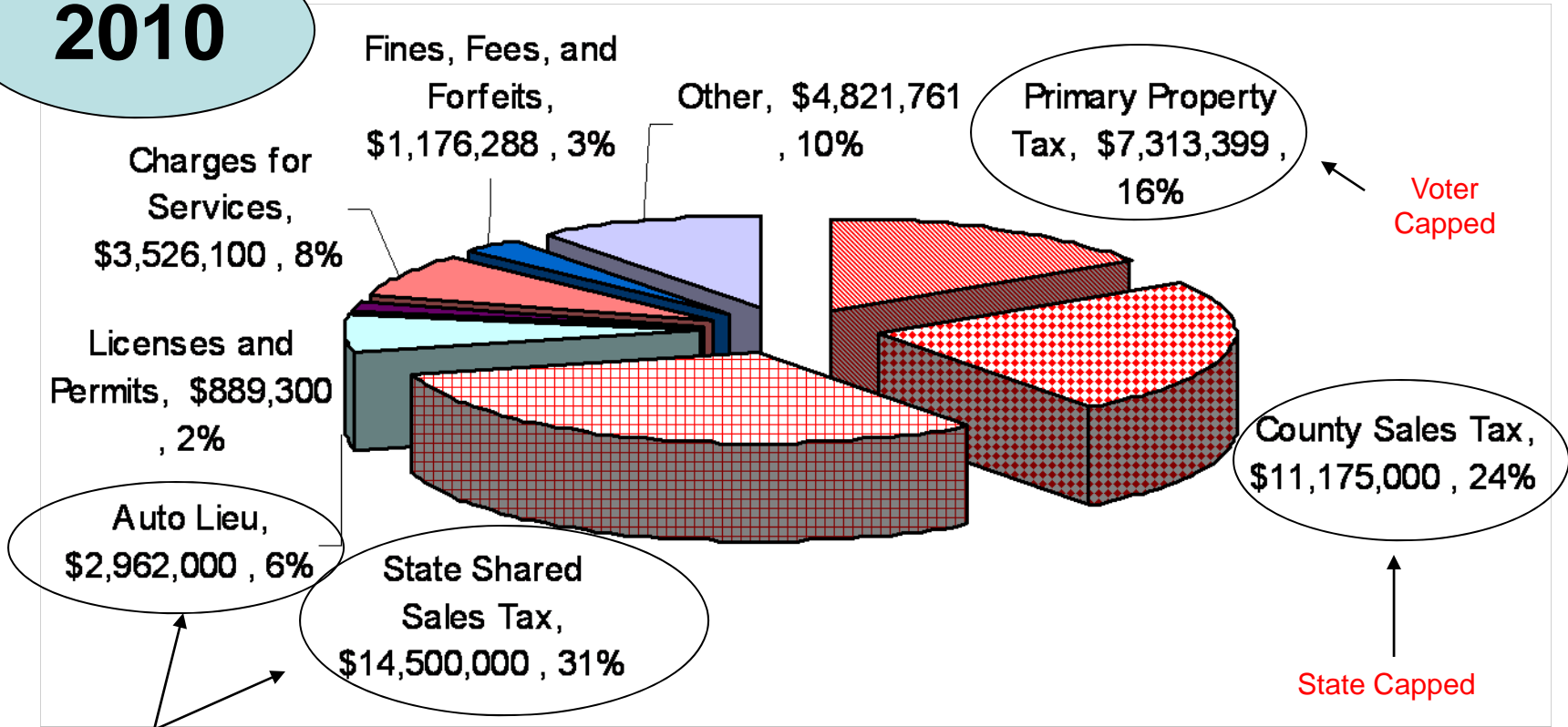
2007



Allocated, Capped, or Dependent on Outside Factors:		
Voter Capped	\$ 6,895,879	Primary Property Tax
State Capped	\$ 12,384,595	County Sales Tax
State Allocated	\$ 22,689,334	Includes State Shared Sales Tax, Auto Lieu, and State Grants
Federally Allocated	\$ 2,313,715	Includes Forest Fees, PILT, and Federal Grants
Other Allocated or Capped	\$ 1,858,865	Includes Fines, Fees, and Forfeitures & Outside Agency Allocations
Investment Income	\$ 891,403	
Subtotal	\$ 47,033,791	90% of Total General Fund Revenues
Revenues Set by the BOS	\$ 5,178,668	Includes Licenses and Permits, Charges for Services, and Other Miscellaneous Revenues. Cannot Exceed Cost.

General Fund FY 2010 Revenues

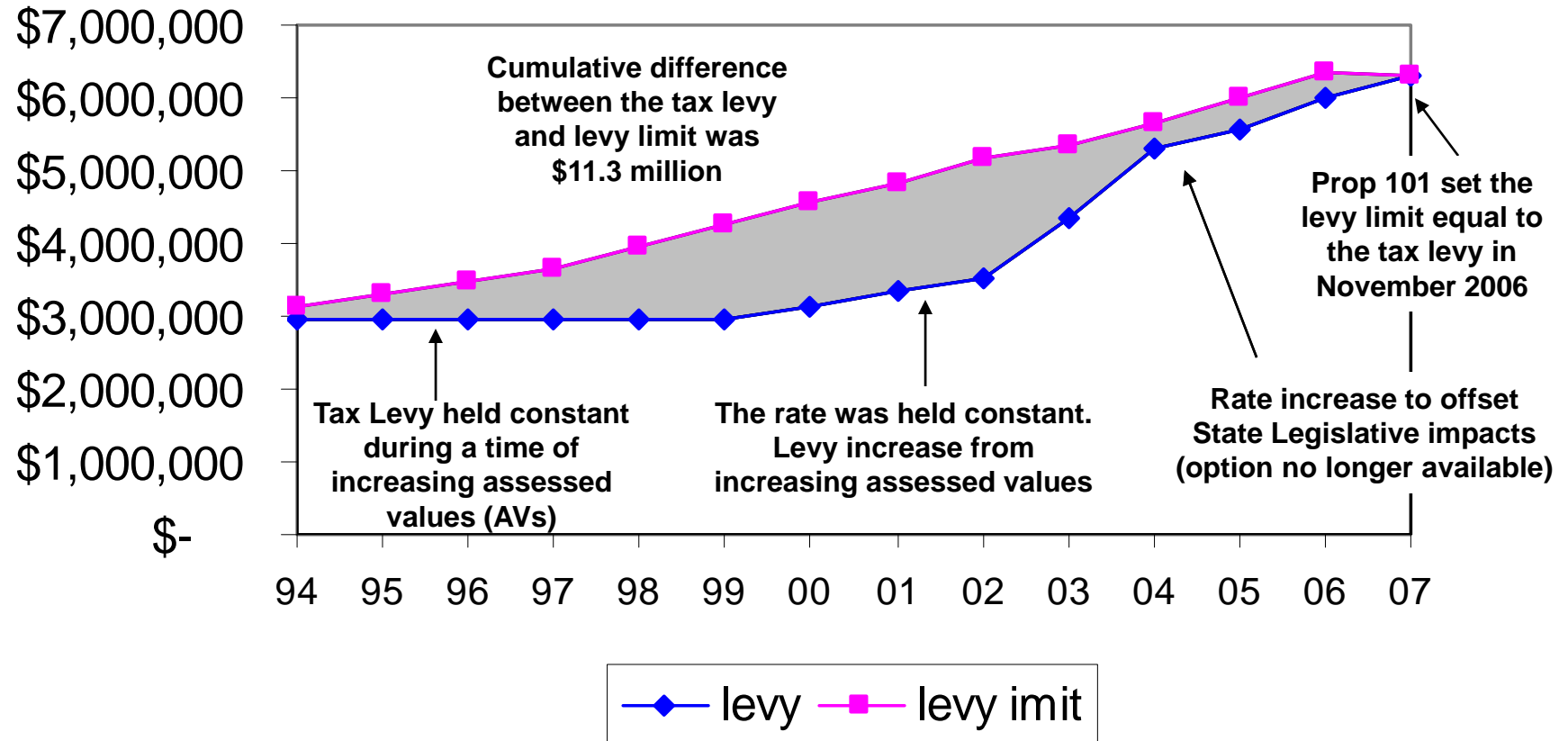
2010



	FY07	FY10	Change
State Shared Sales Tax	\$ 18,125,003	\$ 14,500,000	\$ (3,625,003)
Local Sales Tax	\$ 12,384,595	\$ 11,175,000	\$ (1,209,595)
Primary Property Tax	\$ 6,895,879	\$ 7,313,399	\$ 417,520
Auto Lieu	\$ 3,452,054	\$ 2,962,000	\$ (490,054)
Licenses and Permits	\$ 1,445,839	\$ 889,300	\$ (556,539)



Coconino County Primary Property Taxes



General Fund Revenues

Lost Flexibility Due To:

2007

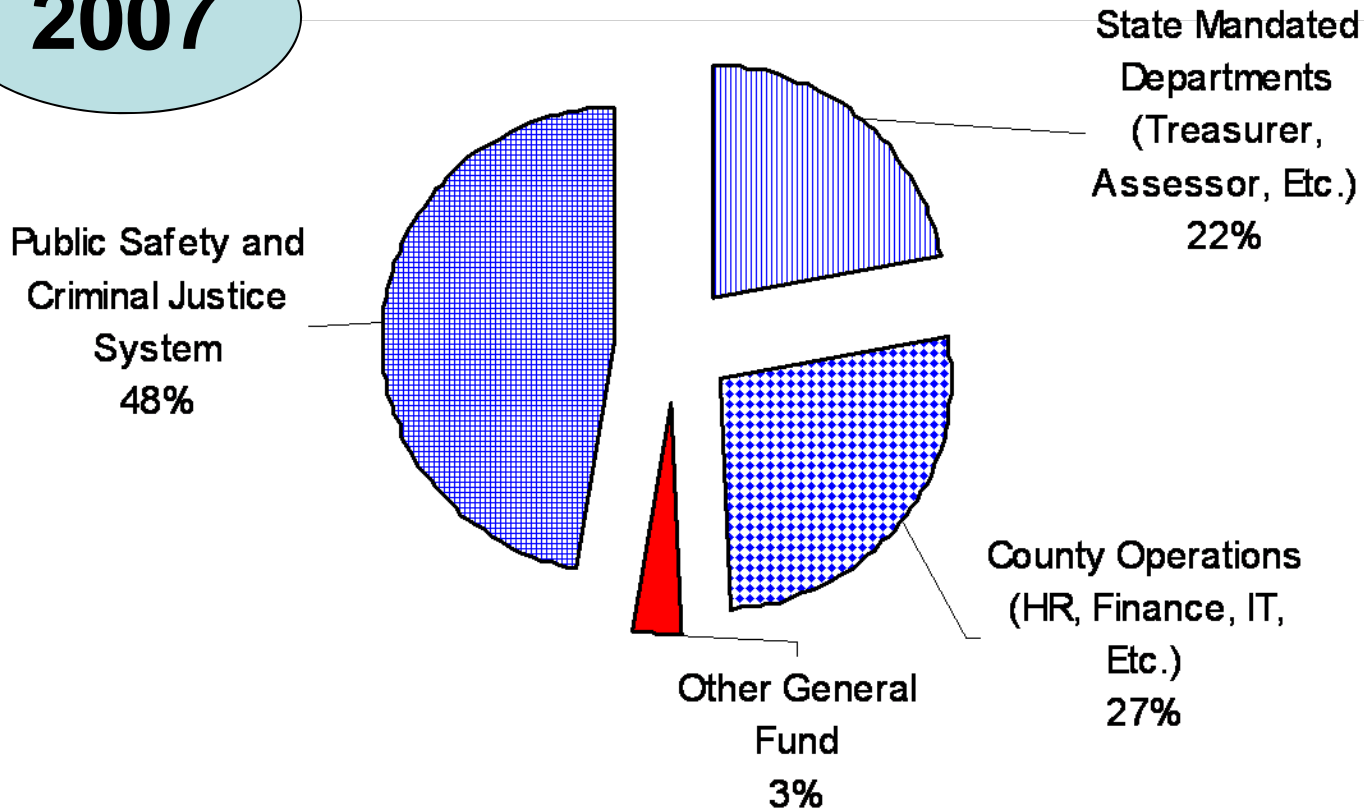
- Statutory Restrictions
 - Prop 101 on Property Taxes
 - County General Sales Tax Rate
- Revenues Allocated by Another Level of Government
 - In the Past, Local Revenues Increased to offset Reductions in State funding

