



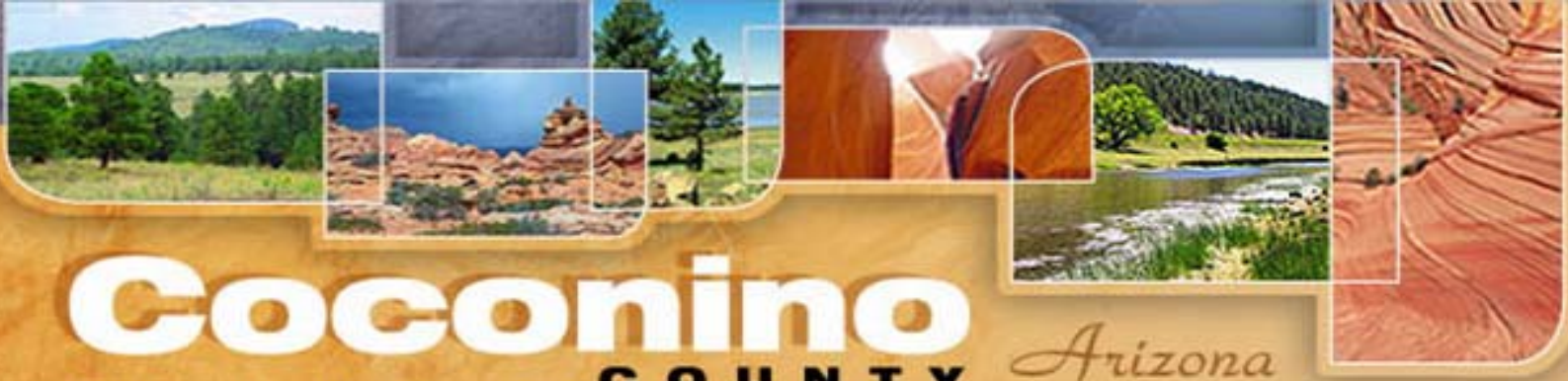
FY11 Proposed Budget

Board of Supervisors

May 10, 2010

FY11 Proposed Budget 5/10/2010





Coconino

COUNTY

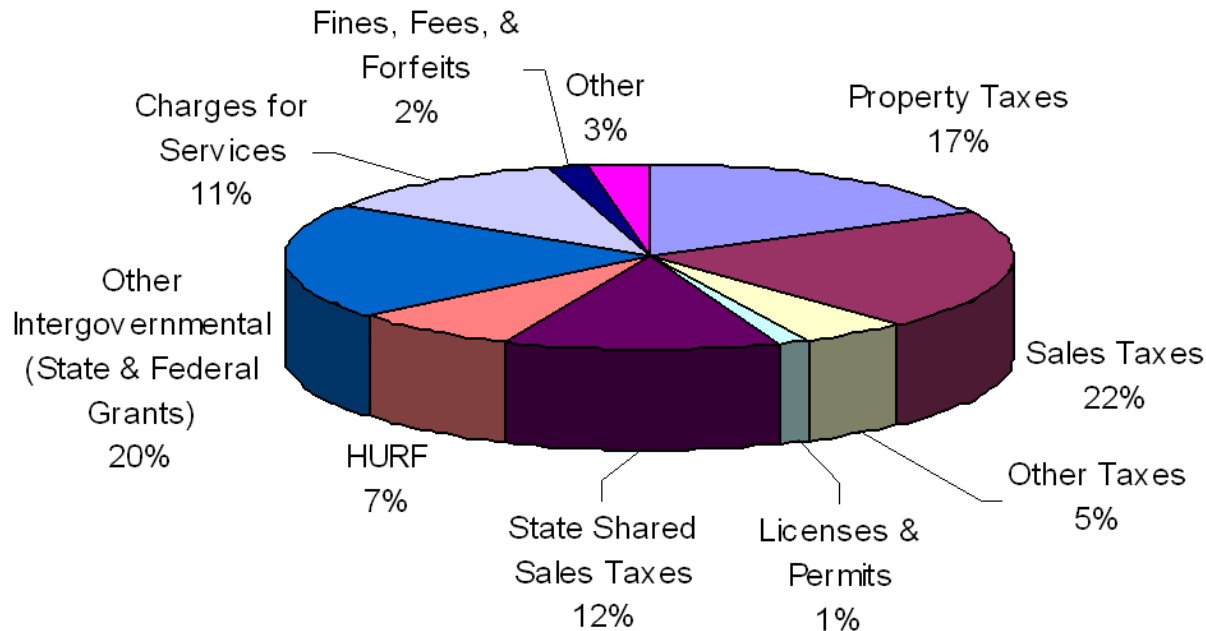
Arizona

Vast and endless beauty & home to many cultures

FY11 Proposed Budget: Overview



Revenues by Type: All Funds



| | |
|--------------------------|---------------|
| Sales Taxes | \$ 25,396,875 |
| Other Intergovernmental | 25,033,956 |
| Property Taxes | 21,130,754 |
| State Shared Sales Taxes | 15,225,000 |
| Charges for Services | 13,782,154 |

| | |
|-------------------------|--------------|
| HURF | \$ 9,030,500 |
| Other Taxes | 5,794,997 |
| Other | 3,361,864 |
| Fines, Fees, & Forfeits | 1,979,400 |
| Licenses & Permits | 1,575,155 |

