



***Financial Planning and the
FY 2011 Budget...
Continuing the Successful Legacy***

***Coconino County
Board of Supervisors
May 10, 2010***



Important County Financial Milestones

- Long History of Prudent Financial Management
- Established Ten Year Financial Plan
- 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 Developing New Revenue Sources in 2007



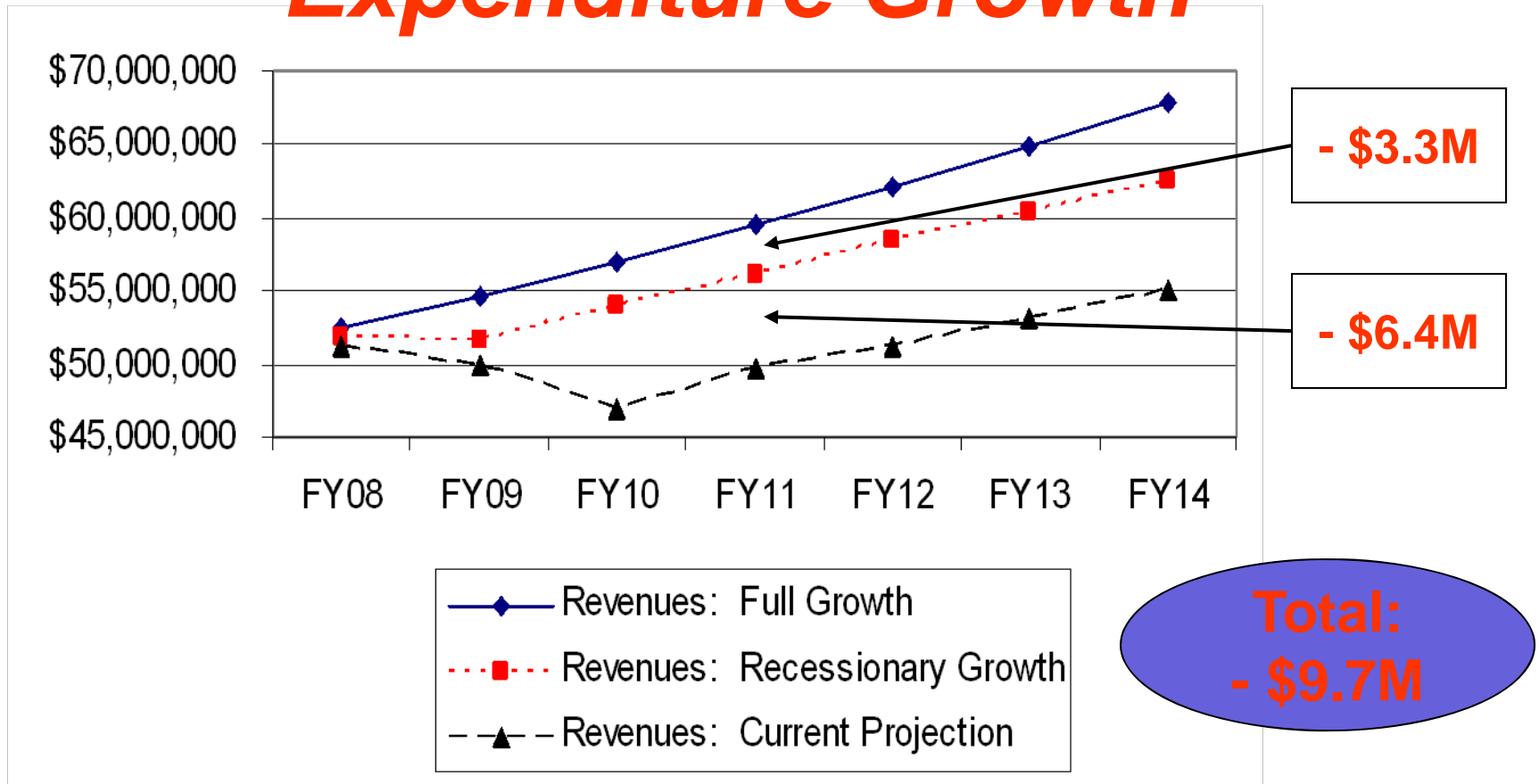
The Critical Action: ***Conservatively Managed Expenditure Growth***