This opportunity is No Longer Available

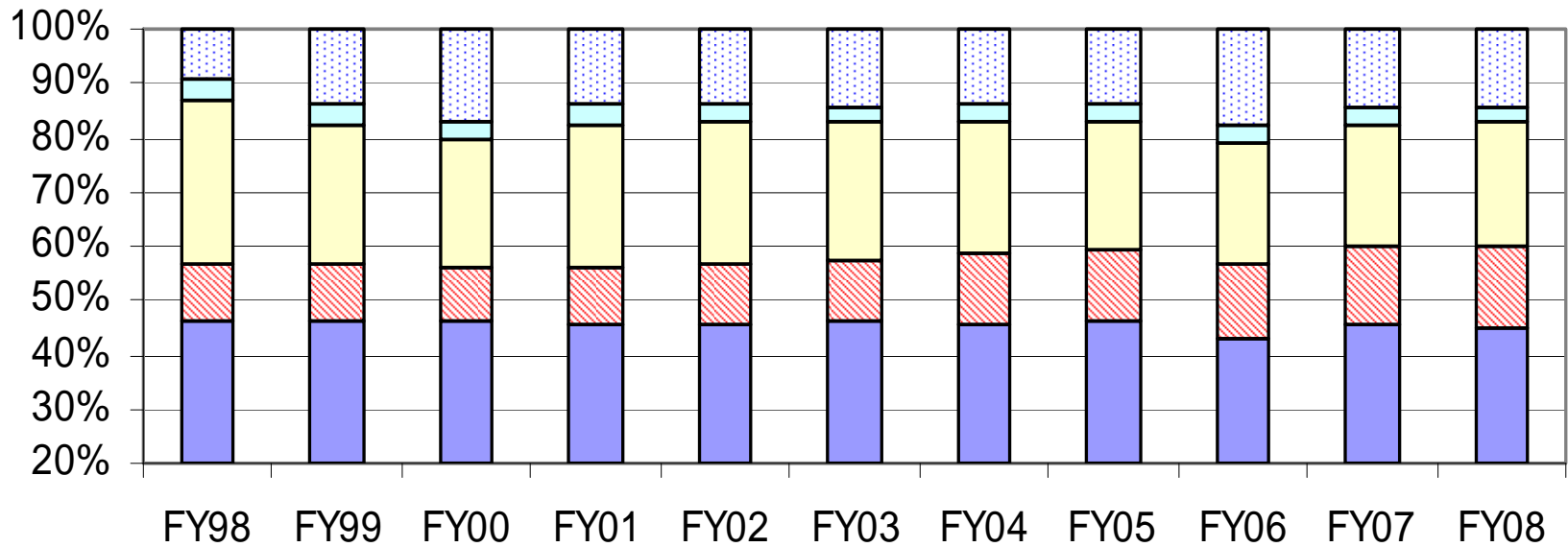


Limited Discretionary Funding

2007



General Fund Percentage of Budget by Category



■ Salaries
 ▨ Benefits
 ■ Operations
 ■ Travel
 Transfers Out

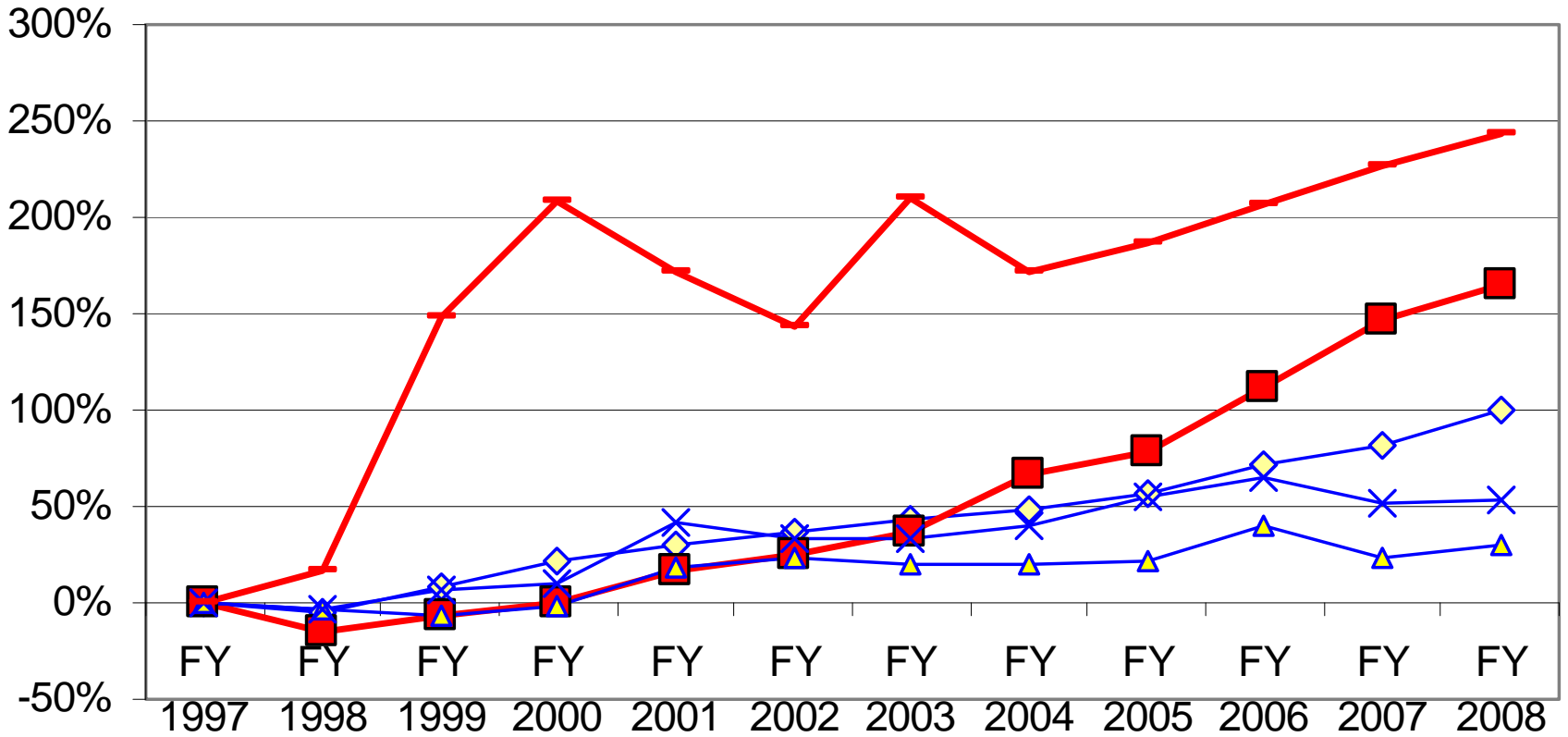
Salaries Flat

Category	FY98	FY08
Salaries	46%	45%
Benefits	11%	15%
Operations	30%	23%
Travel	4%	3%
Transfers Out	9%	14%

Benefits & Transfers Increasing



General Fund Cumulative % Increase over FY1997 by Category

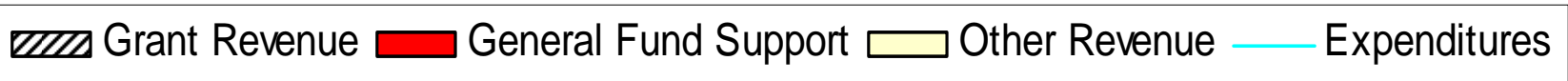
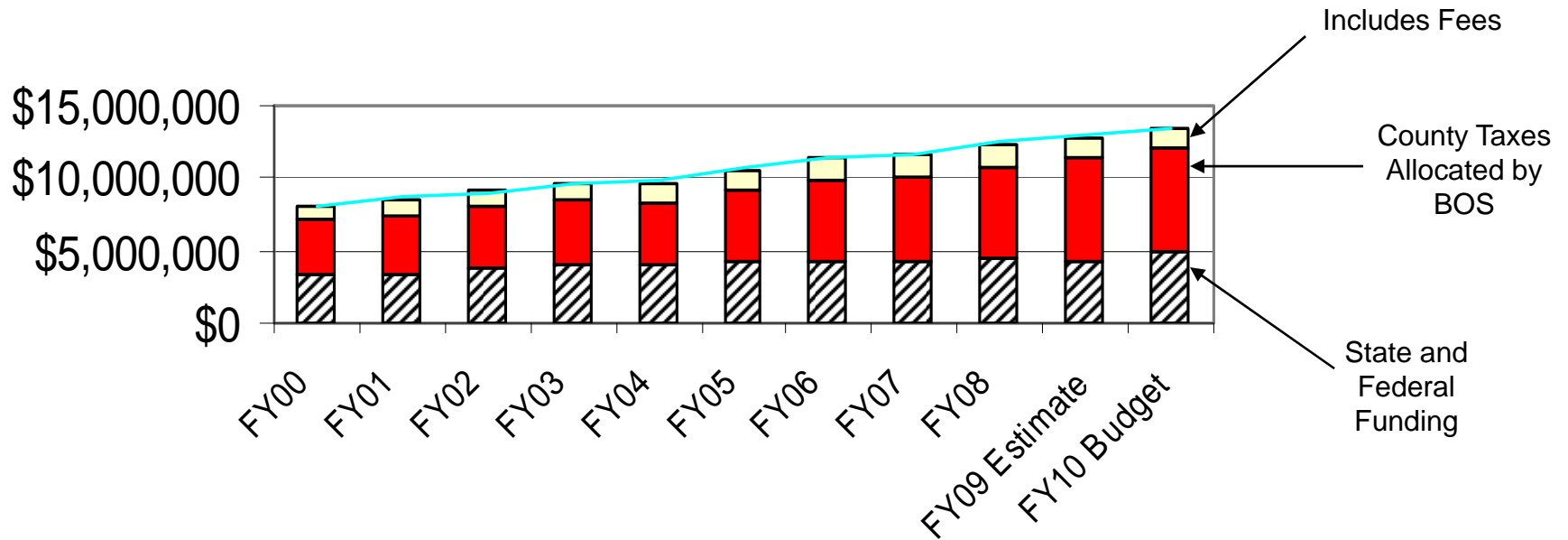


◆ Salaries
 ■ Benefits
 ▲ Operations
 × Travel
 — Total Transfers Out



Local Funds Covering Flat State Funding

Health



Local Funds Covering State Budget Decisions

- State Authorized $\frac{1}{2}$ Cent County Sales Tax in 1990
 - County Levied a County Sales Tax in 1993
 - Calculated State Program Funding 1998 vs. 2010
- **Use of Local Taxes Due to State Budget Decisions = \$13+ Million**
- **Estimated County Sales Tax Revenue for FY 2010 = \$11 Million**



Conclusions Presented in 2007

1. The County has absorbed costs of programs funded and subsequently cut by the State and Federal Governments
2. The local funding of these programs is now subject to the Expenditure Limit
3. The County has Reached its Expenditure Limit
4. Future ability to maintain levels of service to offset Federal & State cuts ***may*** not be possible
5. Growth of Expenditures Outpacing Growth of Revenues
6. Existing Revenues Capped; Need New Revenue Options



Securing the County' Financial Future

- Identified Significant Financial Risk in 2007
- So What Did We Do...
 - Created Ten-Year Financial Plan
 - Aligned Expenditures with Revenues Using Recessionary Growth Forecast
 - Revenue Forecasts Reflect Financial Landscape with Greater Confidence (Recessionary Growth Model)
 - Improved Compensation Plan to Reduce Turnover Costs

Continued Conservative Financial Leadership



Budget Prioritization & Alignment with Revenue Types

- MANDATES —————>
- Wages & Benefits —————>
- Core Operations —————>

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



Conclusions

- **Anticipated Financial Challenges in 2007**
- **Implemented Proactive Financial Management Efforts**
- **Planned for a Recession, But No One Foresaw Depth or Length of Recession**
- **Continued Conservative Financial Management**





Securing the County's Financial Future ...

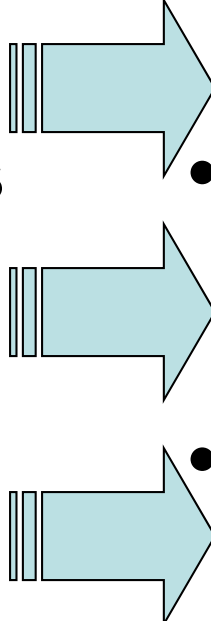
Responsible Solutions for a New Reality

Part 2 – Current Financial Crisis

Dec. 14, 2009



Prior Planning Successful

- 10-Year Financial Plan
 - Aligning Revenues and Expenditures
 - Planning Efforts
 - FMP, ITSP, Comp
 - **Revenue Options**
 - **Tactical**
 - **Strategic**
- 
- Strategic Budget Process
 - Based on Priority Areas & Desired Outcomes
 - Comprehensive Approach
 - Focus on “KEEPS”, not “Cuts”



“New Reality”

- State and Federal Program Cuts will be More Severe Over Next Several Years
- Demand for Services Still Continue to Increase
- Expenditures Will Continue to Grow at Higher Rate Than Revenues
- Economic Recovery
 - Recovery Will be Prolonged
 - Revenue Growth Will Not Achieve Historically High Levels
- Local Revenue Options are Very Limited

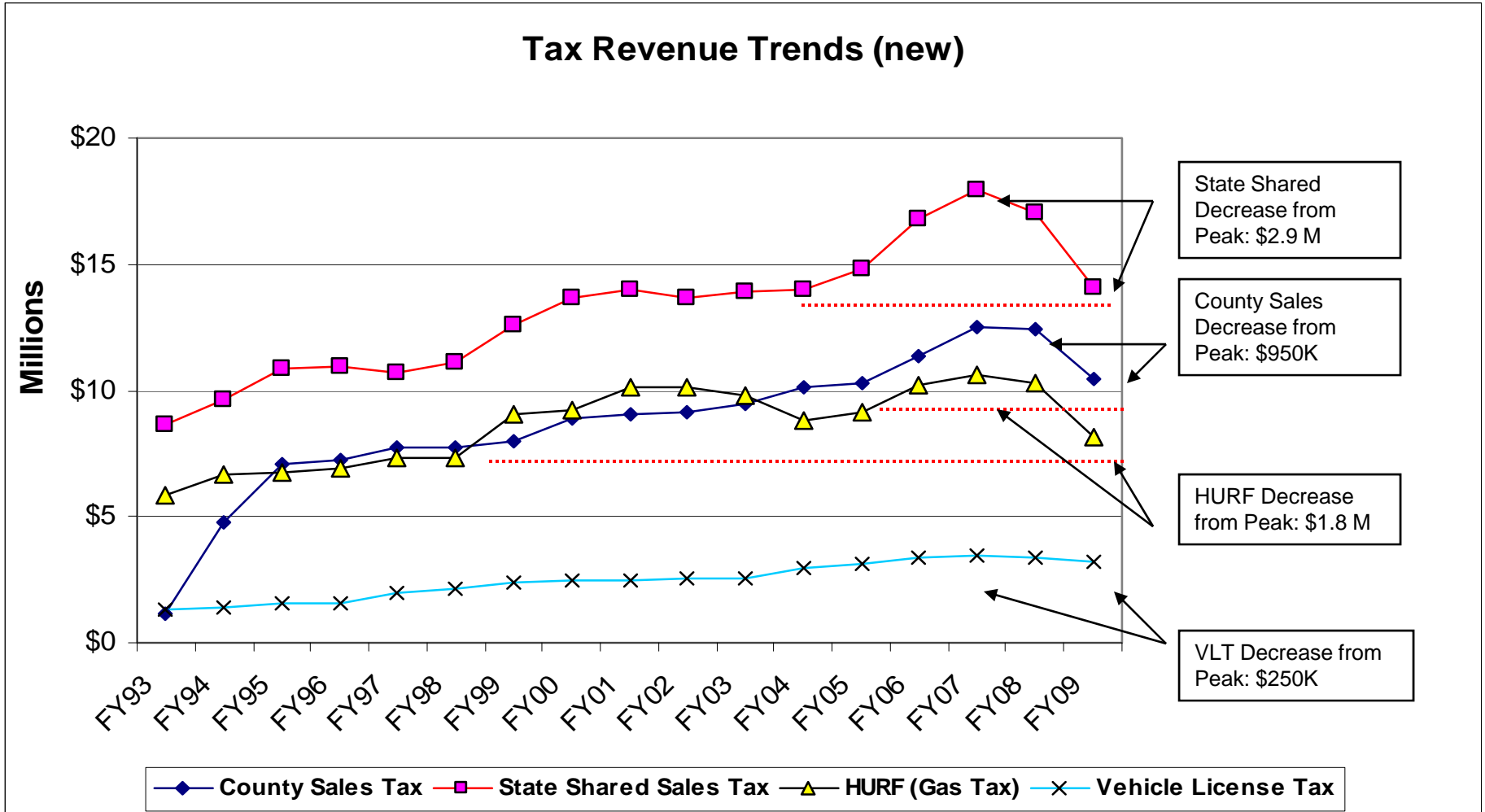


Cumulative Events Leading to Current Financial Crisis

- Past
 - Legal limits established at levels more conservative than other counties
 - Cost shifts and flat funding (even in “good” years) from the State
 - Cost growth rates outpaced revenue growth (ALTCS, AHCCCS, retirement, health insurance)
 - Cost Shifts Over County Tax Authority
- Present, \$9+ million
 - Declining revenues due to recession
 - County “share” of the State’s deficit
- Future
 - **Unknown \$\$\$\$**, but expect significant State impacts
 - Slower revenue growth (All Funds)

