



FINANCIAL UPDATE

***Board of Supervisors
December 14, 2010***



PRESENTATION OVERVIEW

- Part I – FY10 Year End Report
- Part II – Current Financial Status – 1st Quarter FY11 Report
- Part III – Economic Outlook and Update – State and Federal Financial Condition
- Break for Lunch – IT Gadgets Demo
- Part III – Economic Outlook and Update (continued) – State and Federal Financial Condition
- Part IV – Financial Plan Update – Review and Outline Process over Next Year
- Part V – A Look Ahead to the FY12 Budget Process



PART I – FY 10 YEAR END REPORT



ALL FUNDS: REVENUES

	FY10 Budget	FY10 Actual	Over/(Under) Budget	
County Sales Taxes	\$ 27,887,750	\$ 24,254,631	\$ (3,633,119)	-15.0%
State Shared Sales Tax	15,750,000	14,295,130	(1,454,870)	-10.2%
Property Taxes	14,388,380	14,456,033	67,653	0.5%
Other Taxes	5,661,128	5,932,339	271,211	4.6%
Other Intergovernmental	37,766,496	34,641,336	(3,125,160)	-9.0%
Charges for Services	12,169,244	12,282,238	112,994	0.9%
Fines, Fees, & Forfeits	1,846,288	2,510,130	663,842	26.4%
Licenses & Permits	1,606,074	1,531,423	(74,651)	-4.9%
Investment Income	1,334,177	2,079,758	745,581	35.8%
Special Assessments	448,081	544,335	96,254	17.7%
Other	1,212,197	1,084,335	(127,862)	-11.8%
Total	\$ 120,069,815	\$ 113,611,688	\$ (6,458,127)	-5.7%



ALL FUNDS: EXPENDITURES

	FY10 Budget	FY10 Actual	Over/(Under) Budget	
Salary	\$ 54,204,391	\$ 49,852,151	\$ (4,352,240)	-8.0%
Benefits	18,334,396	16,342,220	(1,992,176)	-10.9%
Operations	44,606,561	39,010,505	(5,596,056)	-12.5%
Travel	2,571,884	1,981,663	(590,221)	-22.9%
Capital	10,180,645	4,349,401	(5,831,244)	-57.3%
Total	\$ 129,897,877	\$ 111,535,940	\$ (18,361,937)	-14.1%