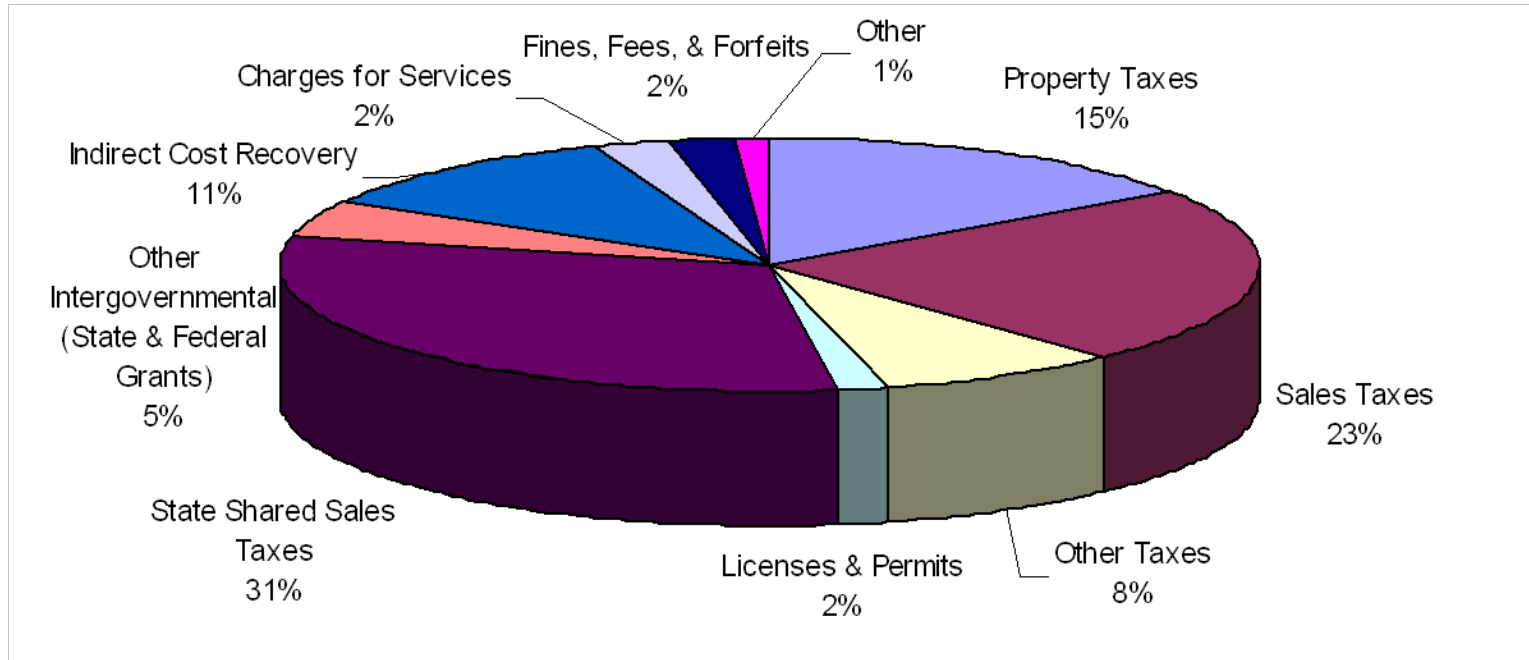
FY11 Operating Revenues = \$122 million

(FY10 Estimated Operating Revenues = \$120 million)

FY11 Proposed Budget 5/10/2010



Revenues by Type: General Fund



| | |
|--------------------------|---------------|
| State Shared Sales Taxes | \$ 15,225,000 |
| Sales Taxes | 11,287,500 |
| Property Taxes | 7,587,827 |
| Indirect Cost Recovery | 5,248,781 |
| Other Taxes | 3,902,500 |

| | |
|-------------------------|--------------|
| Other Intergovernmental | \$ 2,377,166 |
| Charges for Services | 1,208,867 |
| Fines, Fees, & Forfeits | 1,154,400 |
| Licenses & Permits | 889,300 |
| Other | 560,290 |

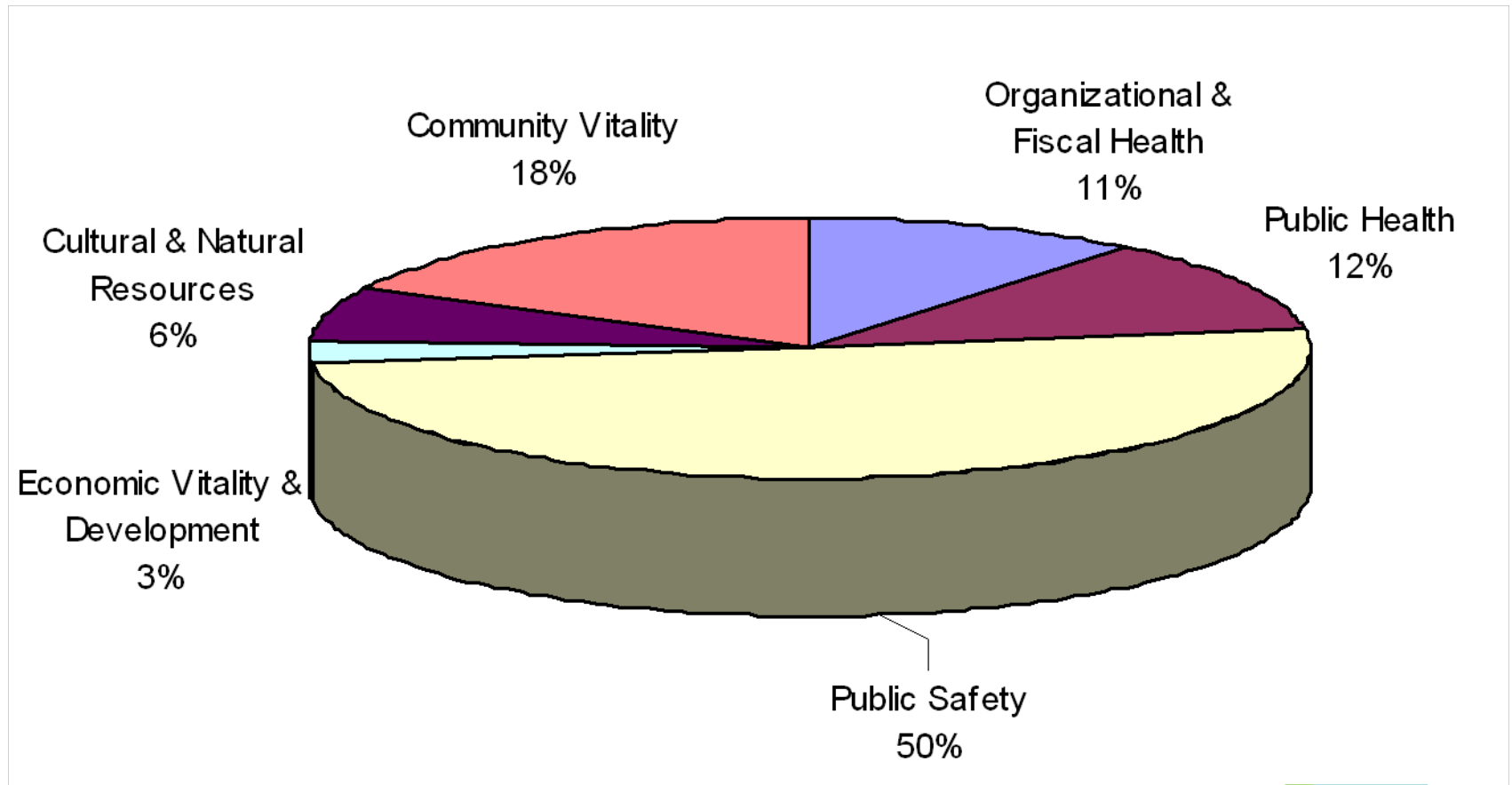
FY11 Operating Revenues = \$49.50 million

(FY10 Estimated Operating Revenues = \$46 million)