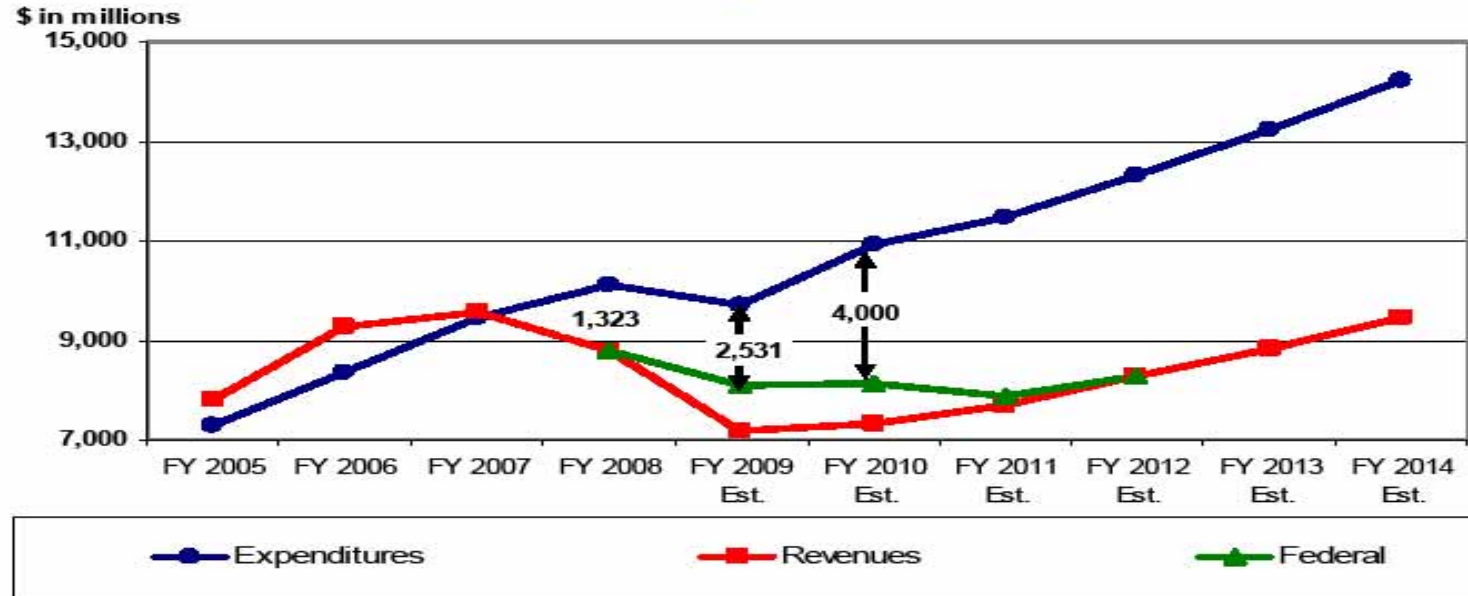


Current County Economic Impacts from the Recession



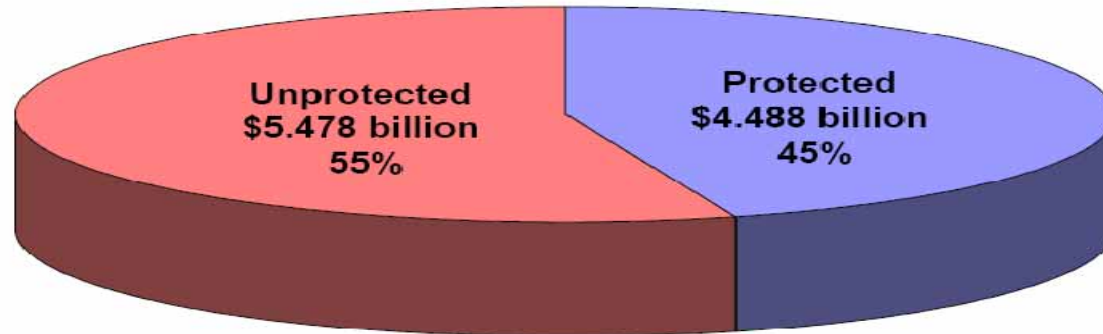
Impacts from State Worsening

Arizona's Future Fiscal Crisis



County Impacts Inevitable from State

Of the \$9.97 billion appropriated for FY 2009 expenditures by state agencies, \$4.49 billion are protected from budget reductions



Total FY09 Agency Operating Budget: \$9.97 billion

Simple Math:

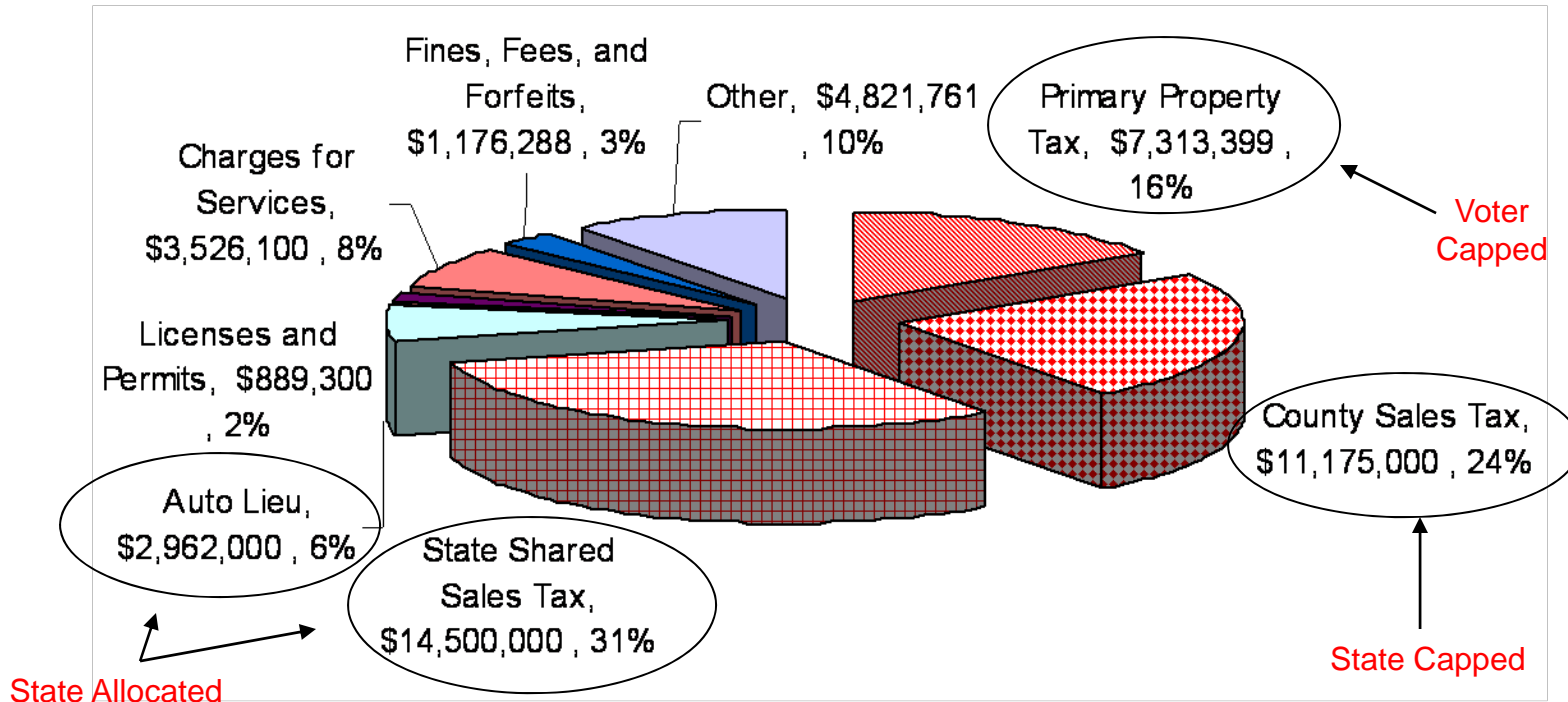
FY2011 is a \$5B deficit + carryover deficit from prior years - \$5.5B is unprotected – where will the cuts come from?



Current County Impacts from Declining Economy

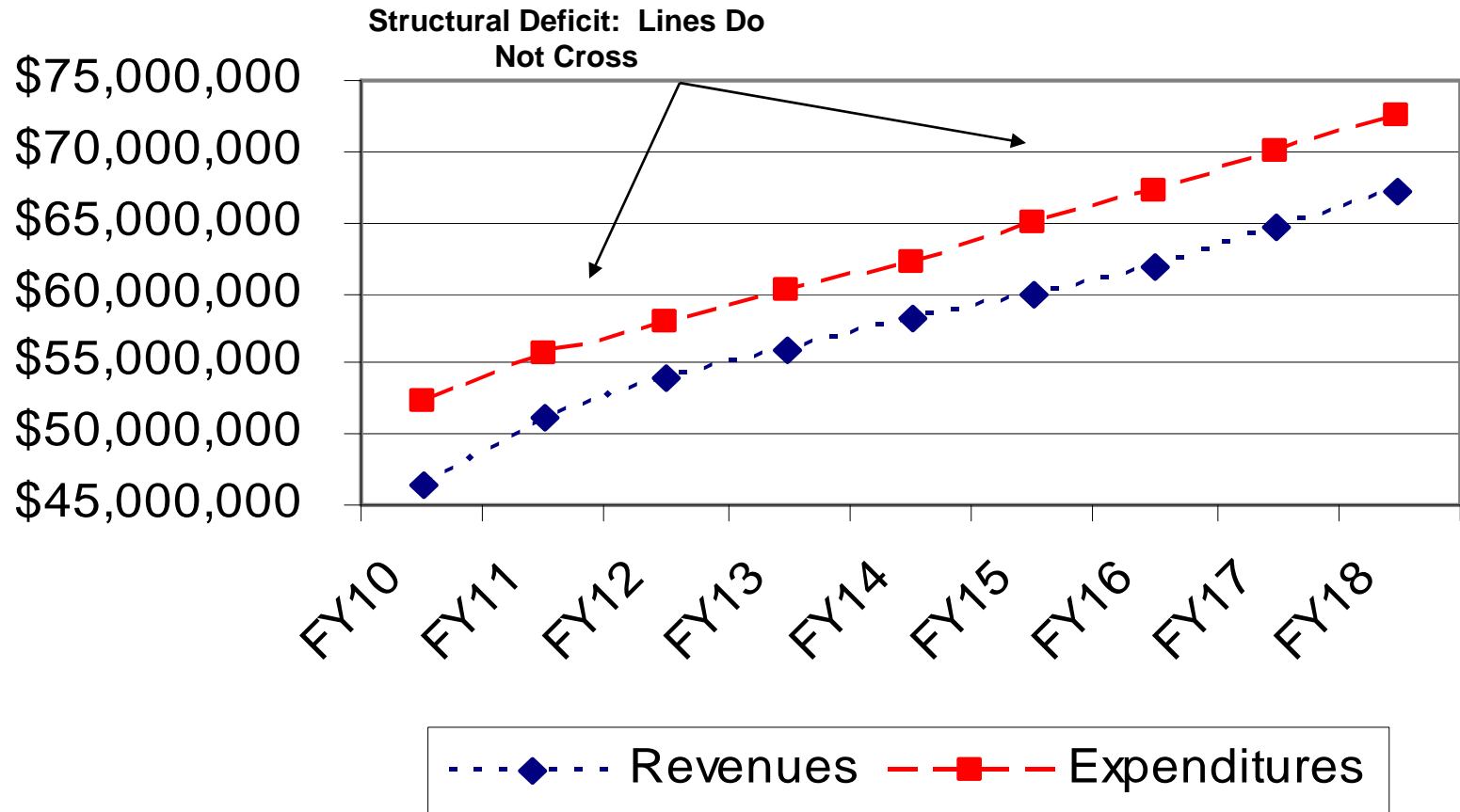
- Part I – Revenue Decreases from Economy: \$4,680,532
 - +
 - Part II – State Economic Impacts, Fixes and Service Shifts: \$4,689,105
 - +
 - Part III – Future Economic and State Impacts: **\$UNKNOWN**
- Total: >\$9,369,637**

General Fund FY 2010 Revenues



Allocated, Capped, or Dependent on Outside Factors:		
Voter Capped	\$ 7,313,399	Primary Property Tax
State Capped	\$ 11,175,000	County Sales Tax
State Allocated	\$ 18,283,533	Includes State Shared Sales Tax, Auto Lieu, and State Grants
Federally Allocated	\$ 2,614,768	Includes Forest Fees, PILT, and Federal Grants
Other Allocated or Capped	\$ 1,867,748	Includes Fines, Fees, and Forfeitures & Outside Agency Allocations
Investment Income	\$ 379,210	
Subtotal	\$41,633,658	90% of Total General Fund Revenues
Revenues Set by the BOS	\$ 4,730,190	Includes Licenses and Permits, Charges for Services, and Other Miscellaneous Revenues. CANNOT EXCEED COST.