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



The Critical Action: *Conservatively Managed Expenditure Growth*



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

These Actions Reduced Impacts to Services from Great Recession



Prudent Financial Planning Paying Off

- **County Managing 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

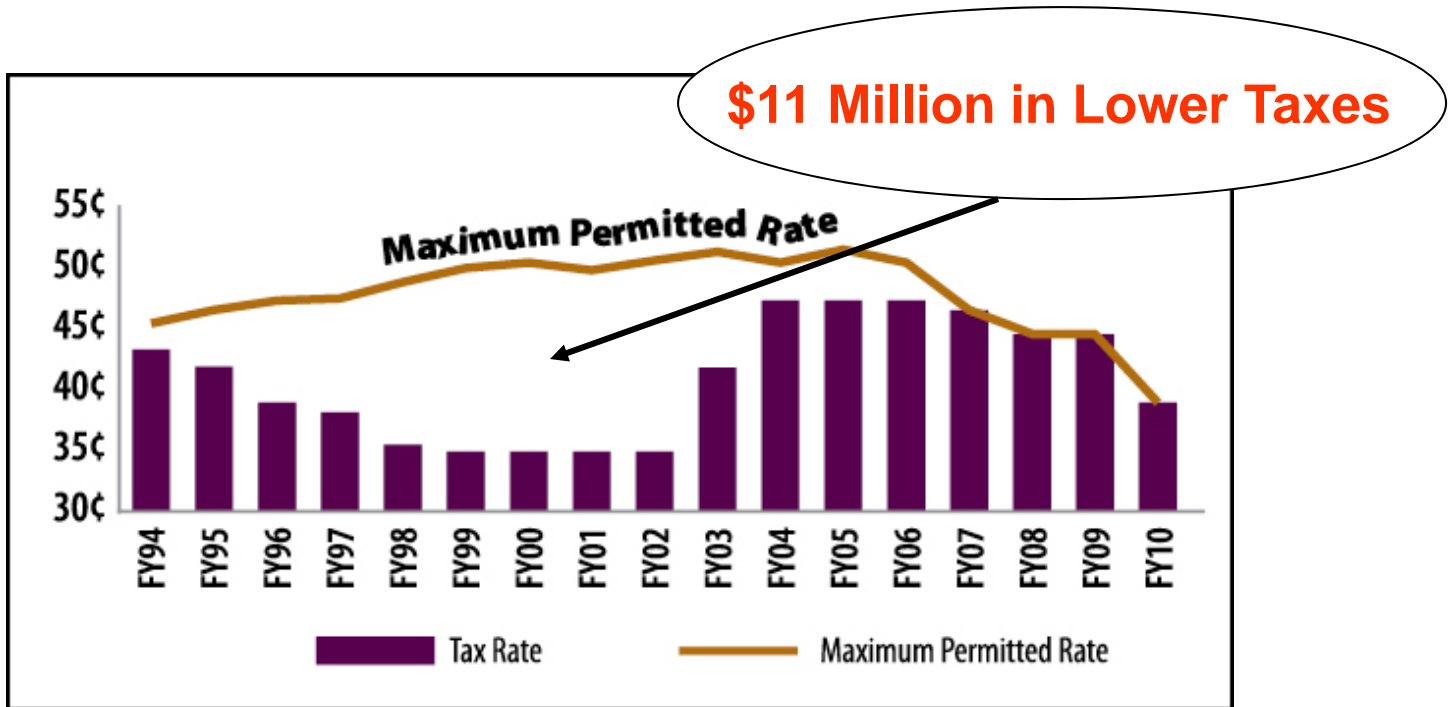