FY11 Proposed Budget 5/10/2010

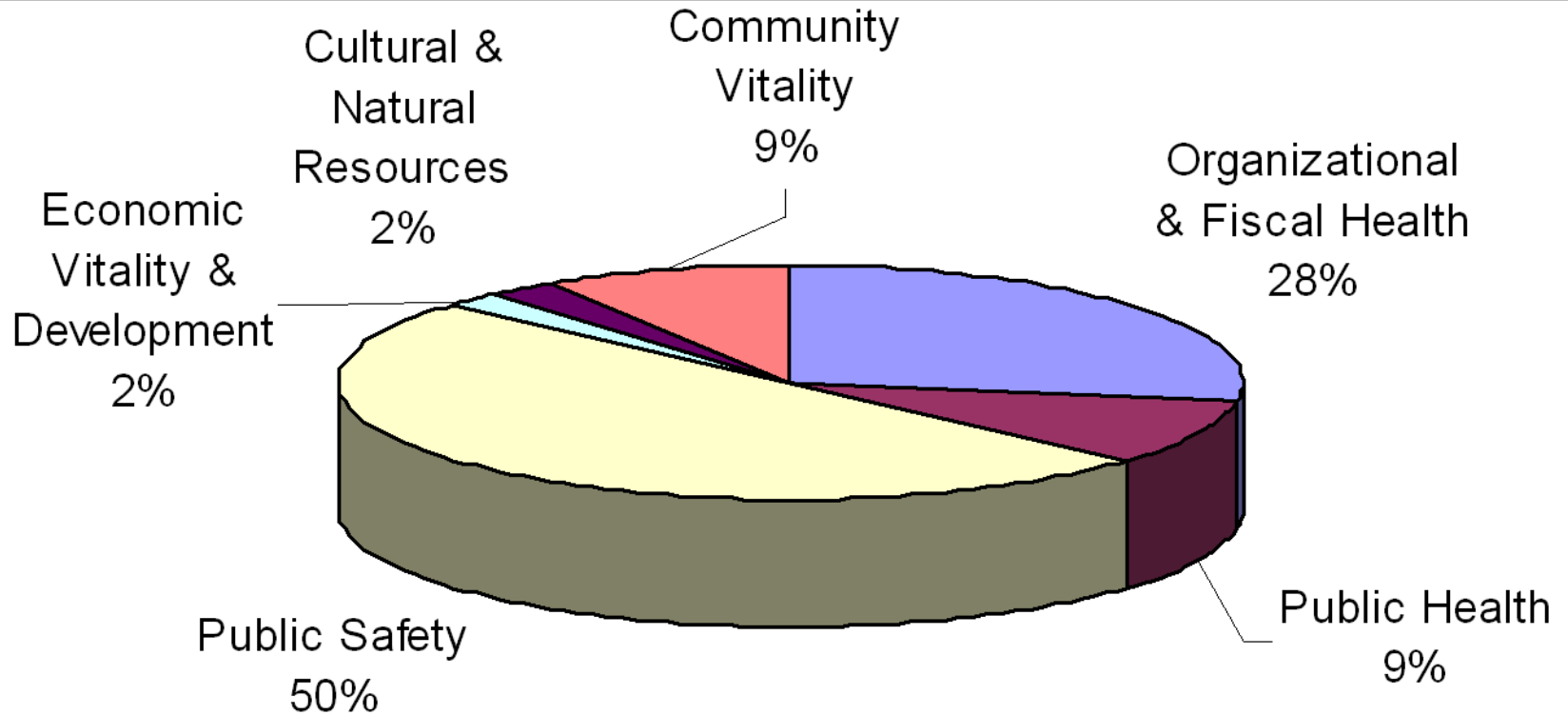


Expenditures by Strategic Priority Area: All Funds



Expenditures and Uses of Funds

Strategic Priority Area: General Fund



FY11 Proposed Budget: Assumptions



FY2011 Budget Key Considerations

- Looming Crisis in FY 2012 & 2013
- Be realistic about State impacts – more to come
- Continue prudent fiscal management
- Protect essential services
- Look at County budget as a whole
 - Maximize efficiencies
 - Move focus to Outcomes
- Continue move toward fiscal independence
- Develop future strategic “growth” plan that reflects **our** values & communities’ needs



FY11 Budget: Key Considerations

Aligning and Allocating

Focus On:

1. Aligning Expenditures to Available Revenues

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

2. Prioritize Key Expenditure Areas

--County-Wide Mission Critical Areas

- Personnel
- Operational Infrastructure



FY11 Budget: Key Considerations

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



State Budget Impacts

- Key Events
 - May 18th Election: State Sales Tax Increase
(Prop 100)
 - November 9th Election: Unlock Voter
Protected Funds



May 18th: State Sales Tax Increase (Prop 100)

| Anticipated State Budget Impacts | | |
|---|-----------------------|-----------------------|
| Coconino County Impact from State | Prop 100: Pass | Prop 100: Fail |
| Shift cost of court liability insurance to Counties | \$ 72,680 | \$ 72,680 |
| Reduction in County Assistance funding (lottery) | 550,035 | 550,035 |
| Restoration to competency cost shift (100%) | 244,915 | 244,915 |
| Sexually violent predator cost shift (25%) | 44,439 | 44,439 |
| Justice of the Peace salary shift (18%) | 65,594 | 68,874 |
| HURF shift to DPS | 700,000 | 700,000 |
| Assessor valuation system | 756,359 | 756,359 |
| Superior Court Judges salary shift (50%) | - | 410,400 |
| DOC Prisoner shift | - | 4,000,000 |
| Reduction in grant funding to County (10%+) | Unknown | Unknown |
| State Agency cost shifts | Unknown | Unknown |
| Minimum State Budget Impacts in FY11 | \$ 2,434,022 | \$ 6,847,702 |
| Difference | | \$ 4,413,680 |

Compared to \$906,025
levied from special
districts



November 9th: Unlock Voter Protected Funds

| Anticipated State Budget Impacts | | |
|---|---|---------------------------------------|
| | Approve Voter Protected Fund Use | Voter Protected Fund Use Fails |
| Coconino County Impact from State | | |
| *Healthy Families Funding Loss (Health) | \$ (282,000) | \$ - |
| Oral Health Funding Loss (Health) | (150,000) | - |
| Quality First Funding Loss (Health) | (80,000) | - |
| Additional reduction in Grant Funding to County | Prevented | Likely |
| Additional State Agency cost shifts | Prevented | Likely |

*The Healthy Families grant is currently not included in the voter protected funding plan effective 7/1/10. A decision on funding this program with voter protected First Things First funding is pending.

If voter protected funds are unlocked, there is a slight risk that our pending grant application for the acquisition of Rogers Lake could be at risk



State Budget Impacts

“Notwithstanding any other law, for fiscal years 2010-2011 and 2011-2012, a county may meet any county fiscal obligation from any source of county revenue designated by the county, including funds of any countywide special taxing jurisdiction in which the Board of Supervisors serves as the Board of Directors.”