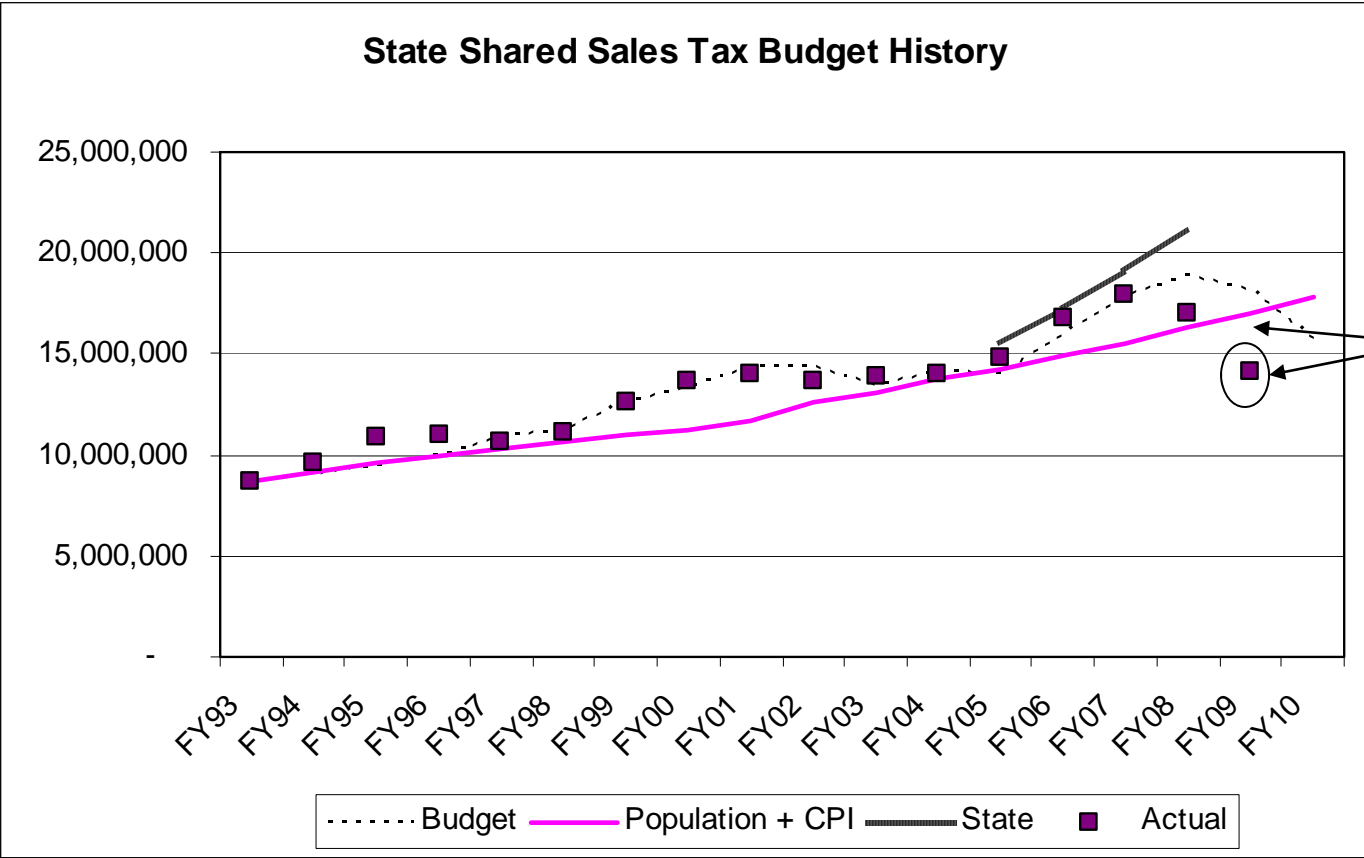
General Fund 10-Year Structural Deficit: **>\$5 Million**



Assumptions: Inflationary expenditure growth; State impacts to date; FY10 “fixes”

“New Reality”

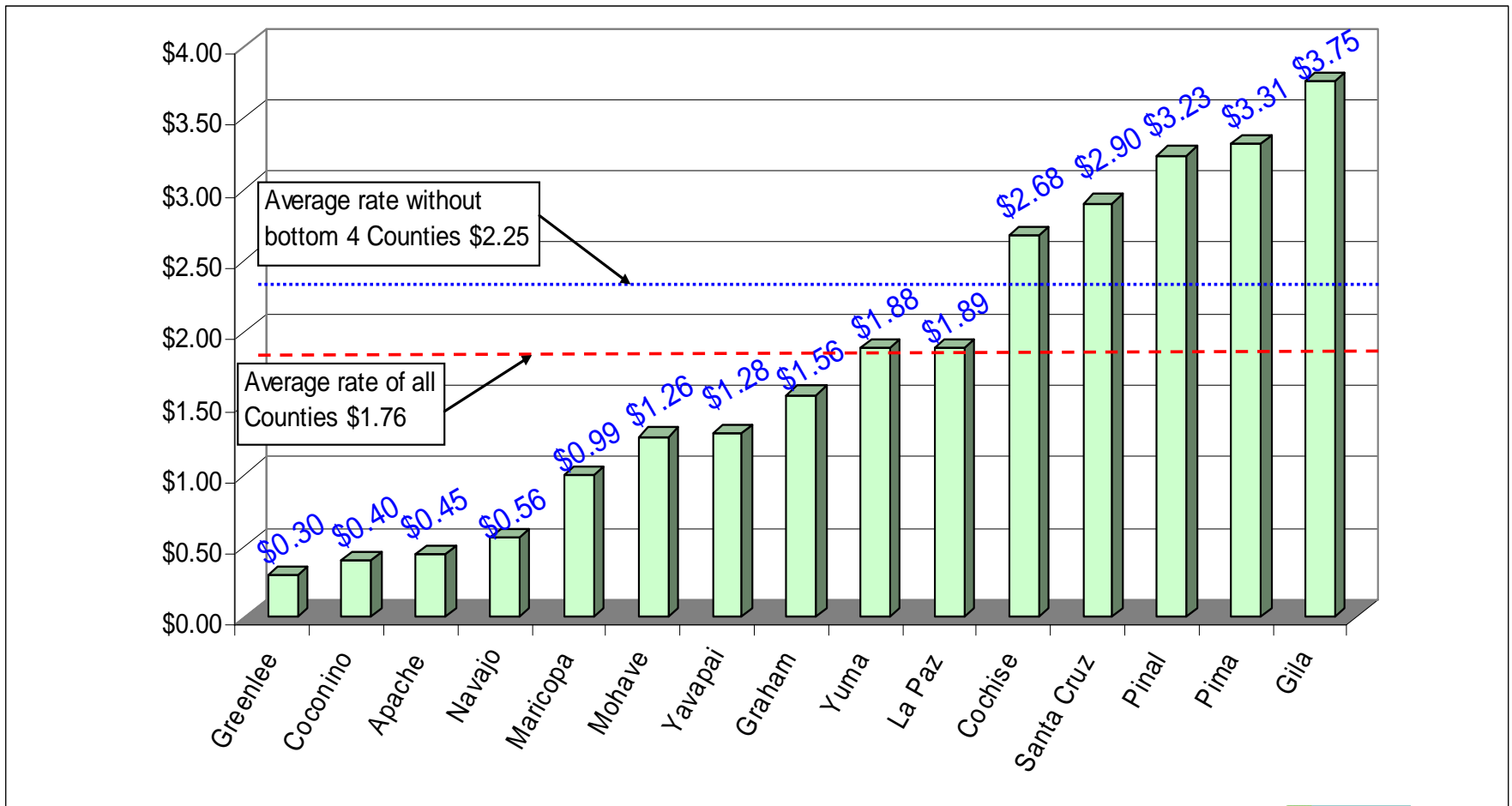
Revenue History



“New Reality”
- Actual Revenues Fall Below “Baseline”



Tax Disparity Among Arizona Counties Huge ...



Partial List of Current County-Wide Impacts

- State Cutbacks & Cost Shifts = \$3.1 M (to date)
- FY10 General Fund Departmental Reductions = \$1.3 M
- Frozen Positions = 50 *100 Vacancies as of Jan. 11*
- Open Grant Positions = 20 (Court, Juvenile, Probation)
- Eliminated Positions = 16 (Health)
- Cost Shift - \$1M + to Replace DOR Property Valuation Service
- HURF Reallocation to State = \$1.3 Million (2 years)
- More Reductions Required – Likely 5% Mid Year



Action Required to Address Current County Financial Conditions ...

- *Fund Balance Nearly Exhausted*
- *State Budget Cuts Unknown but Expected to be Very Significant*
- *Structural Deficit in General Fund at Least \$5 Million*



Questions?





Securing the County's Financial Future ...

Responsible Solutions for a New Reality

Part 3 – A Critical Time for Our Future

Dec. 14, 2009



A Critical Time...

- **County Can No Longer Wait for State to Act**
- **Need Change on OUR Terms**
- **Leadership Needed Now to Provide Local Economic Confidence to Support Recovery**
- **Approach Continues Conservative Fiscal Management**



A Critical Time ...

- **A Three-Prong Approach is Necessary:**
 - Eliminate & Reduce Services
 - Use Limited Reserves
 - Develop Additional Revenue



Eliminate & Reduce Services

- **Implement Significant Budget Cuts**
 - Total Cuts to Date = \$1.3 M (General Fund)
 - Anticipated Cuts = \$2.6 M (General Fund)
 - Hiring Freeze & Eliminating Positions
- **Reduce Service Levels**
 - Solid Waste, Sheriff Patrol, Juvenile Court , Adult Probation, Road Maintenance
 - Healthy Families, Home Health
 - Unable to Meet Social Services Needs



Cumulative Impact of Balancing the General Fund Budget

- FY10 Target Budget Reduction: 2.2% (Implemented)
- FY10 Additional Mid-Year Reduction: 5%
- FY11 Additional Target Budget Reduction: 7.9%

FY 2011 -
At Least 7%
Cut

Need Both Additional Budget Cuts & New Revenue to Balance the General Fund FY 2011 Budget

Cumulative Additional Budget Cuts Needed by FY11 to Address Current Impacts: 12.5%
Over \$7 Million

Additional Impacts = Additional Budget Cuts Beyond the 12.5%

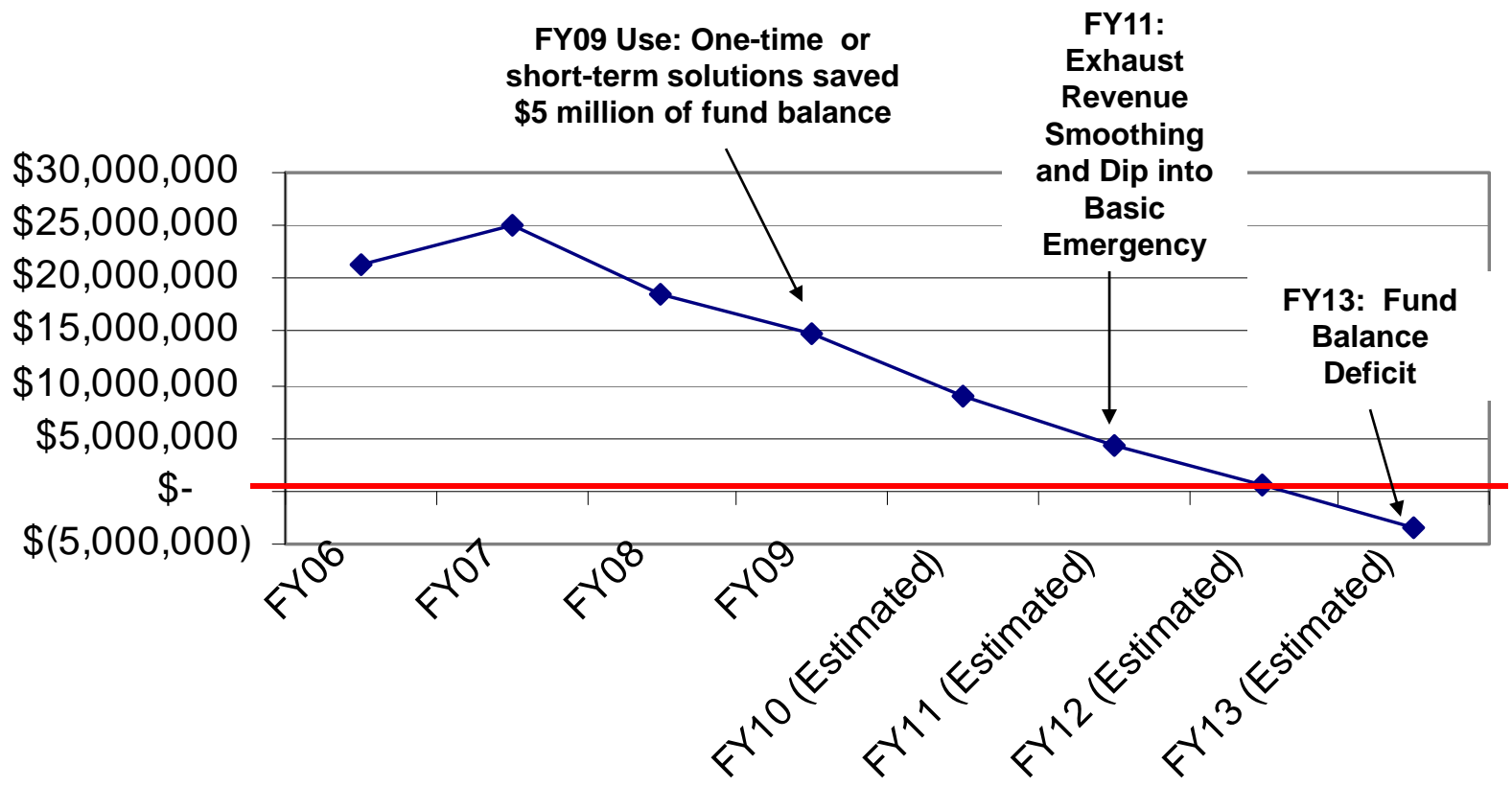


Use of Reserves

- Rapidly Exhausting Reserves
- Without Additional Program Cuts Would Expect to Exhaust General Fund Balance in FY 2011
- Remaining Reserves in FY 2011 = \$4.5 M
- Unexpected One-Time Revenue Reduced Use of Reserves in FY 2010
 - PILT
 - Investment Income
 - FMAP
 - SRS