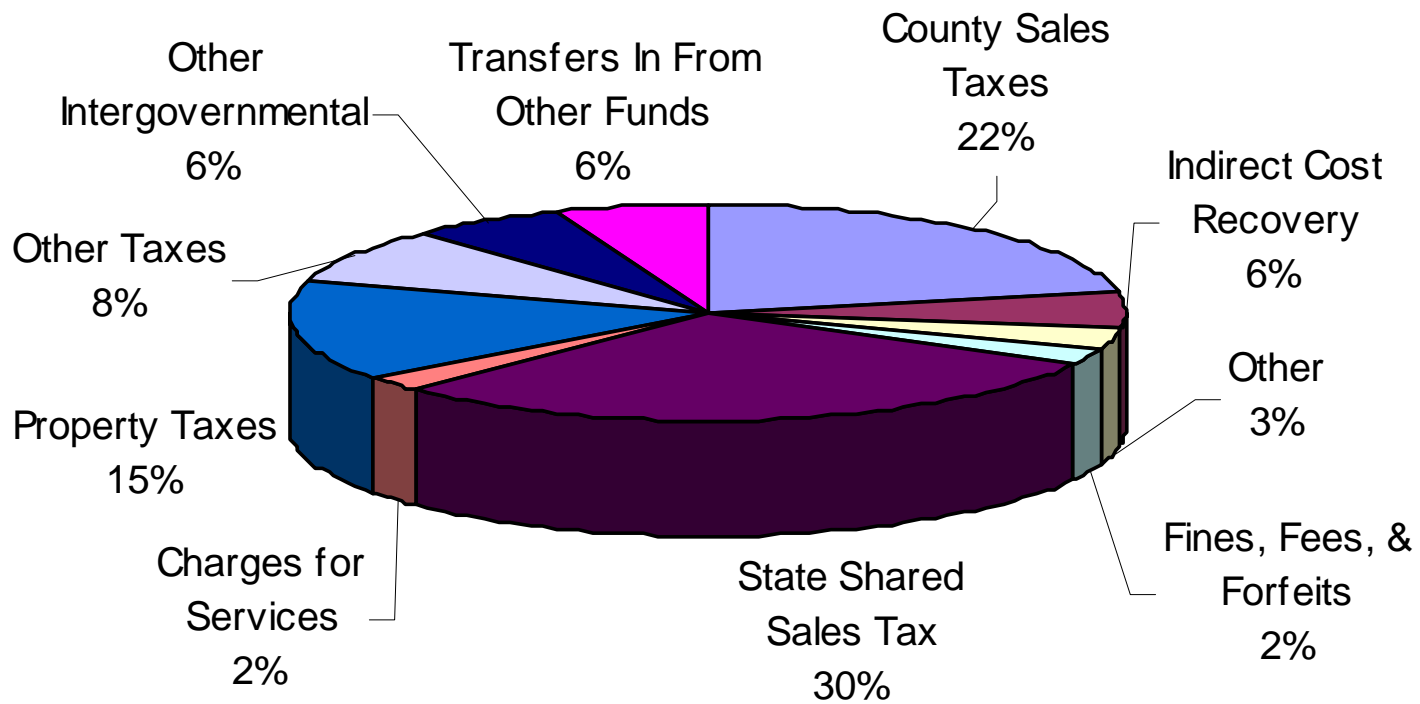


GENERAL FUND: REVENUES

	FY10 Budget	FY10 Actual	Over/(Under) Budget	
County Sales Taxes	\$ 12,250,000	\$ 10,774,208	\$ (1,475,792)	-12.0%
State Shared Sales Tax	15,750,000	14,353,390	(1,396,610)	-8.9%
Property Taxes	7,313,399	7,346,405	33,006	0.5%
Other Taxes	3,512,000	4,039,983	527,983	15.0%
Other Intergovernmental	3,714,290	3,425,929	(288,361)	-7.8%
Charges for Services	3,407,100	3,462,114	55,014	1.6%
Fines, Fees, & Forfeits	1,176,288	1,165,450	(10,838)	-0.9%
Licenses & Permits	889,300	847,683	(41,617)	-4.7%
Investment Income	302,002	419,410	117,408	38.9%
Other	195,250	250,778	55,528	28.4%
Transfers In	3,098,106	2,883,684	(214,422)	-6.9%
Total	\$ 51,607,735	\$ 48,969,034	\$ (2,638,701)	-5.1%



GENERAL FUND: REVENUES





GENERAL FUND: EXPENDITURES

	FY10 Budget	FY10 Actual	Over/(Under) Budget	
Salary	\$ 25,715,676	\$ 24,687,730	\$ (1,027,946)	-4.0%
Benefits	8,745,049	8,258,590	(486,459)	-5.6%
Operations & Travel	7,922,756	7,681,713	(241,043)	-3.0%
Capital	520,523	456,497	(64,026)	-12.3%
Transfers Out to Other Funds	10,458,699	9,716,879	(741,820)	-7.1%
Total	\$ 53,362,703	\$ 50,801,409	\$ (2,561,294)	-4.8%

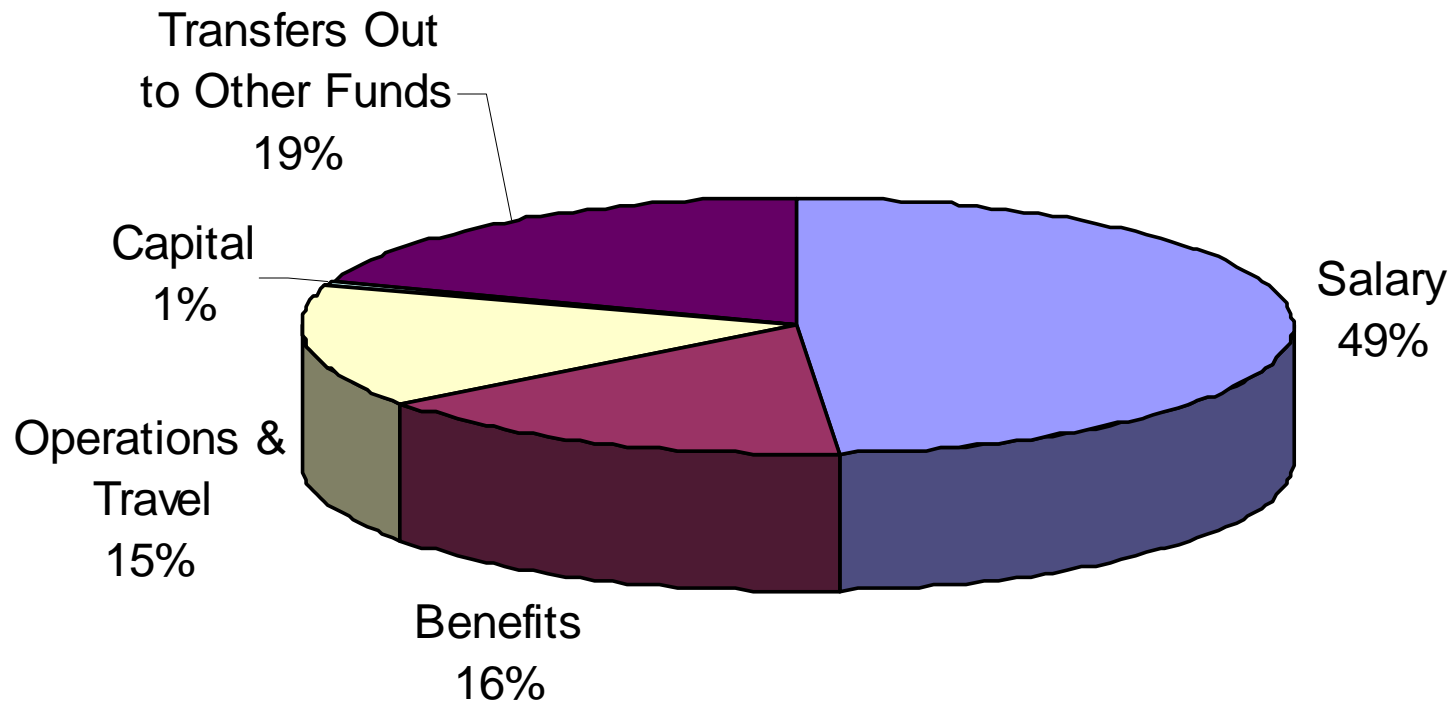
Revenue	\$ 51,607,735	\$ 48,969,034	\$ (2,638,701)	-5.1%
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Use of Fund Balance	\$ (1,754,968)	\$ (1,832,375)	\$ (77,407)	4.4%
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Original Budget: Operating use of Fund Balance	\$1.2 million
Mid-Year Projected Budget Shortfall	\$3.0 million
Use of Fund Balance Before Solutions	<u>\$4.2 million</u>
Mid-Year Budget Solutions	<u>-\$2.1 million</u>
Net Anticipated Use of Fund Balance (Mid-Year)	\$2.1 million
Actual Use of Fund Balance	\$1.8 million