Source: House Bill 2012



State Budget Impacts

| Taxes Levied for State Budget Impacts | | | | |
|--|-------------------|-------------------|-------------------------------|-------------------|
| District | FY09 | FY10 | FY11 (Recommended) | Total |
| Library District | \$ 75,000 | \$ 350,000 | \$ 337,594 | \$ 762,594 |
| Flood Control District | 143,431 | - | - | 143,431 |
| Total Levy Increases | \$ 218,431 | \$ 350,000 | \$ 337,594 | \$ 906,025 |
| Special District Funds Applied to State Impacts through FY10 | | | | \$ 281,858 |
| Balance Available for FY11 | | | | \$ 624,167 |

FY11 Recommendation

FY10 Library District Tax Rate = \$0.2367

Levy for State Budget Impacts = \$350,000

FY11 Library District Tax Rate = \$0.2367

Levy for State Budget Impacts = \$337,594



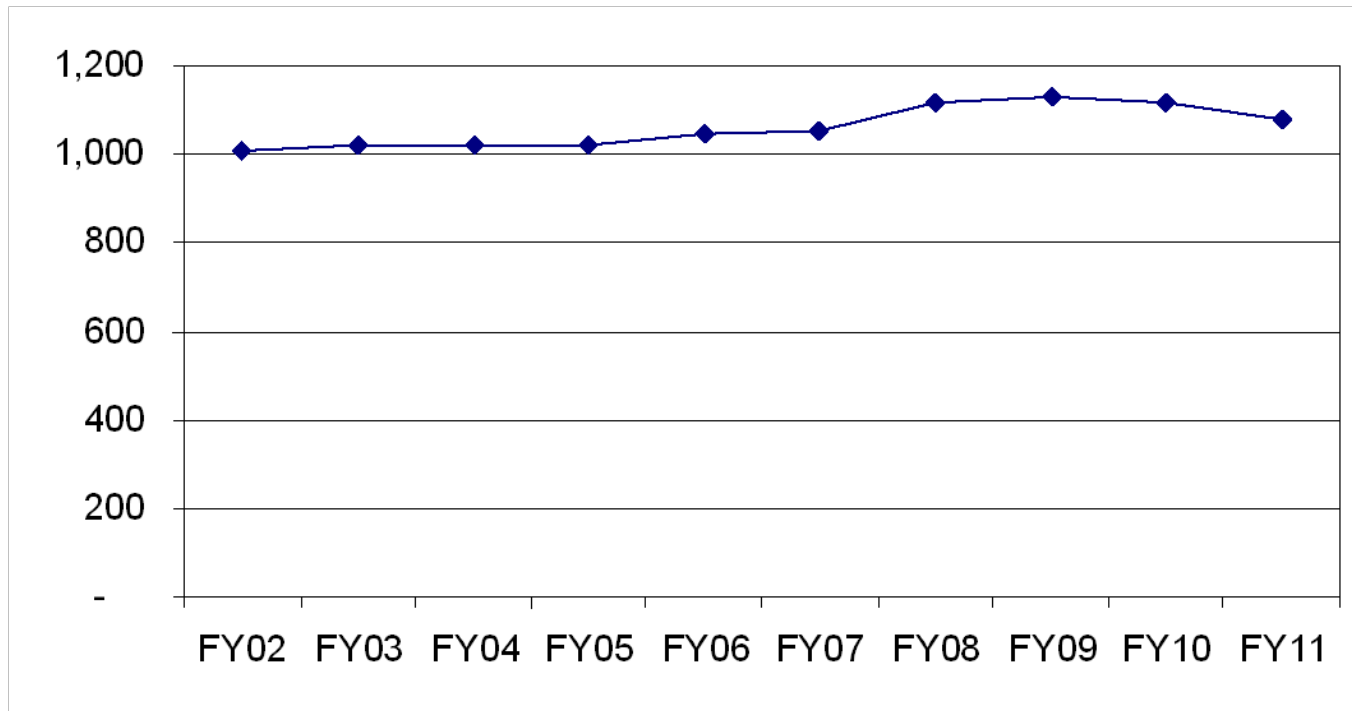
Employees & Benefits

- Merit/Pay Plan: No merit or pay plan increases are recommended for FY11
- Health Insurance:
 - Actual cost increase of plan = 2%
 - NAPEBT will absorb this increase for FY11 by using reserves
 - Plan design changes will result in greater out of pocket costs for employees when they receive medical services



Employees & Benefits

10-Year FTE History: All Funds



- 10-Year growth = 7%
- FY11 = Eliminate 17.85 positions

(FTE graph excludes Title 5 and NAIPTA FTEs)

FY11 Proposed Budget 5/10/2010



Employees & Benefits

FY11 Retirement Plan Rate Changes

| Plan | Employer | | | | Employee | | |
|-------------------|-----------|-----------|----------------------|-------------------|-----------|-----------|----------------------|
| | FY10 Rate | FY11 Rate | Increase/ (Decrease) | Cost | FY10 Rate | FY11 Rate | Increase/ (Decrease) |
| ASRS | 9.40% | 9.85% | 0.45% | \$ 171,577 | 9.40% | 9.85% | 0.45% |
| CORP | 6.78% | 5.12% | -1.66% | (64,742) | 8.41% | 8.41% | 0.00% |
| AOC | 6.00% | 11.64% | 5.64% | 198,258 | 8.41% | 8.41% | 0.00% |
| EORP/Judges | 14.25% | 10.42% | -3.83% | (110,494) | 7.00% | 7.00% | 0.00% |
| PSPRS | 27.82% | 32.61% | 4.79% | 142,583 | 7.65% | 7.65% | 0.00% |
| Total Cost | | | | \$ 337,182 | | | |

- Employee contributions for CORP, AOC, EORP, Judges Retirement, and PSPRS are capped by Statute. All contribution increases are passed on to the County
- Employee contributions for ASRS increase proportionally with the County rate