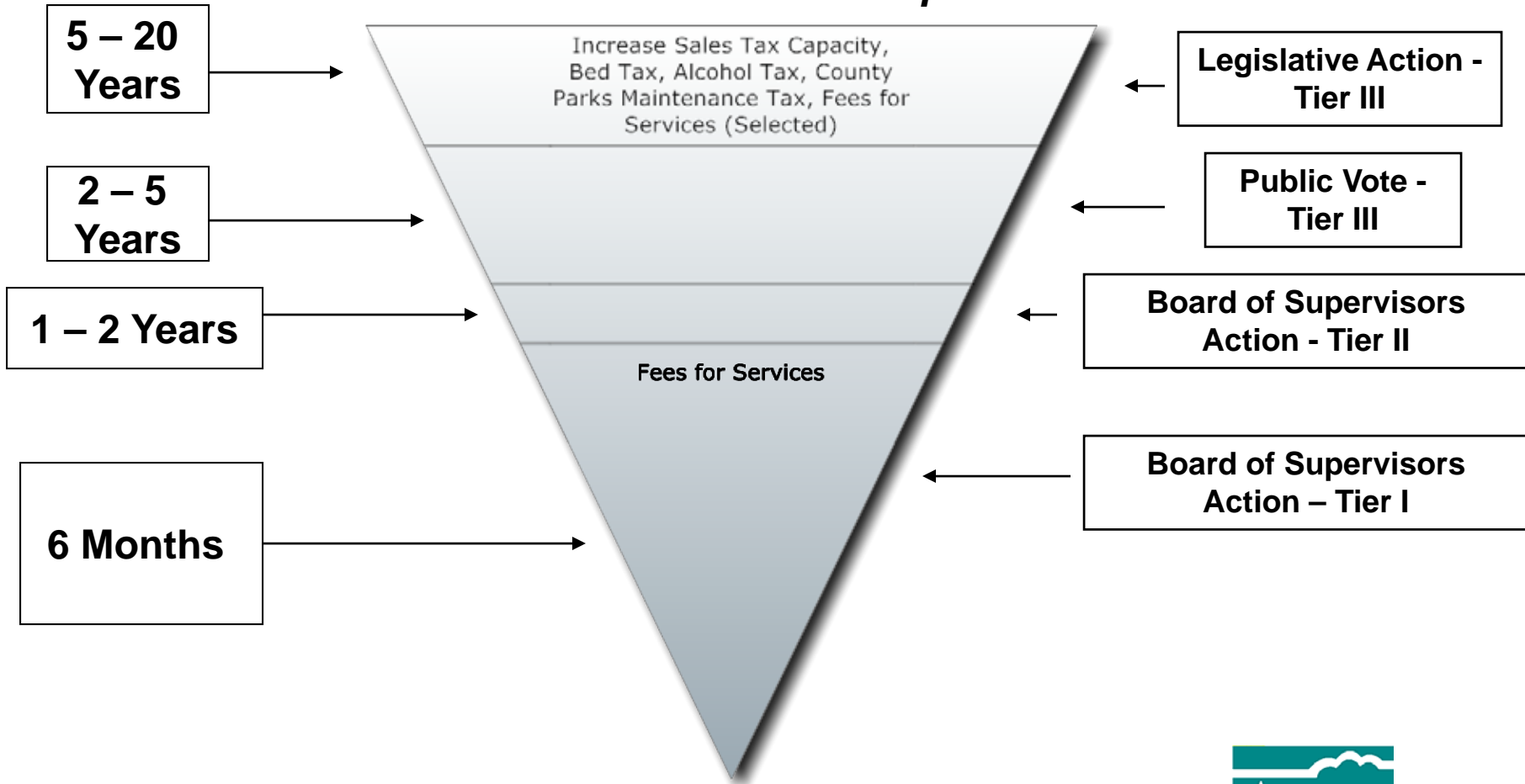


General Fund Use of Fund Balance



Revenue Options Considered

"Revenue Roadmap"



Public Health Services District

Source: August 2007 Revenue Matrix



Why Recommend a Public Health Services District? Why Now?

- **Financial Crisis Now – Preserve Critical Services to Extent Possible**
- **Legislative Threat to Remove Local Authority**
- **Flexibility to Address Financial Issues Countywide**
- **Ability to Implement Now**
- **Level of Revenue Generated**
- **Timing of Revenue**



Public Health Services District



Public Health Services District Overview

- Funding Source Options – Level of Revenue Generated
- Timing of Revenue Collection
- Implications for Taxpayers
- Comparison with Other Counties
- Maintenance of Effort Considerations
- Funding Allocation Philosophy & Process



Funding Source Options

Sales Tax Rate		
	0.05%	0.10%
Estimated Revenue	\$ 1,225,000	\$ 2,450,000

OR

Property Tax Rate (per \$100 of AV)			
	\$0.05	\$0.15	\$0.25
Estimated Revenue	\$ 1,077,926	\$ 3,233,777	\$ 5,389,628

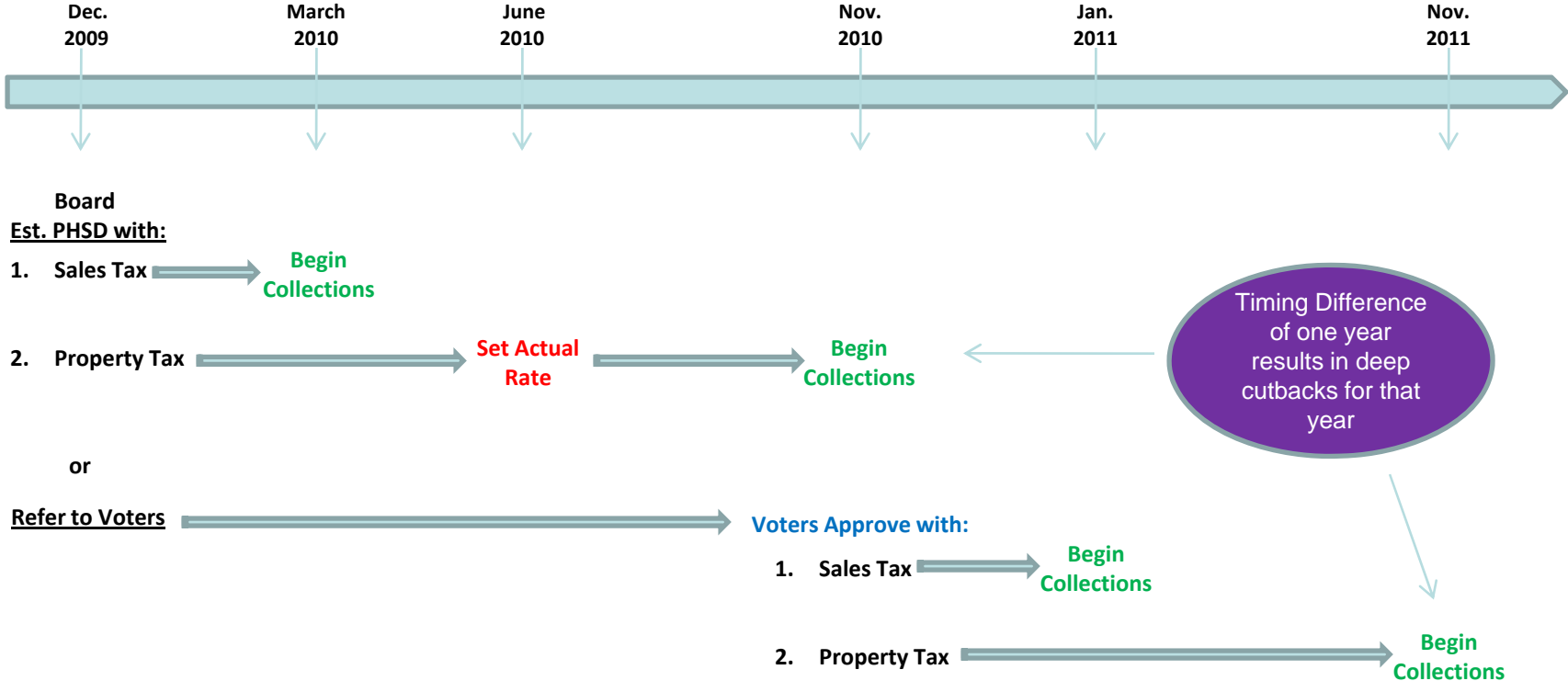
Max Revenue

*Statutory limit for sales tax is two percent of the state sales tax rate

*Statutory limit for property tax is \$0.25 per \$100 of assessed value



PHSD Revenue / Decision Time Line



Funding Source Options

Property Tax

- Max annual revenue \$5.4 mil
- First collections begin October 1, 2010 (FY11);
- DOR must be notified by January 1, 2010 for inclusion on the 2010 property tax notice
- Legislative action could affect authority
- Tax equity?

Sales Tax

- Max annual revenue \$2.45 mil
- First collection begins 2 months after implementation (FY10)
- Effective January 1st, or the first of any month thereafter
- Tax could be levied prior to legislative amendment
- Legislative action could affect authority
- Tax equity?



Estimated Property Tax Impact of Public Health Services District on Sample Properties

Impact on Sample Properties with Varying Assessed Values

Area	Secondary Assessed Value	FY2010 Total Tax Bill	PHSD Bill (at max rate)	Increase In Bill
<u>Residential</u>				
Flagstaff: Continental Country Club	\$ 309,450	\$ 2,215	\$ 77	3.5%
Doney Park: Pioneer Subdivision	\$ 261,796	\$ 2,166	\$ 65	3.0%
Kachina Village	\$ 185,050	\$ 1,585	\$ 46	2.9%
Fort Valley: Baderville Area	\$ 337,430	\$ 2,705	\$ 84	3.1%
Page: Village Estates	\$ 161,299	\$ 860	\$ 40	4.7%
Williams: Mountain View	\$ 179,899	\$ 1,250	\$ 45	3.6%
<u>Commercial</u>				
Flagstaff: Commercial	\$ 1,000,000	\$ 15,034	\$ 500	3.3%
Page: Commercial	\$ 708,386	\$ 7,415	\$ 354	4.8%
Williams: Commercial	\$ 1,167,465	\$ 17,132	\$ 584	3.4%
<u>Agricultural</u>				
Coconino County: Agricultural	\$ 2,286,682	\$ 21,338	\$ 904	4.2%

**Assumes maximum rate of \$0.25 per \$100 of assessed value*



Estimated Impact of Sales Tax of Public Health Services District

Current Rates: General Goods	Location					
	Flagstaff	Fredonia	Page	Sedona	Williams	Unincorporated
State	5.600%	5.600%	5.600%	5.600%	5.600%	5.600%
City	1.721%	4.000%	3.000%	3.000%	3.000%	
County: General Fund	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
County: Jail	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
County: CPOS (anticipated to end in 2013)	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%
Cummulative Rate	8.446%	10.725%	9.725%	9.725%	9.725%	6.725%
PHSD Maximum Rate	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Tax Rate with PHSD Tax	8.546%	10.825%	9.825%	9.825%	9.825%	6.825%

Arizona Rates (as of August 2009)

	Rate
High: Fredonia	10.73%
Low: Dewey-Humboldt (Yavapai County)	7.35%
Median Rate: Incorporated Areas	8.60%
Median Rate: Unincorporated Areas	6.30%

**The following incorporated areas in Coconino County do not impose a property tax and rely heavily on their sales tax: Fredonia, Page and Sedona.*

Sales Tax Impact on Taxpayers

	Location					
	Flagstaff	Fredonia	Page	Sedona	Williams	Unincorporated
Sale before tax	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
Current Tax	\$ 8.45	\$ 10.73	\$ 9.73	\$ 9.73	\$ 9.73	\$ 6.73
Current Gross Sale	\$ 108.45	\$ 110.73	\$ 109.73	\$ 109.73	\$ 109.73	\$ 106.73
PHSD Tax (0.1%)	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
Gross Sale with PHSD Tax	\$ 108.55	\$ 110.83	\$ 109.83	\$ 109.83	\$ 109.83	\$ 106.83



How Do Coconino County Taxes Compare with Other Counties?