Prudent Financial Planning Paying Off

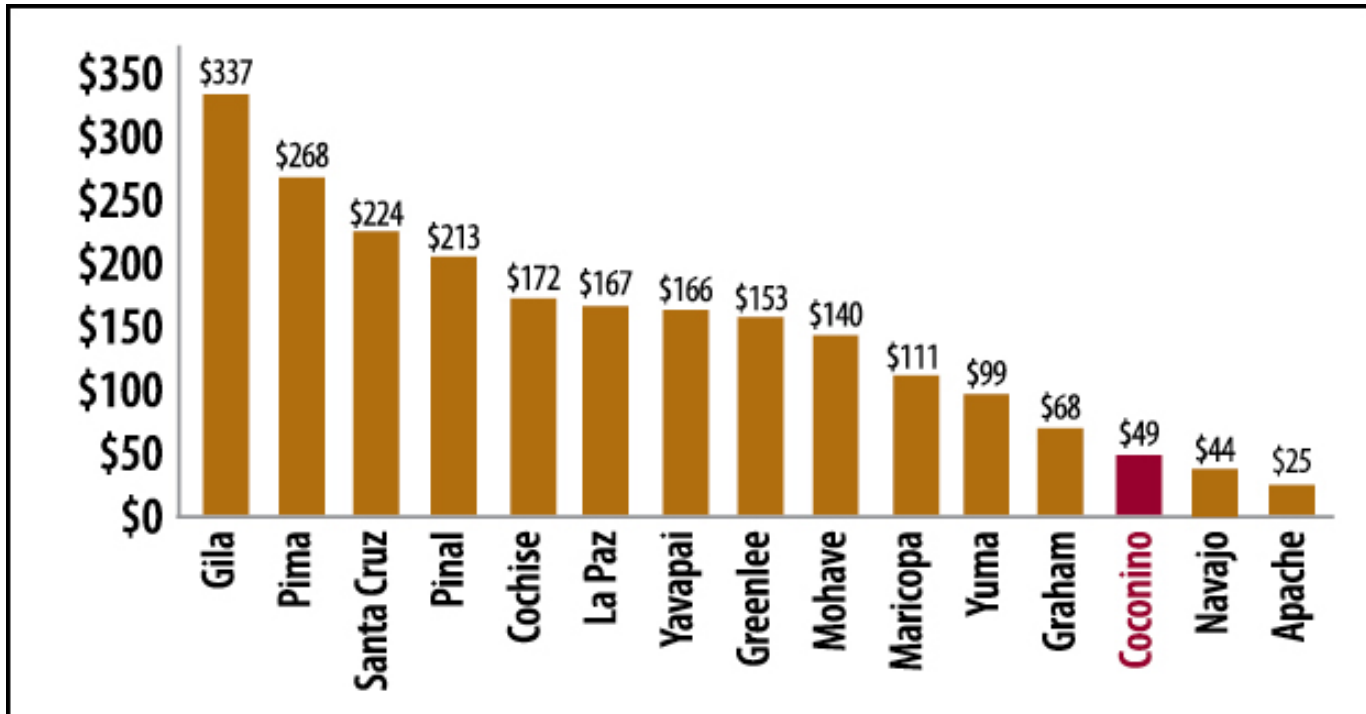
- ***While Facing Unparalleled Challenges:***
 - Second Lowest Primary Property Tax Levy of any County in the State
 - Keep Only 6 Cents of Every Property Tax Dollar Collected
 - Collect over \$122M – Keep \$7M in GF
 - Collect Only \$7M in Primary Property Tax vs. Over \$30M in Yavapai County
 - Collect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