FY11 Proposed Budget: General Fund

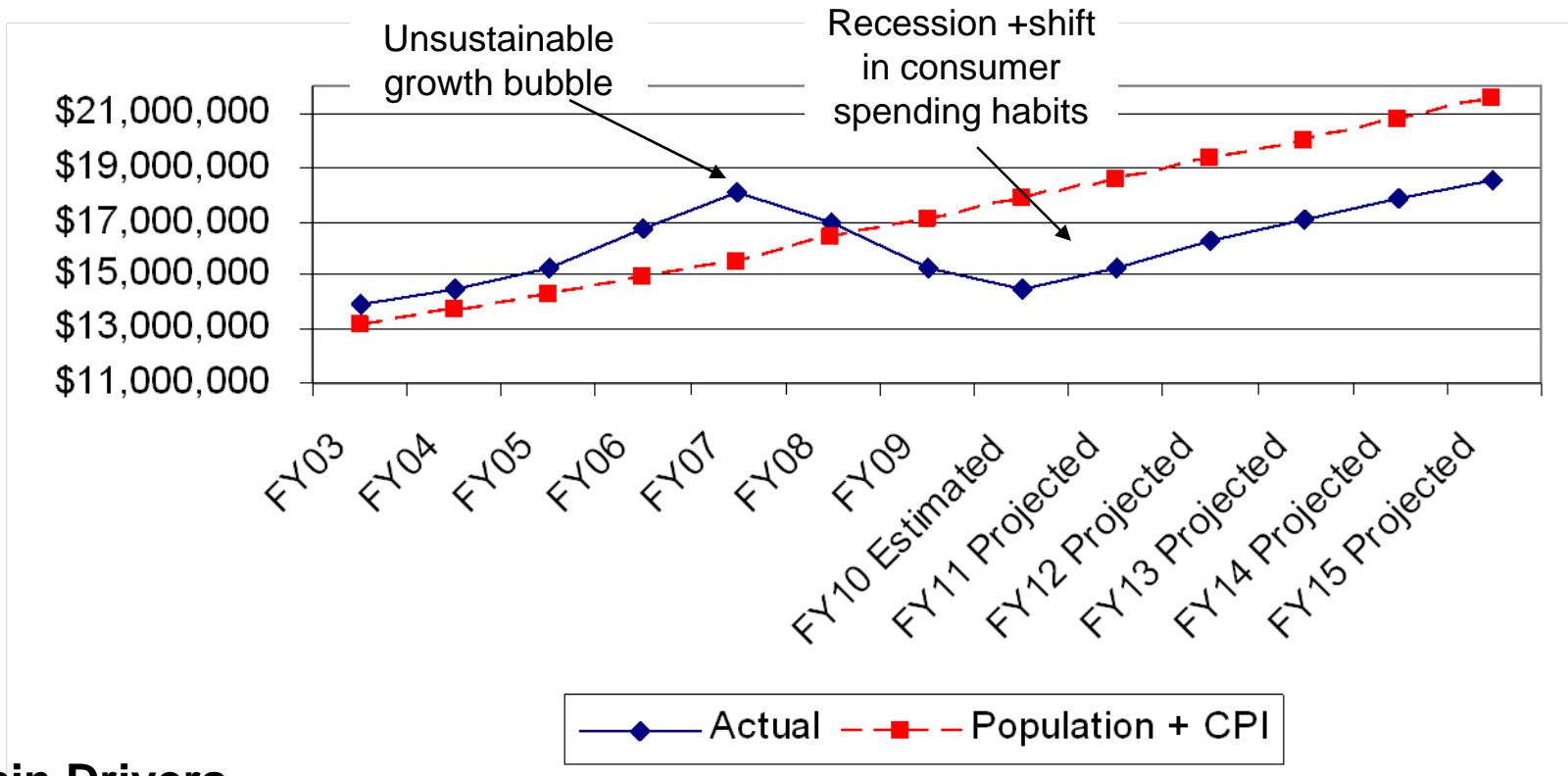


General Fund

- **Handout #1: General Fund 10-year Financial Plan**
- **Handout #2: General Fund Checkbook for FY11**



General Fund Revenues: State Shared Sales Tax

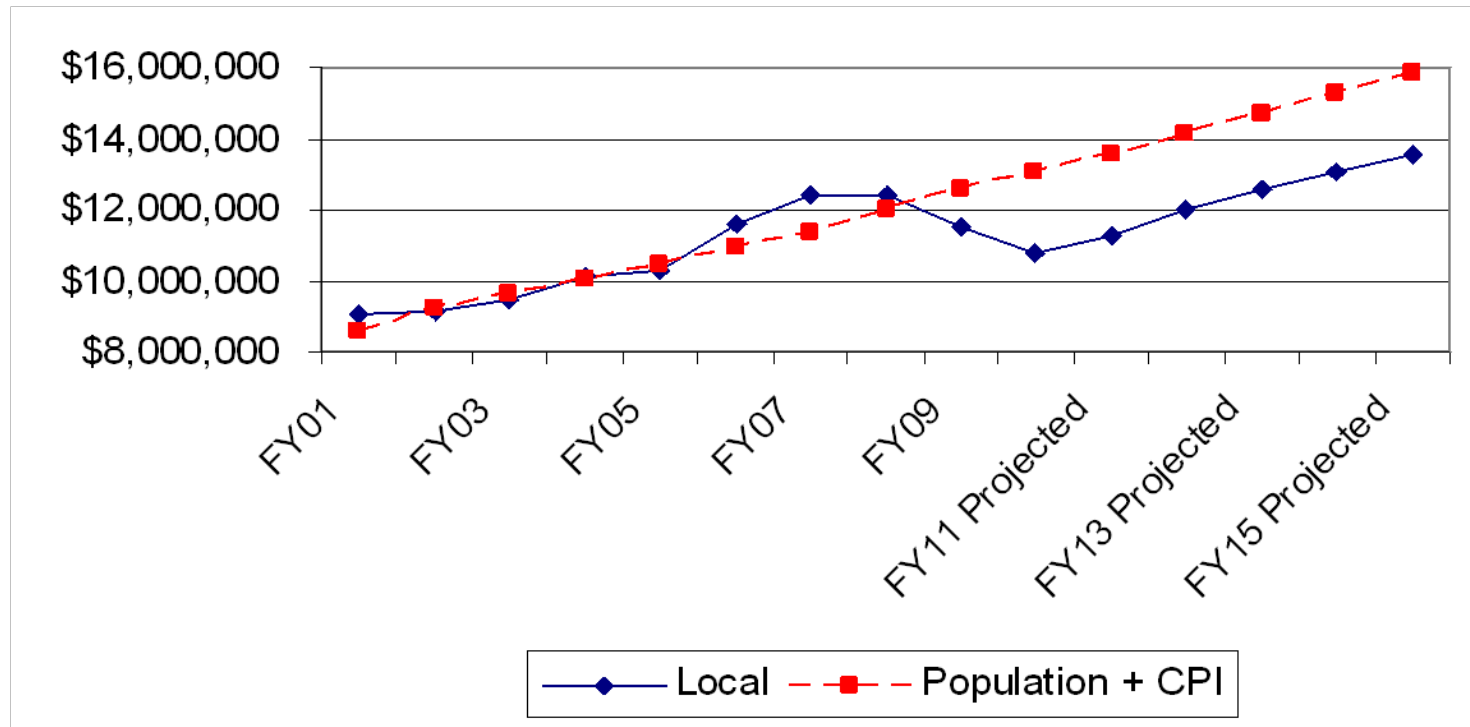


Main Drivers

- Population & CPI Growth (Retail Sales & Construction)
- Economic Health (Tourism)