Residential Property Tax Comparison by County

Using County Total Tax Rate

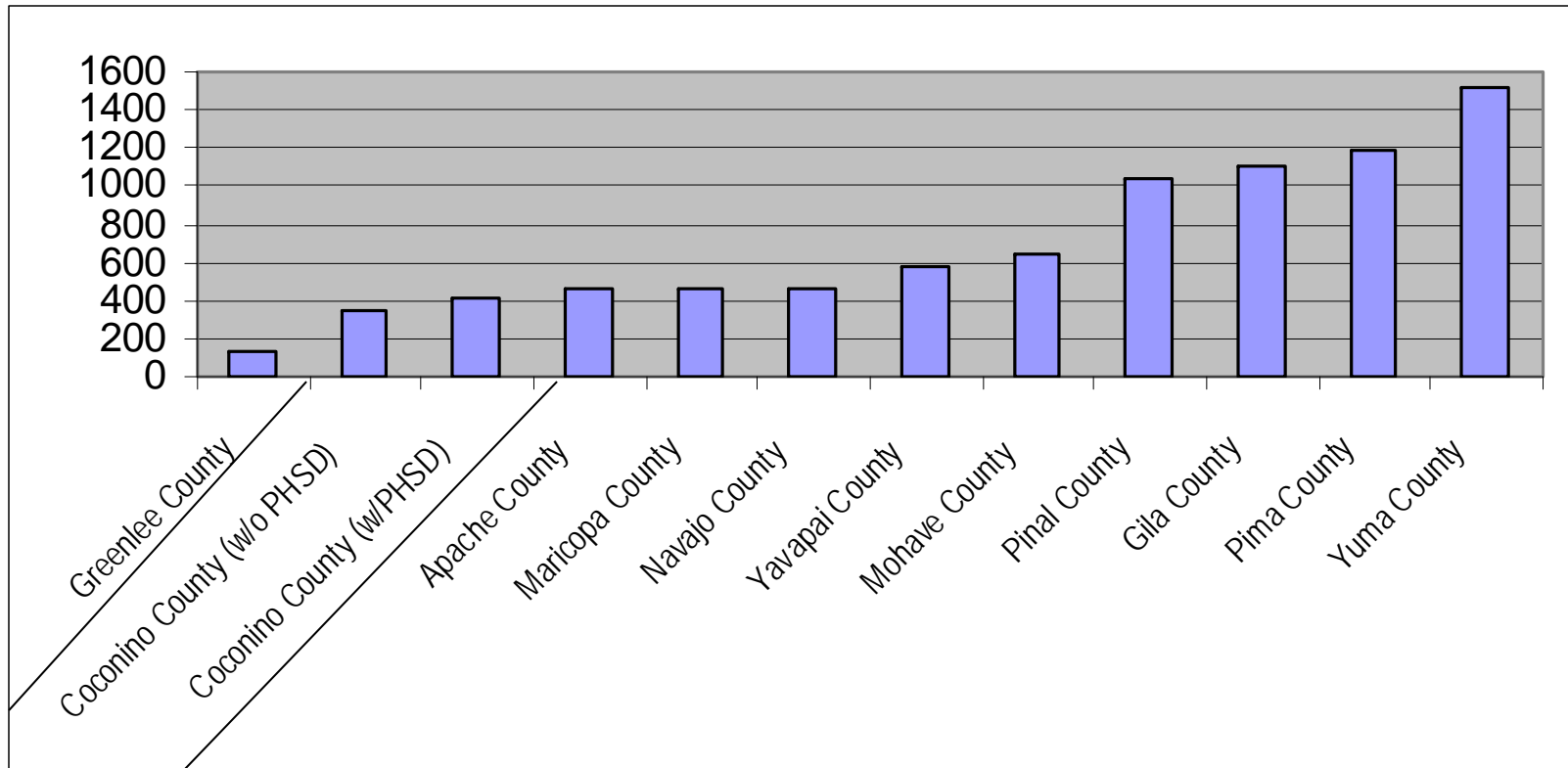
Residential	Property Value	10% Ratio	Assessed Value	Rate Per Hundred	Projected 2009 Tax Liability
Greenlee County	\$ 238,514	10%	\$ 23,851	0.5653	\$ 135
Coconino County (w/o PHSD)	\$ 258,628	10%	\$ 25,863	1.3511	\$ 349
Coconino County (w/PHSD)	\$ 258,628	10%	\$ 25,863	1.6011	\$ 414
Maricopa County	\$ 244,500	10%	\$ 24,450	1.8932	\$ 463
Navajo County	\$ 200,798	10%	\$ 20,080	2.3409	\$ 470
Yavapai County	\$ 202,002	10%	\$ 20,200	2.8938	\$ 585
Mohave County	\$ 215,079	10%	\$ 21,508	2.9531	\$ 635
Pinal County	\$ 204,091	10%	\$ 20,409	5.1061	\$ 1,042
Gila County	\$ 242,292	10%	\$ 24,229	4.5779	\$ 1,109
Pima County	\$ 205,673	10%	\$ 20,567	5.7687	\$ 1,186

**Rates include each County's primary and secondary tax rates including General Fund, Library District, FDAT, Community College, Flood Control, Debt Service, PHSD and other County Special Districts where applicable.*

**Please note that rates do not include school district and fire district tax rates.*

Residential Property Tax Levy Comparison by County

Using County Total Tax Rate



**Rates include each County's primary and secondary tax rates including General Fund, Library District, FDAT, Community College, Flood Control, Debt Service and other County Special Districts where applicable.*

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Commercial Property Tax Comparison by County

Using County Total Tax Rate

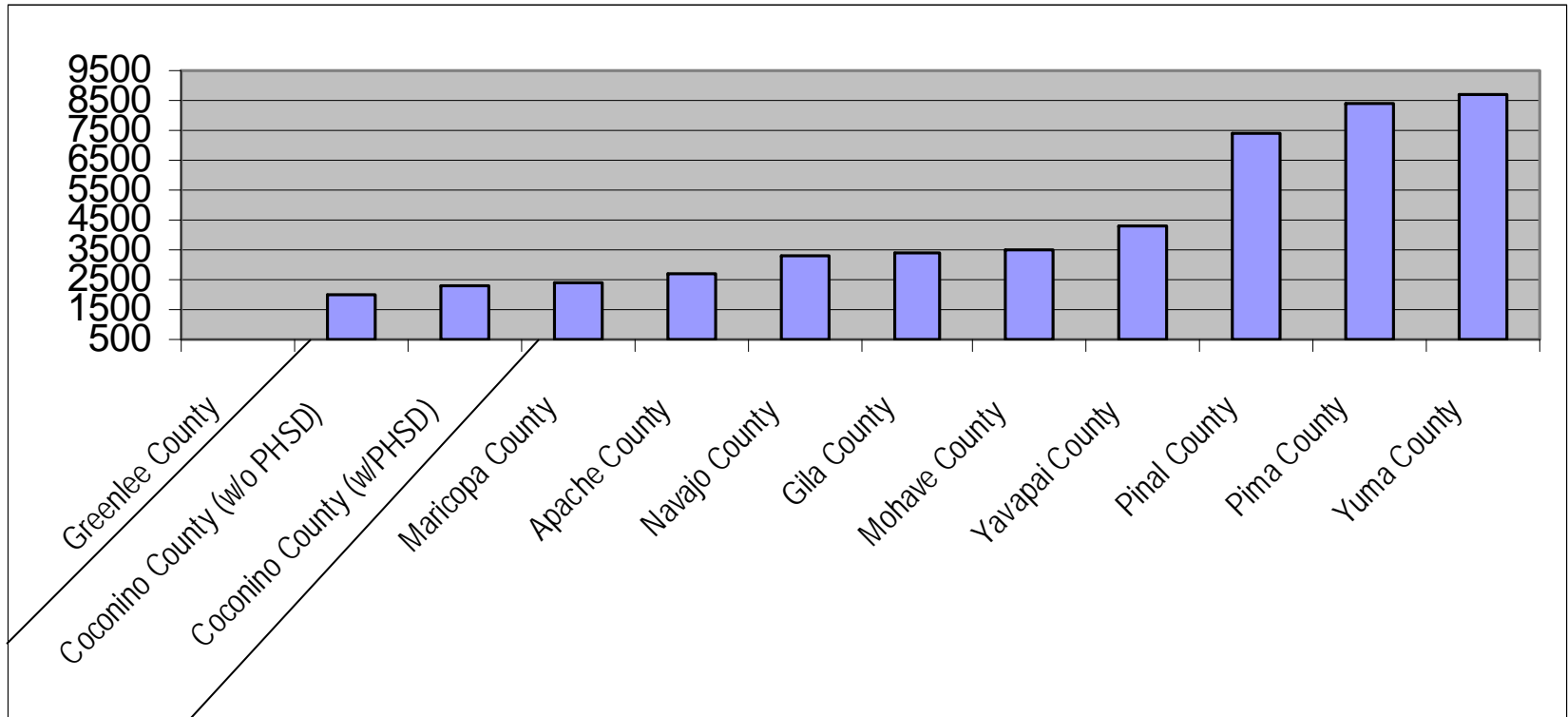
Commercial	Property Value	Assessment Ratio	Assessed Value	Rate Per Hundred	Projected 2009 Tax Liability
Greenlee County	\$ 428,362	22%	\$ 94,240	0.5653	\$ 533
Coconino County (w/o PHSD)	\$ 658,966	22%	\$ 144,973	1.3511	\$ 1,959
Coconino County (w/PHSD)	\$ 658,966	22%	\$ 144,973	1.6011	\$ 2,321
Maricopa County	\$ 570,040	22%	\$ 125,409	1.8932	\$ 2,374
Navajo County	\$ 643,386	22%	\$ 141,545	2.3409	\$ 3,313
Gila County	\$ 339,779	22%	\$ 74,751	4.5779	\$ 3,422
Mohave County	\$ 543,386	22%	\$ 119,545	2.9531	\$ 3,530
Yavapai County	\$ 670,415	22%	\$ 147,491	2.8938	\$ 4,268
Pinal County	\$ 654,324	22%	\$ 143,951	5.1061	\$ 7,350
Pima County	\$ 658,260	22%	\$ 144,817	5.7687	\$ 8,354

**Rates include each County's primary and secondary tax rates including General Fund, Library District, FDAT, Community College, Flood Control, Debt Service, PHSD and other County Special Districts where applicable.*

**Please note that rates do not include school district and fire district tax rates.*

Commercial Property Tax Levy Comparison by County

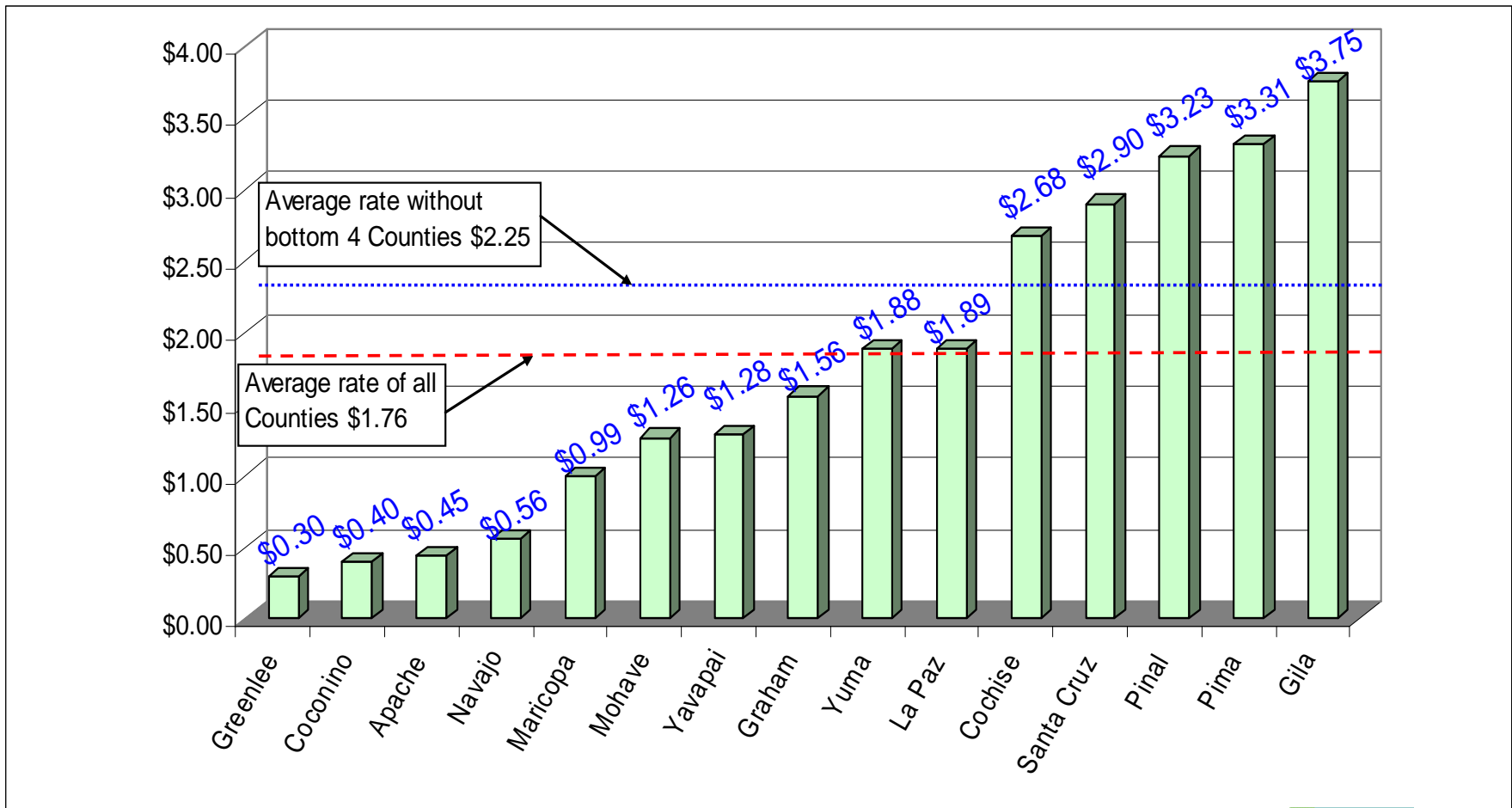
Using County Total Tax Rate



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**Please note that rates do not include school district and fire district tax rates.*

Tax Disparity Among Arizona Counties Huge ...