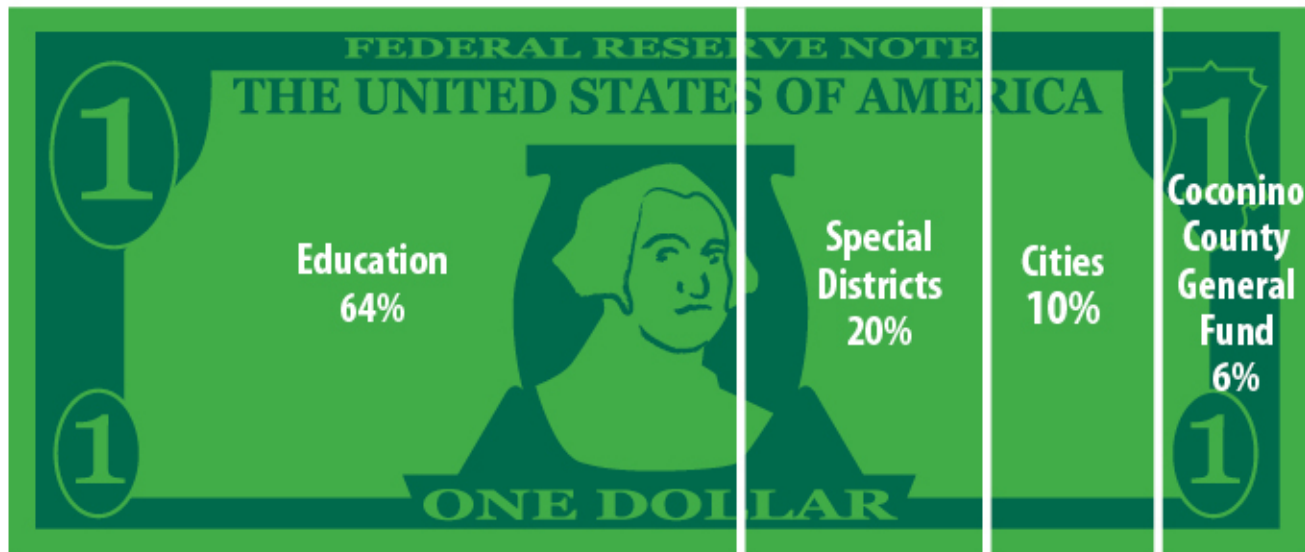
Coconino County Primary Property Tax Rate History



County Primary Property Taxes Per Resident



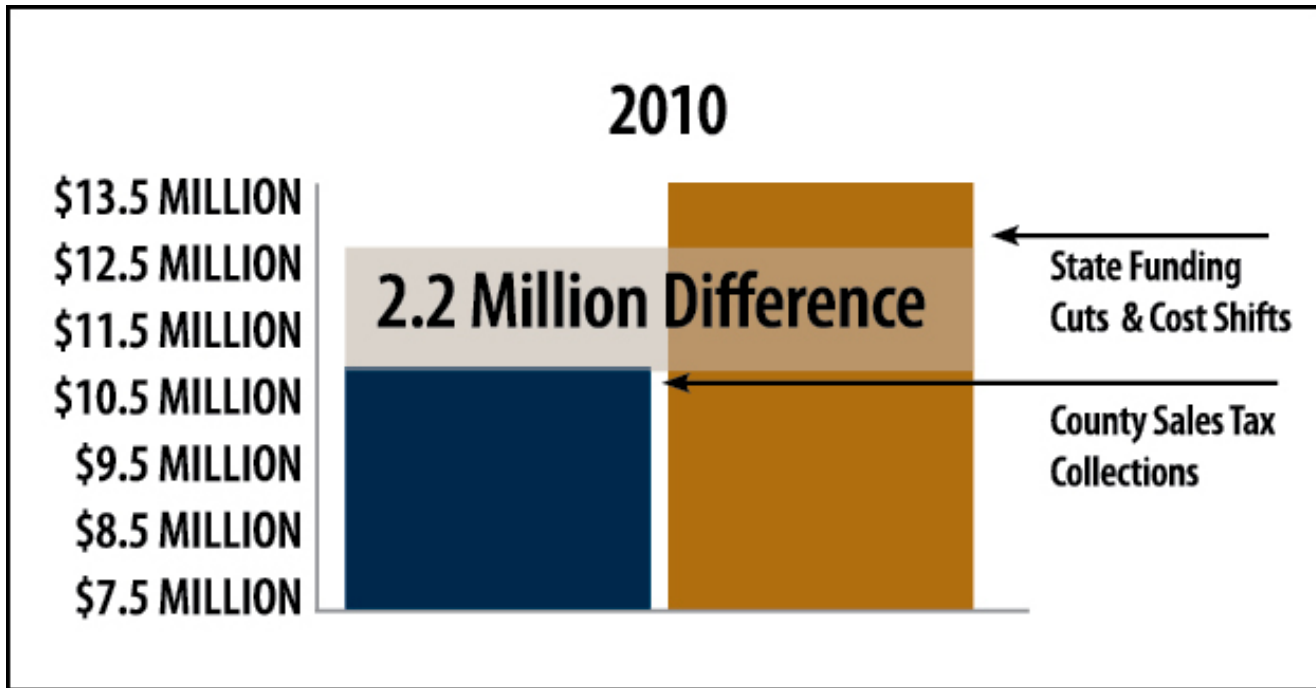
Only 6 Cents to County



The Coconino County General Fund keeps **less than 6% of all taxes collected**. These taxes support General Government, Public Safety and Justice Systems, Health Services, Social Services, Community Development and Parks and Recreation.