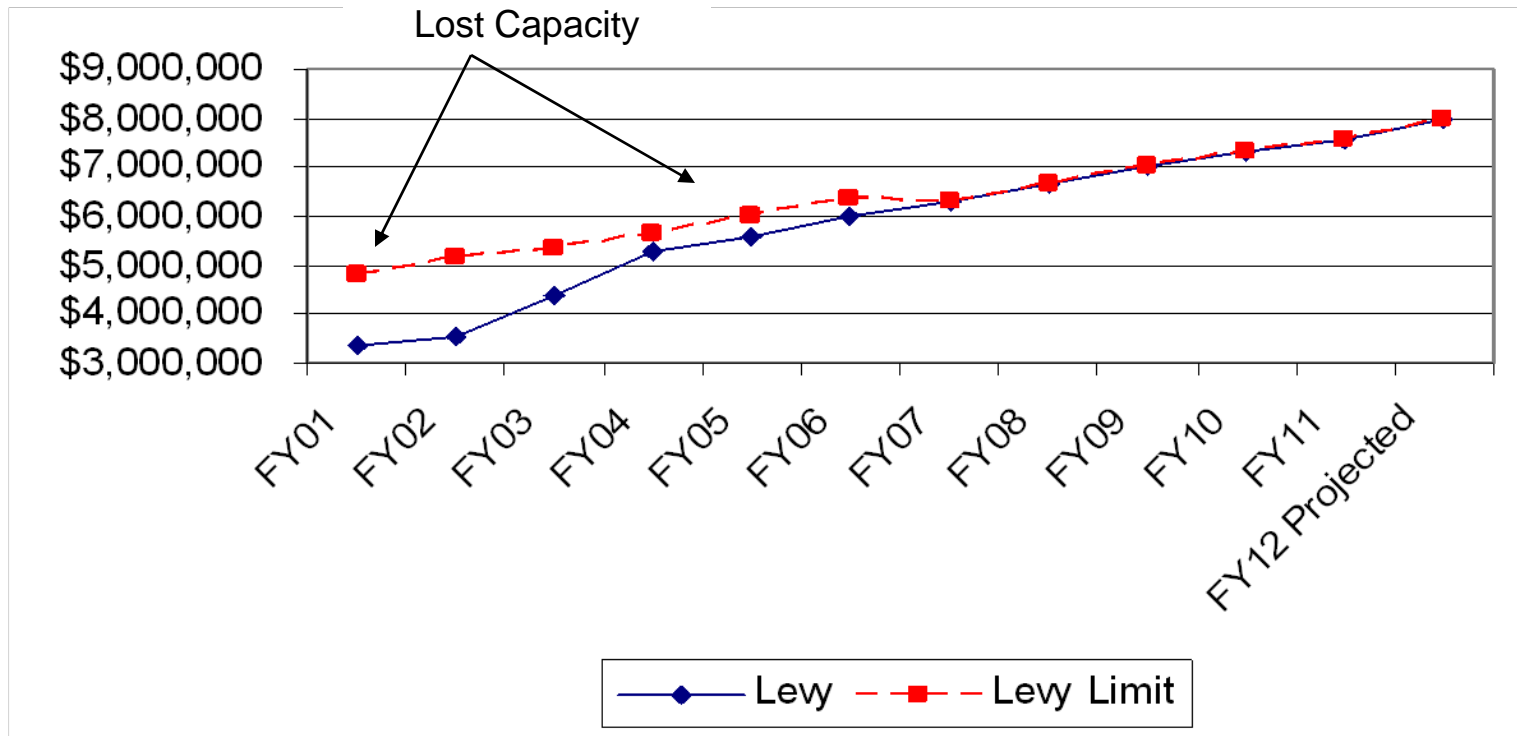
General Fund Revenues: Local Sales Tax



Use of Revenue Smoothing

- Recovery is slower than anticipated
- Total General Fund revenues do not meet projections

General Fund Revenues: Primary Property Taxes

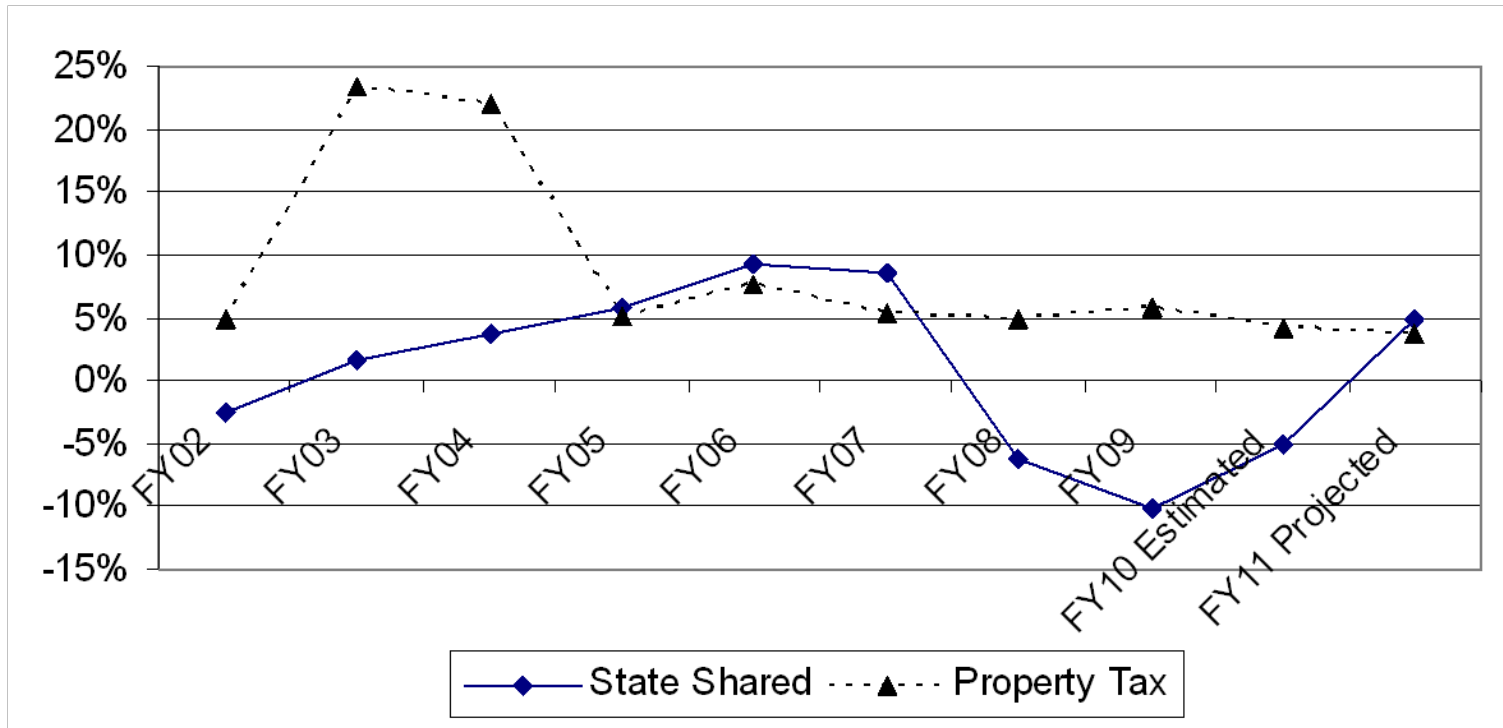


Main Drivers

- TNT +2% = levy growth
 - New Construction levy growth = population increases (primary and second homeowner population)
- FY11 Proposed Budget 5/10/2010

General Fund Revenues: Percentage Growth Comparison

Property Tax growth rates compared to Sales Tax based growth



Different drivers: the lines move independent of one another



General Fund Revenues: Other

- Vehicle License Taxes
 - Vehicle registrations & vehicle sales based tax
- Licenses & Permits
 - Primarily building permits, driven by home remodels & new construction
- Fines, Fees, & Forfeits
 - Court related collections



General Fund Revenues: Other

- Charges for Services
 - Varied: Parks & Recreation fees, court fees, Recording fees, etc.
- Other Intergovernmental
 - PILT
 - Secure Rural Schools
 - State & Federal grant funding
- Indirect Cost Recovery
 - Grant restrictions on recovery
 - Recovery subject to available funding (HURF, PHSD, Jail District)