Public Health Services Districts in Arizona

County	Type	PHSD Rate	Total Rate
Greenlee	Property	0.1525	0.5653
Coconino	Property	0.2500	1.6011
Apache	Property	0.1606	2.2671
Navajo	Property	0.1963	2.3409
Pinal	Sales	0.1%	1.100%
Yuma	Sales	0.1%	1.100%
Coconino	Sales	0.1%	1.225%



Flexibility Inherent with PHSD

- Board Has Authority to Establish District with a Maximum Property Tax Rate and Set Actual Rate at Time of Adoption (June)
- Board Can Modify Tax Rate Annually Up to Maximum Set by Resolution
- Board Has Authority to Convert Tax at Later Date (sales to property)



Maintenance of Effort

- MOE Required by Statute
- Strategic Approach to Create Maximum Flexibility
- MOE is ***Minimum*** 60% of Existing Support to Public Health District Programs



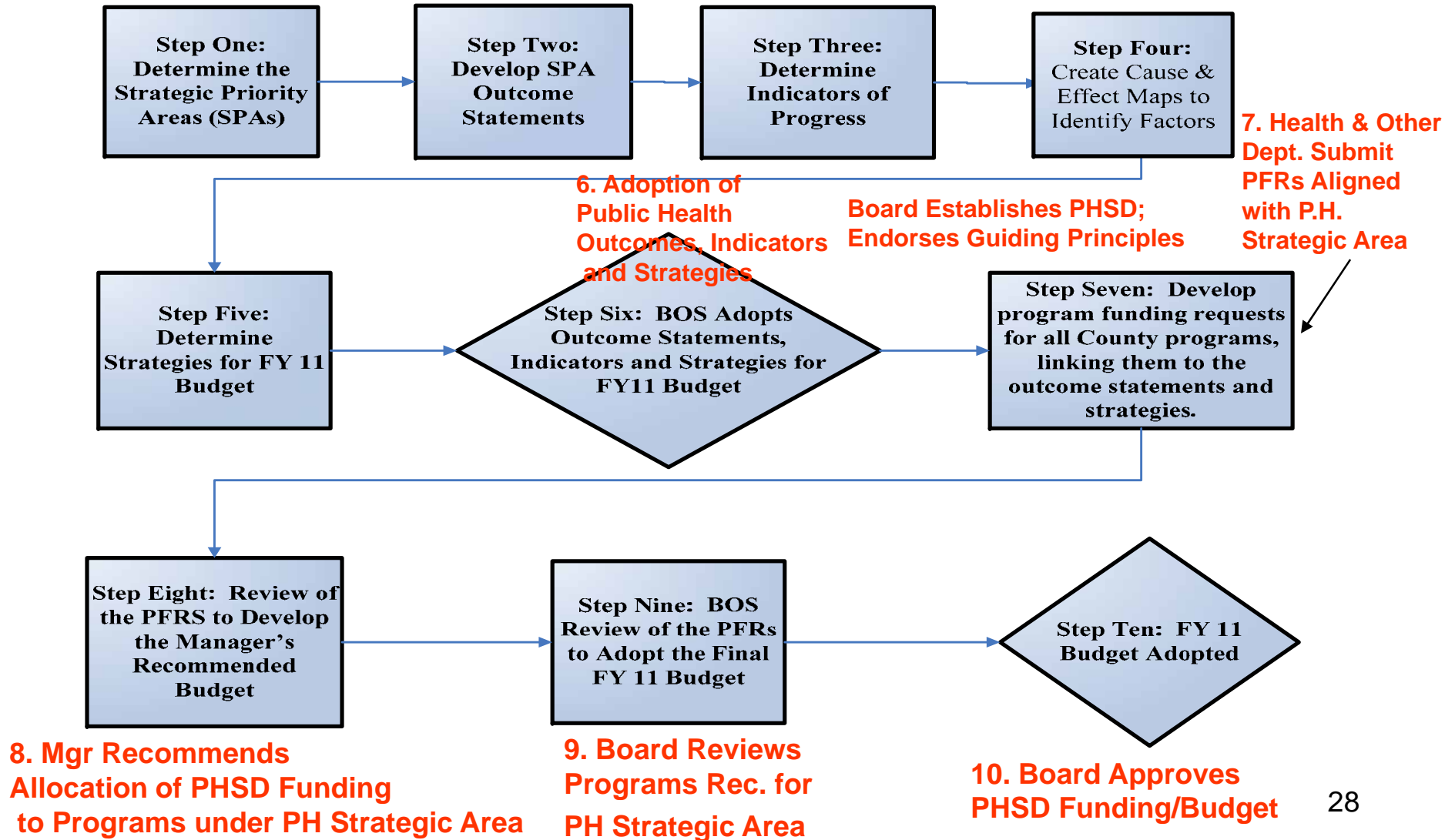
Funding Philosophy & Process

- Guiding Principles for Funding and Services
- Strategic Budget Process Crucial to Determining Which Programs to Fund and at What Level for **ALL** County Programs, Including Those in District



Coconino County's Strategic Budget Process

How and When PHSD Funding Would be Allocated



Why Use Strategic Budget Process to Make These Decisions ...

- County Cannot Make Individual Decisions in a Vacuum about Specific Services, Revenue Sources, Specific Plans, etc.
- Must Understand How These All fit Together for County-wide Delivery of Services
- Our Approach Must be Comprehensive!



County Funding Options

- **Public Health Services District – Property Tax**
 - **Public Health Services District – Sales Tax**
-
- **Improve Utilization of Existing Tax Capacity**
 - **County Parks & Open Space**
 - **Library District**
 - **Flood Control District**
 - **Jail District**



Recommendation

- **Establish Public Health Services District Now**
- **Fund with a Property Tax**
- **Establish Tax Rate *Up to 25 Cents per \$100 of Assessed Valuation*; Set Actual Rate During Budget Process**



Discussion





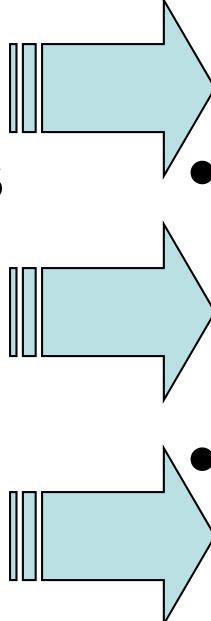
Securing the County's Financial Future ...

Responsible Solutions for a New Reality

December 15, 2009

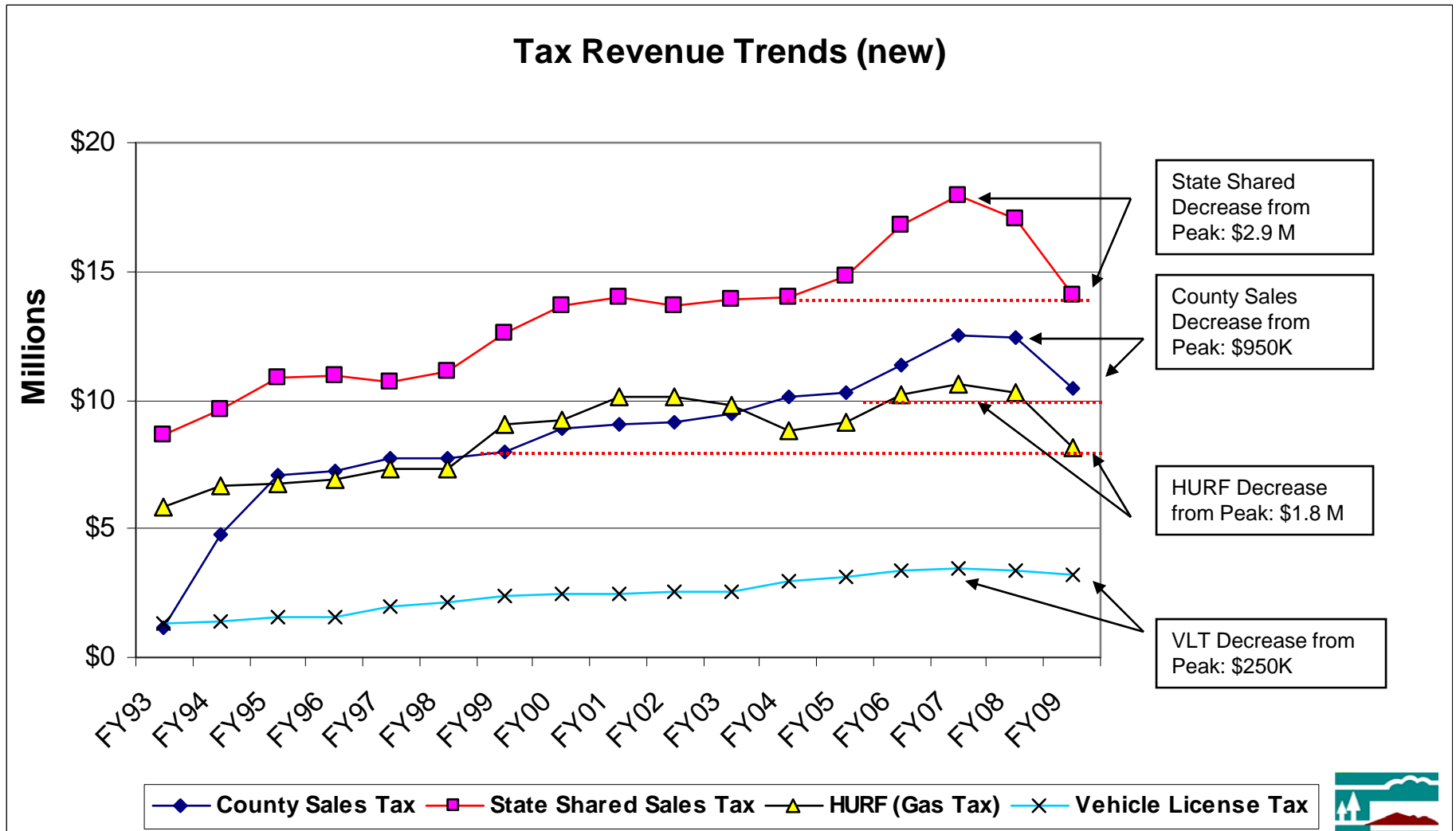


Prior Planning Successful

- 10-Year Financial Plan
 - Aligning Revenues and Expenditures
 - Planning Efforts
 - FMP, ITSP, Comp
 - **Revenue Options**
 - **Tactical**
 - **Strategic**
- 
- Strategic Budget Process
 - Based on Priority Areas & Desired Outcomes
 - Comprehensive Approach
 - Focus on “KEEPS”, not “Cuts”



Current County Economic Impacts from the Recession



Current County Impacts from Declining Economy

- Part I – Revenue Decreases from Economy: \$4,680,532
 - +
 - Part II – State Economic Impacts, Fixes and Service Shifts: \$4,689,105
 - +
 - Part III – Future Economic and State Impacts: **\$UNKNOWN**
- Total: >\$9,369,637**

Partial List of Current County-Wide Impacts

- State Cutbacks & Cost Shifts = \$3.1 M (to date)
- FY10 General Fund Departmental Reductions = \$1.3 M
- Frozen Positions = 50
- Open Grant Positions = 20 (Court, Juvenile, Probation)
- Eliminated Positions = 16 (Health)
- Cost Shift - \$1M + to Replace DOR Property Valuation Service
- HURF Reallocation to State = \$1.3 Million (2 years)
- More Reductions Required – Likely 5% Mid Year



Action Required to Address Current County Financial Conditions ...

- *Fund Balance Nearly Exhausted*
- *State Budget Cuts Unknown but Expected to be Very Significant*
- *Structural Deficit in General Fund at Least \$5 Million*



A Critical Time...

- **County Can No Longer Wait for State to Act**
- **Need Change on OUR Terms**
- **Leadership Needed Now to Provide Local Economic Confidence to Support Recovery**
- **Approach Continues Conservative Fiscal Management**



A Critical Time ...

- **A Three-Prong Approach is Necessary:**
 - Eliminate & Reduce Services
 - Use Limited Reserves
 - Develop Additional Revenue



Eliminate & Reduce Services

- **Implement Significant Budget Cuts**
 - Total Cuts to Date = \$1.3 M (General Fund)
 - Anticipated Cuts = \$2.6 M (General Fund)
 - Hiring Freeze & Eliminating Positions
- **Reduce Service Levels**
 - Solid Waste, Sheriff Patrol, Juvenile Court , Adult Probation, Road Maintenance
 - Healthy Families, Home Health
 - Unable to Meet Social Services Needs



Cumulative Impact of Balancing the General Fund Budget

- FY10 Target Budget Reduction: 2.2% (Implemented)
- FY10 Additional Mid-Year Reduction: 5%
- FY11 Additional Target Budget Reduction: 7.9%

FY 2011 -
At Least 7%
Cut

Need Both Additional Budget Cuts & New Revenue to Balance the General Fund FY 2011 Budget

Cumulative Additional Budget Cuts Needed by FY11 to Address Current Impacts: 12.5%
Over \$7 Million

Additional Impacts = Additional Budget Cuts Beyond the 12.5%

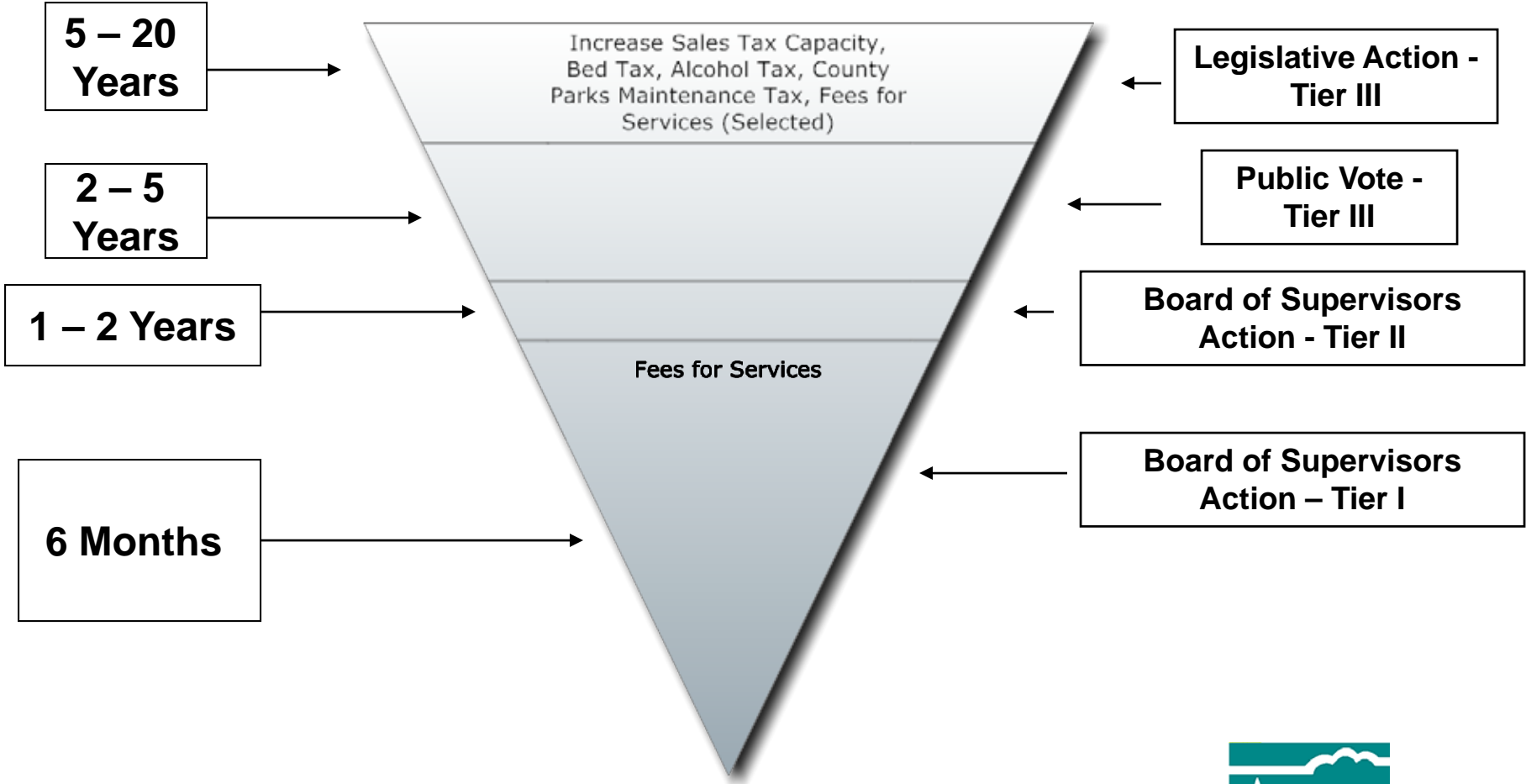


Use of Reserves

- Rapidly Exhausting Reserves
- Without Additional Program Cuts Would Expect to Exhaust General Fund Balance in FY 2011
- Remaining Reserves in FY 2011 = \$4.5 M
- Unexpected One-Time Revenue Reduced Use of Reserves in FY 2010
 - PILT
 - Investment Income
 - FMAP
 - SRS



Revenue Options Considered



Public Health Services District

Source: August 2007 Revenue Matrix



Why Recommend a Public Health Services District? Why Now?