* Percentage tax distributions and taxing districts vary by property location. The percentages above represent the total distribution of all taxes collected by the Coconino County Treasurer.

State Funding Cuts & Cost Shifts



Service Levels Impacted

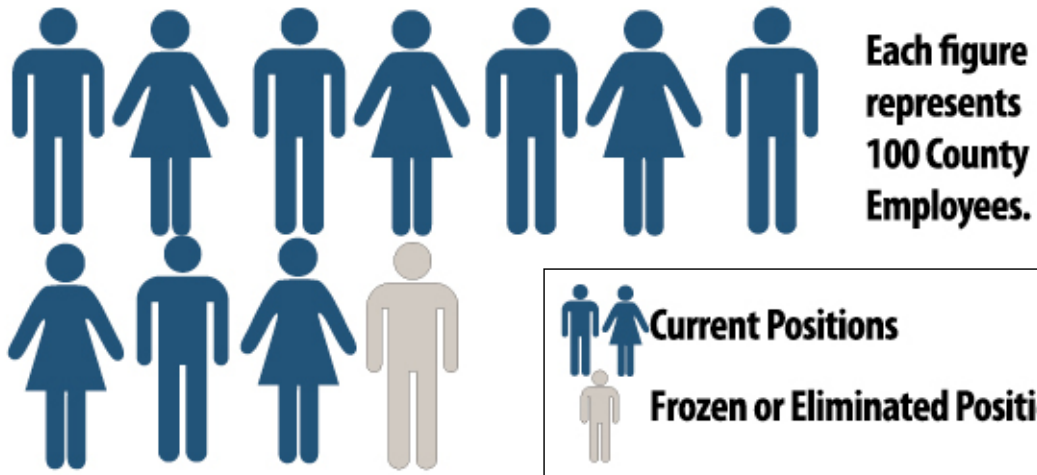
❖ Examples of Service Levels Impacted:

- Held Deputy Positions Vacant
- Reduced Home Care Services
- Reduced Supervision of Probationers
- Increased Cost of and Reduced Hours of Operation for Solid Waste Services
- Closed Cataract Lake Park



Service Levels Impacted

10% of County Positions Frozen



Serious Constraints Imposed on County Plans Since 2008

- ***Significant Delays in Implementing:***
 - Compensation Plan – No Raises or Plan Improvements
 - Facility Master Plan
 - IT Strategic Plan
 - Moderated Goals for Strategic Priority Areas

Still Must Implement in Future...



Conservative with Revenues

- Recession-Based Revenue Forecasting
- Although Identified Revenue Issue in 2007, Board Refrained from Raising Taxes
- Delayed Implementation of PHSD Saved Taxpayers over \$35M
- County's Reputation for Prudent Financial Management Reflected in Public Response



Feedback From Community Leaders...

- Truly Appreciate County's Long-Term Conservative Approach
- Now Understand County Dilemma - Impact of State Cuts & Cost Shifts Given Very Low Primary Property Tax Levy
- Large Property Owners – ***“Had No Idea Primary Property Taxes so Low and Cap on County Sales Tax”***
- Private Business Leaders – ***“Applaud County for Restraint” & “Take Approach Back to My Business”***
- Suggestions – ***“Impact What County Can”***
 - Development Process & Economic Vitality
 - Some Concern Expressed about Future Tax Capacity