FY11 General Fund Expenditures & Uses of Funds

- Salary (47% of total)
 - Reductions from eliminated positions
 - Increase Driver: pay plan/merit (No FY11 increase)
- Employee Related Expenditures (17% of total)
 - Reductions from eliminated positions
 - Increases Driver: mandatory Retirement system contributions
 - Increase Driver: Health benefits (absorbed in FY11)
- Operations (14% of total)
 - Increases driven by CPI



FY11 General Fund Expenditures & Uses of Funds

- Travel (3% of total)
 - Increases driven by CPI
- Capital (1% of total)
 - Project Driven
 - Primary FY11 Expenditure: Assessor/Treasurer system
- Transfers Out (18% of total)
 - Purpose: support special revenue fund programs
 - Increases driven by salary & ERE increases & (in some cases) outside revenue declines



Beyond FY11



- Loss of PILT full funding (Expires Federal Fiscal Year End 9/30/2012)
 - Highest Level of Funding in Program’s History
- Secure Rural Schools (Expires Federal Fiscal Year End 9/30/2012)
 - Secure Rural Schools Payments will Decrease in 2011
 - Funds Search & Rescue, Patrol, Superintendent of Schools Office, Emergency Services, Road Maintenance
- Exhaust CPOS Administration \$3M (FY13)
- Other?
 - DUI Drug Court (FY14?)
 - Assessor Storage & Retrieval Sunset (FY13)
 - Jail District sustainability?
 - HURF fund balance: On-going revenues & expenditures out of balance

A Critical Time ...

- **A Three-Prong Approach is Necessary:**
 - Expenditure (Service) Reductions
 - Use Limited Reserves
 - Develop Additional Revenue



Expenditure (Service) Reductions: How Were Targets Determined?

- Leadership Team Meetings (February/March)
- County Manager's PFR Review
 - Direct Services
 - Administrative & Internal Services
- County Manager's Departmental & Program Knowledge
- Department Meetings
 - Program Prioritization
 - Impact Analysis



Expenditure (Service) Reductions: General Fund

| Department | Recurring Reduction | % of Base |
|-------------------------|---------------------|-----------|
| Adult Probation | \$ 34,270 | 2% |
| Assessor | 89,114 | 5% |
| Board of Supervisors | 53,537 | 4% |
| Career Center | - | N/A |
| Clerk of Superior Court | 22,410 | 2% |
| Community Development | 79,098 | 5% |
| Community Services | 75,229 | 5% |
| Constable | - | N/A |
| County Attorney | 57,351 | 2% |
| County Manager | 58,750 | 4% |
| Facilities | 83,225 | 3% |
| Finance | 44,232 | 3% |
| Health | 139,856 | 2% |
| Human Resources | 49,155 | 4% |
| Information Technology | 111,787 | 4% |

| Department | Recurring Reduction | % of Base |
|---------------------------|---------------------|-----------|
| Justice Court - Flagstaff | \$ 24,872 | 2% |
| Justice Court - Fredonia | 1,512 | 1% |
| Justice Court - Page | 3,250 | 1% |
| Justice Court - Williams | 6,761 | 2% |
| Juvenile Court | 54,396 | 2% |
| KVID | - | N/A |
| Legal Defender | 15,572 | 2% |
| Parks & Recreation | 61,048 | 4% |
| Public Defender | 43,056 | 2% |
| Public Works | 42,858 | 7% |
| Recorder | 46,414 | 3% |
| Sheriff | 222,411 | 2% |
| Superintendent of Schools | 39,157 | 7% |
| Superior Court | 52,788 | 2% |
| Treasurer | 11,485 | 2% |

The table above reflects recurring expenditure reductions. Most departments also have one-time expenditure reductions planned for FY11.



Expenditure (Service) Reductions

- Footnotes:
 - Internal service budgets include many County-wide payments. For example, utilities (Facilities) or general liability insurance (HR).
 - The budgets for other departments include mandated payments for maintenance of effort or State mandates.
 - The Career Center and KVID do not receive direct General Fund support. Therefore they have no reduction listed
 - The Fredonia Justice Court & Page Justice Court targets listed are just expenditure reductions. They also receive credit for expenditure reductions due to decreasing the number of preliminary hearings



Eliminate & Reduce Services

- **Handout #3: Matrix of Department “Gives”**



Use of Reserves

Q: Are Reserves part of the FY11 budget?

A: Reserves Will be Used for One-Time R&R Project Funding

Other General Fund reserves will be utilized in FY11 as needed for revenue smoothing. Full revenue smoothing and emergency contingency fund balance is intact under the proposed budget.

Available General Fund Revenue Smoothing and Emergency Contingency = \$7.4 million