- **Financial Crisis Now – Preserve Critical Services to Extent Possible**
- **Legislative Threat to Remove Local Authority**
- **Flexibility to Address Financial Issues Countywide**
- **Ability to Implement Now**
- **Level of Revenue Generated**
- **Timing of Revenue**



Public Health Services District



Public Health Services District Overview

- Funding Source Options – Level of Revenue Generated
- Timing of Revenue Collection
- Implications for Taxpayers
- Comparison with Other Counties
- Maintenance of Effort Considerations
- Funding Allocation Philosophy & Process



Funding Source Options

Sales Tax Rate		
	0.05%	0.10%
Estimated Revenue	\$ 1,225,000	\$ 2,450,000

OR

Property Tax Rate (per \$100 of AV)			
	\$0.05	\$0.15	\$0.25
Estimated Revenue	\$ 1,077,926	\$ 3,233,777	\$ 5,389,628

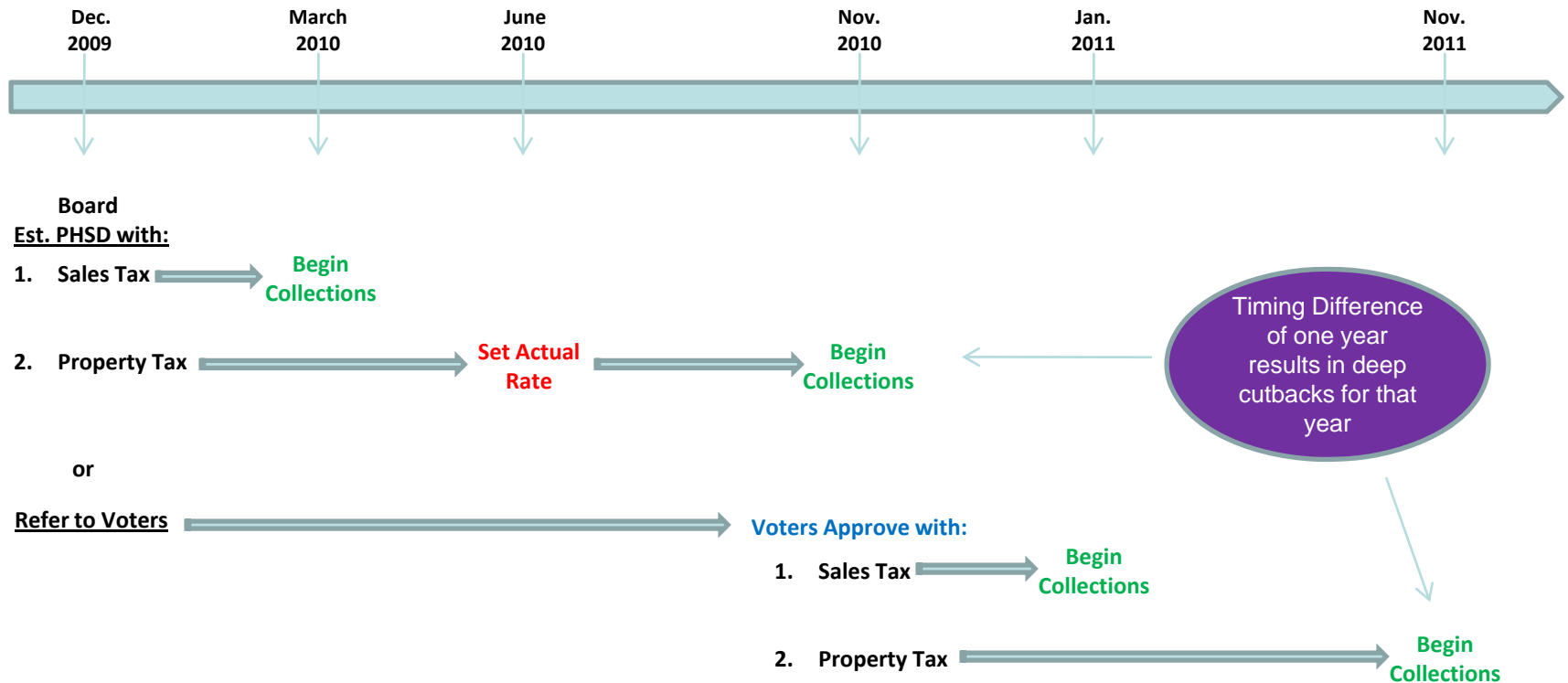
Max Revenue

*Statutory limit for sales tax is two percent of the state sales tax rate

*Statutory limit for property tax is \$0.25 per \$100 of assessed value



PHSD Revenue / Decision Time Line



Estimated Property Tax Impact of Public Health Services District on Sample Properties

Impact on Sample Properties with Varying Assessed Values

Area	Secondary Assessed Value	FY2010 Total Tax Bill	PHSD Bill (at max rate)	Increase In Bill
<u>Residential</u>				
Flagstaff: Continental Country Club	\$ 309,450	\$ 2,215	\$ 77	3.5%
Doney Park: Pioneer Subdivision	\$ 261,796	\$ 2,166	\$ 65	3.0%
Kachina Village	\$ 185,050	\$ 1,585	\$ 46	2.9%
Fort Valley: Baderville Area	\$ 337,430	\$ 2,705	\$ 84	3.1%
Page: Village Estates	\$ 161,299	\$ 860	\$ 40	4.7%
Williams: Mountain View	\$ 179,899	\$ 1,250	\$ 45	3.6%
<u>Commercial</u>				
Flagstaff: Commercial	\$ 1,000,000	\$ 15,034	\$ 500	3.3%
Page: Commercial	\$ 708,386	\$ 7,415	\$ 354	4.8%
Williams: Commercial	\$ 1,167,465	\$ 17,132	\$ 584	3.4%
<u>Agricultural</u>				
Coconino County: Agricultural	\$ 2,286,682	\$ 21,338	\$ 904	4.2%

**Assumes maximum rate of \$0.25 per \$100 of assessed value*



Estimated Impact of Sales Tax of Public Health Services District

Current Rates: General Goods	Location					
	Flagstaff	Fredonia	Page	Sedona	Williams	Unincorporated
State	5.600%	5.600%	5.600%	5.600%	5.600%	5.600%
City	1.721%	4.000%	3.000%	3.000%	3.000%	
County: General Fund	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
County: Jail	0.500%	0.500%	0.500%	0.500%	0.500%	0.500%
County: CPOS (anticipated to end in 2013)	0.125%	0.125%	0.125%	0.125%	0.125%	0.125%
Cummulative Rate	8.446%	10.725%	9.725%	9.725%	9.725%	6.725%
PHSD Maximum Rate	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Tax Rate with PHSD Tax	8.546%	10.825%	9.825%	9.825%	9.825%	6.825%

Arizona Rates (as of August 2009)

	Rate
High: Fredonia	10.73%
Low: Dewey-Humboldt (Yavapai County)	7.35%
Median Rate: Incorporated Areas	8.60%
Median Rate: Unincorporated Areas	6.30%

**The following incorporated areas in Coconino County do not impose a property tax and rely heavily on their sales tax: Fredonia, Page and Sedona.*

Sales Tax Impact on Taxpayers

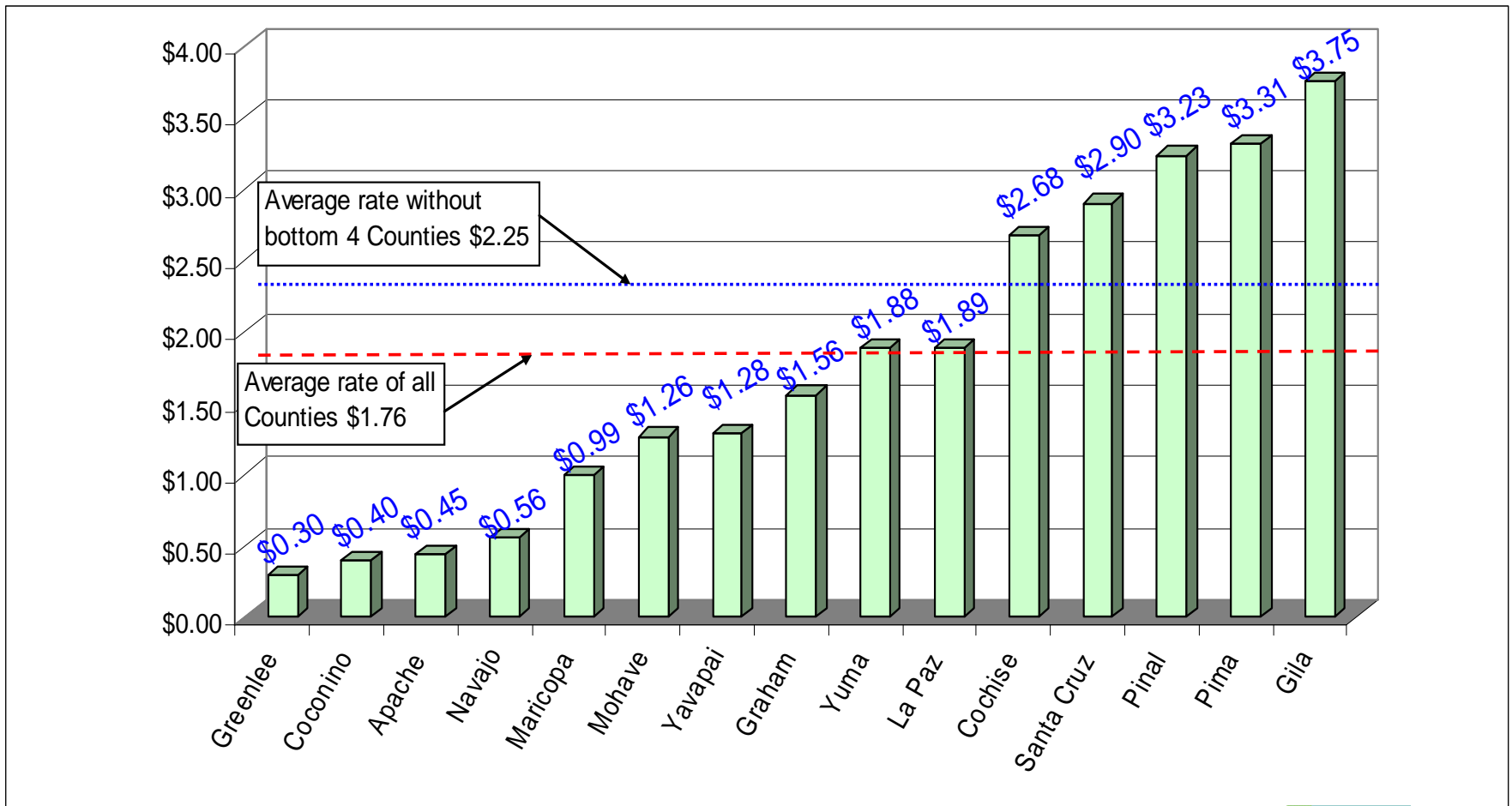
	Location					
	Flagstaff	Fredonia	Page	Sedona	Williams	Unincorporated
Sale before tax	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
Current Tax	\$ 8.45	\$ 10.73	\$ 9.73	\$ 9.73	\$ 9.73	\$ 6.73
Current Gross Sale	\$ 108.45	\$ 110.73	\$ 109.73	\$ 109.73	\$ 109.73	\$ 106.73
PHSD Tax (0.1%)	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
Gross Sale with PHSD Tax	\$ 108.55	\$ 110.83	\$ 109.83	\$ 109.83	\$ 109.83	\$ 106.83



How Do Coconino County Taxes Compare with Other Counties?



Tax Disparity Among Arizona Counties Huge ...



Public Health Services Districts in Arizona

County	Type	PHSD Rate	Total Rate
Greenlee	Property	0.1525	0.5653
Coconino	Property	0.2500	1.6011
Apache	Property	0.1606	2.2671
Navajo	Property	0.1963	2.3409
Pinal	Sales	0.1%	1.100%
Yuma	Sales	0.1%	1.100%
Coconino	Sales	0.1%	1.225%



Maintenance of Effort

- MOE Required by Statute
- Strategic Approach to Create Maximum Flexibility
- MOE is ***Minimum*** 60% of Existing Support to Public Health District Programs



Funding Philosophy & Process

- Guiding Principles for Funding and Services
- Strategic Budget Process Crucial to Determining Which Programs to Fund and at What Level for ***ALL*** County Programs, Including Those in District



Why Use Strategic Budget Process to Make These Decisions ...

- County Cannot Make Individual Decisions in a Vacuum about Specific Services, Revenue Sources, Specific Plans, etc.
- Must Understand How These All fit Together for County-wide Delivery of Services
- Our Approach Must be Comprehensive!



County Funding Options

- **Public Health Services District – Property Tax**
 - **Public Health Services District – Sales Tax**
-
- **Improve Utilization of Existing Tax Capacity**
 - **County Parks & Open Space**
 - **Library District**
 - **Flood Control District**
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