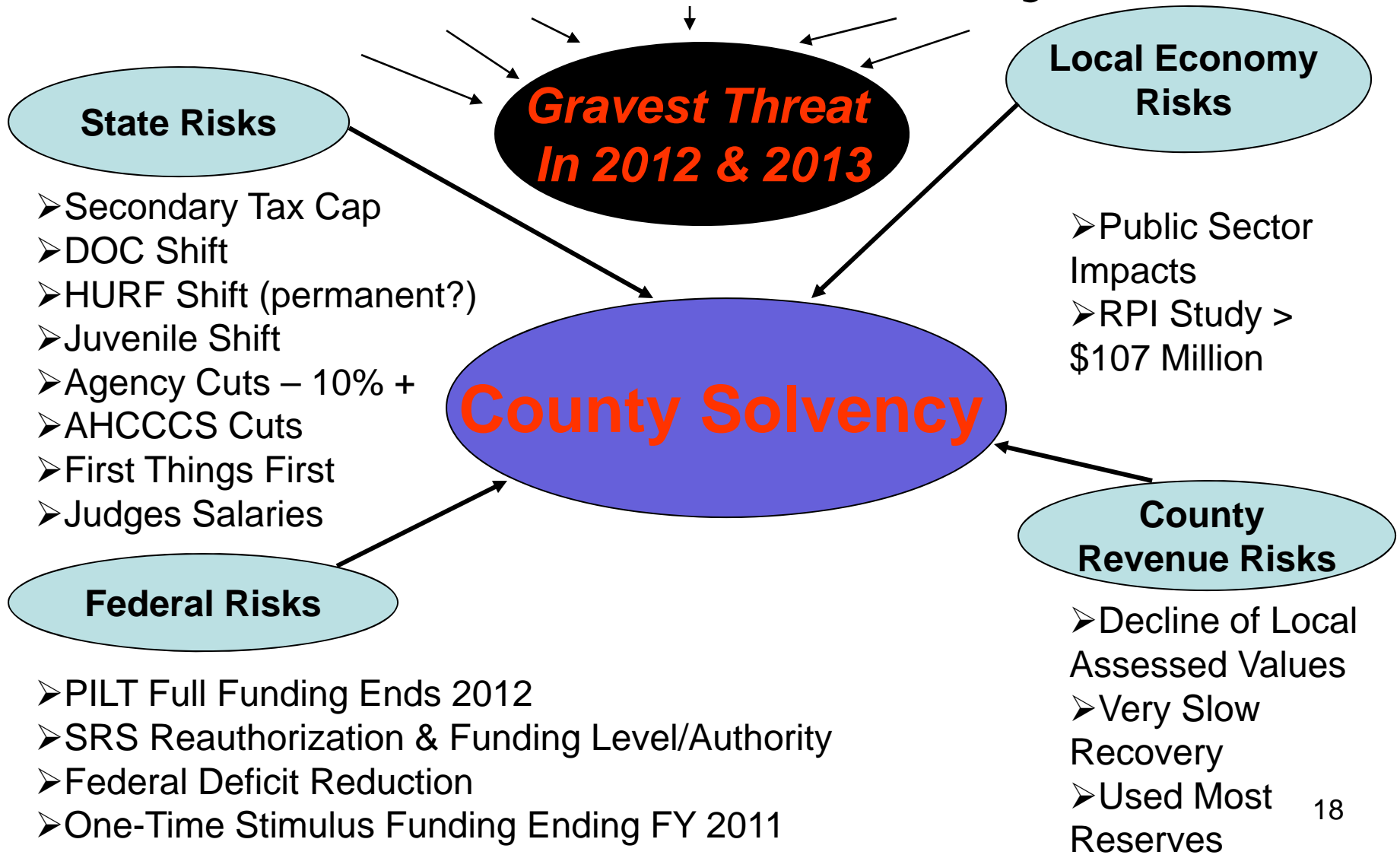
Recession Continues...

- Recovery Slow
 - May be in the “Eye of the Storm”...
- Financial Risks Still **Very** Significant