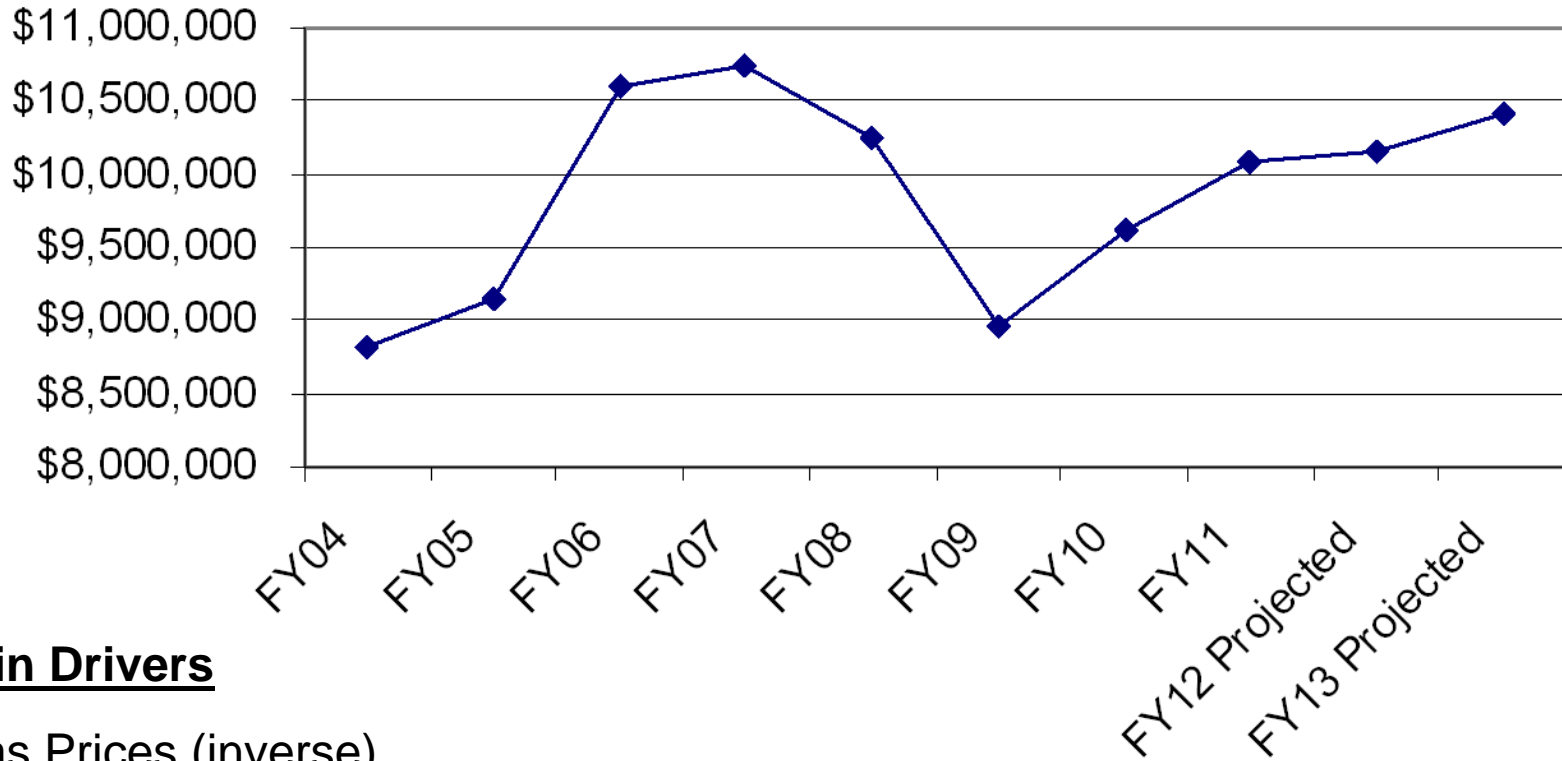


Develop Additional Revenue

- **Handout #4: HURF 10-year Financial Plan**
 - **Handout #5: PHSD 10-year Financial Plan**
 - **Handout #6: Flood Control 10-year Financial Plan**
- Handout #7: Jail District 10-year Financial Plan including DOC prisoners**



HURF (Gasoline Tax) Revenues

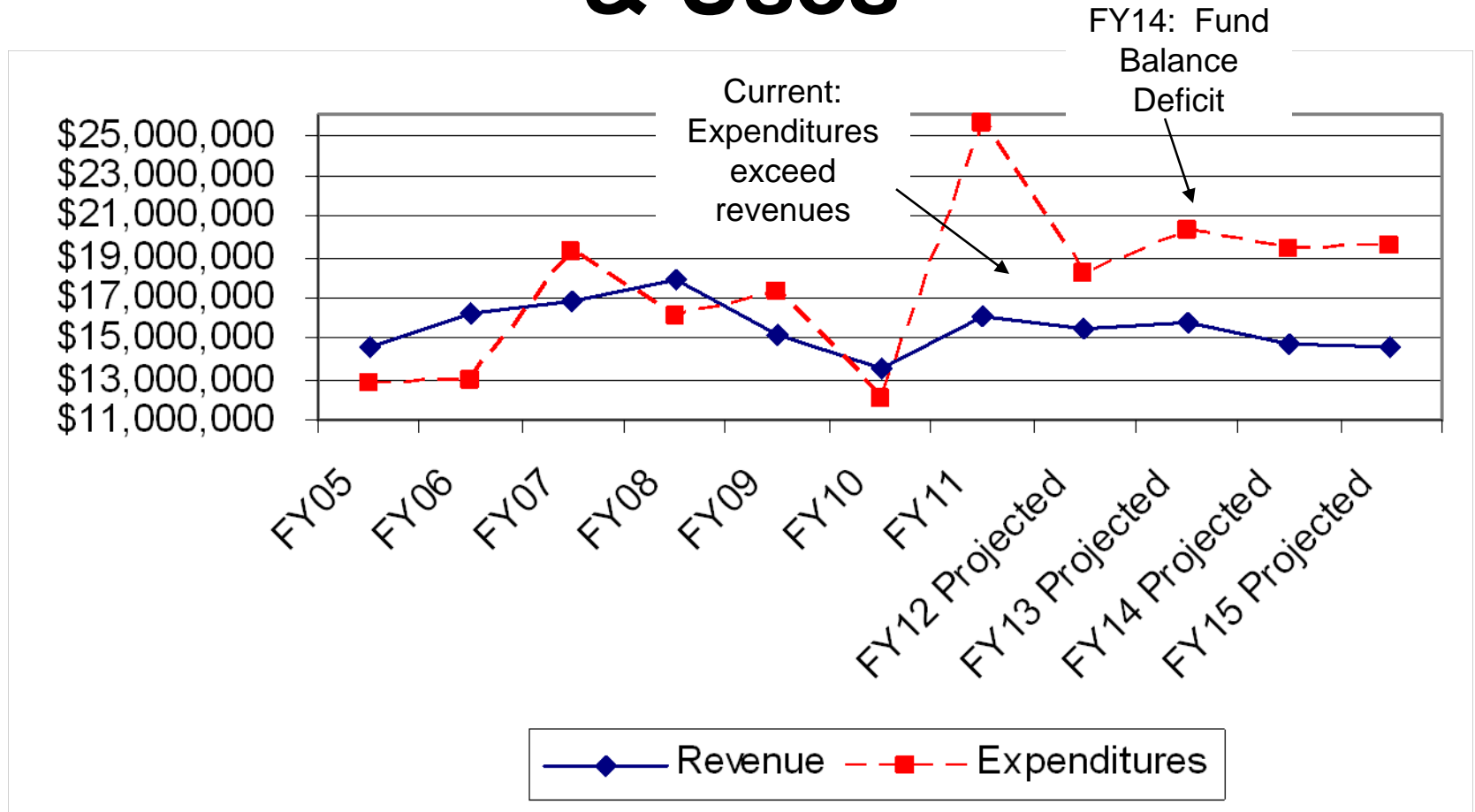


Main Drivers

- Gas Prices (inverse)
- Economic Health (Tourism & Travel)
- Environmental Concerns/Fuel Efficiency?



HURF Fund: Long-Term Sources & Uses



Public Health Services District

- Tax Rate Recommendation: \$0.25 per \$100 of Assessed Valuation
 - Upcoming trends for Secondary Assessed Values
 - Possible Secondary Property Tax Cap

- FY13 deficit with no PHSD tax? **\$5,000,000**

- FY13 deficit with a PHSD tax? **\$0**

(Based on Manager's Recommended Budget)



Flood Control

- Tax Rate Recommendation: \$0.20 per \$100 of Assessed Valuation
- Upcoming trends for Secondary Assessed Values
 - FY13 Capacity for Secondary Taxes
- Possible Secondary Property Tax Cap



Jail District

- Impacts of DOC Prisoner Shift: \$4 Million
 - \$2 million from lost bed rental revenue
 - \$2 million from increased operating costs



Recommended Action Plan for FY 2011



- Stay the Course with Prudent Fiscal Planning & Strategic Budgeting
- Balance Budget Without Further Using Reserves
 - Maximize Permitted Revenues
 - Institute Budget Cuts
- Proactively Develop Plans for Possible State Cost Shifts (DOC, Juvenile, HURF)
- Prepare for Additional State Cuts
- Align All County Plans to Create Future Strategic “Growth” Plan

***“Positioning for
Rebound”***