***Continued Prudent Management
Essential!!!***

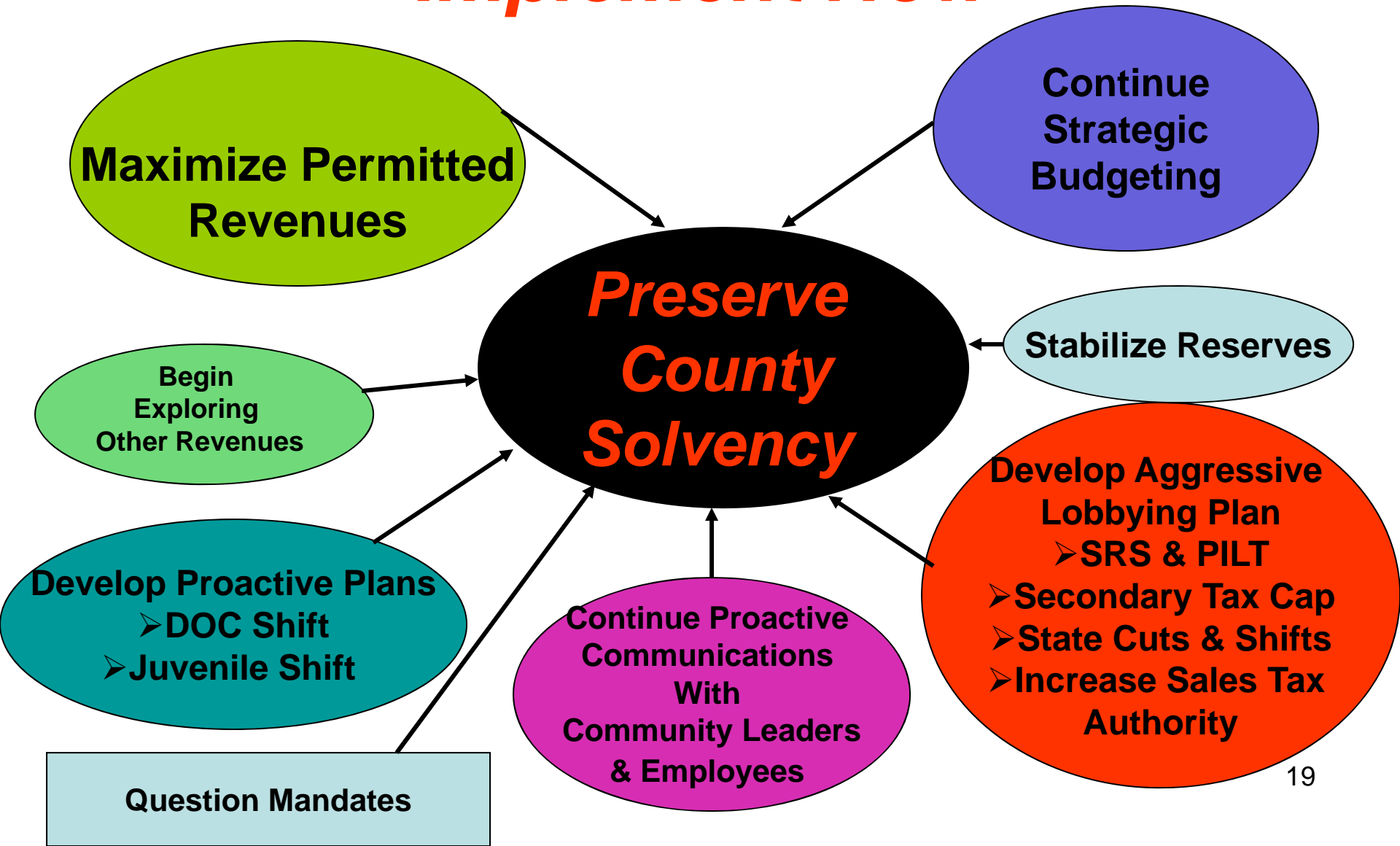


Financial Risks Still Pose Threat to Solvency



Risk Mitigation Strategies

Implement Now



Aligning and Allocating

***Continue Prudent
Fiscal Management Approach***

Focus On:

- 1. Aligning Expenditures to Available Revenues**
 - Types and Sources (Risk Correlation)
 - Base On Going vs. One-Time Revenue
- 2. Prioritize Key Expenditures Areas**
 - County-Wide *Mission Critical* Areas**
 - Personnel
 - Operational Infrastructure

Quality Service Requires Quality People



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

***Continue Prudent
Fiscal Management***



Maximizing Permitted Revenues Crucial to Solvency and Services

- Avoid Dramatic Reduction in Services
- Better Address Growing Needs for Services
- Avoid Dramatic Reduction in County Workforce
- Diversify and Stabilize Tax Base
- Continue Movement Toward Revenue Self- Sufficiency



Recommended Action Plan for FY 2011

- **Stay the Course with Prudent Fiscal Planning & Strategic Budgeting**
- **Balance Budget Without Further Using Reserves for Recurring Costs**
 - 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”***