GENERAL FUND: EXPENDITURES





EXPENDITURE COMPLIANCE

- **Handout #1: General Fund Budget to Actual by Department**



FY 10 CUTS AND IMPACTS (General Fund)

- **General Fund Savings/Reductions = \$5.3 million**
- **Average department contribution = 13% of budget**
- **Vacancy savings = \$1.5 million**



CUMULATIVE CUTS AND IMPACTS (General Fund)

	<u>One-Time</u>	<u>Recurring</u>	<u>Total</u>
FY08 Vacancy Savings & Lapse Appropriation	\$ 2,272,638	\$ -	\$ 2,272,638
FY09 Vacancy Savings & Lapse Appropriation	2,452,536	-	2,452,536
FY09 Unfunded Increments	213,772	196,580	410,352
FY10 Budget Reductions	-	1,263,039	1,263,039
FY10 Personal Day Purchase	163,762	-	163,762
FY10 Mid-Year Reductions	1,137,959	-	1,137,959
FY10 Vacancy Savings & Lapse Appropriation	2,561,294	-	2,561,294
FY11 Budget Reductions	141,624	1,553,320	1,694,944
Total	\$ 8,943,585	\$ 3,012,939	\$ 11,956,524



MAJOR FUNDS: HURF

Revenue	FY10 Budget	FY10 Actual	Over/(Under) Budget	
Gasoline Tax	\$ 9,194,650	\$ 8,727,819	\$ (466,831)	-5.1%
Auto Lieu	2,148,978	1,892,189	(256,789)	-11.9%
Other	1,021,525	1,193,241	171,716	16.8%
Transfers In	2,655,000	1,838,066	(816,934)	-30.8%
Total Revenue	\$ 15,020,153	\$ 13,651,315	\$ (1,368,838)	-9.1%
Expenditures	FY10 Budget	FY10 Estimate	Over/(Under) Budget	
Salaries	\$ 5,586,812	\$ 4,737,694	\$ (849,118)	-15.2%
Benefits	2,090,749	1,680,009	(410,740)	-19.6%
Operations & Travel	5,639,448	4,421,997	(1,217,451)	-21.6%
Capital	6,057,136	2,303,525	(3,753,611)	-62.0%
Transfers Out	261,132	292,735	31,603	12.1%
Total Expenditures	\$ 19,635,277	\$ 13,435,960	\$ (6,199,317)	-31.6%
Ending Fund Balance			\$ 17,709,712	



MAJOR FUNDS: JAIL DISTRICT

Revenue	FY10 Budget	FY10 Estimate	Over/(Under) Budget	
Sales Tax	\$ 12,250,000	\$ 10,791,078	\$ (1,458,922)	-11.9%
Bed Rental	2,276,366	2,428,814	152,448	6.7%
General Fund MOE	2,426,280	2,325,435	(100,845)	-4.2%
Other	263,451	346,190	82,739	31.4%
Total Revenue	\$ 17,216,097	\$ 15,891,517	\$ (1,324,580)	-7.7%
Expenditures	FY10 Budget	FY10 Estimate	Over/(Under) Budget	
Salaries	\$ 6,691,368	\$ 6,010,141	\$ (681,227)	-10.2%
Benefits	2,504,514	2,168,128	(336,386)	-13.4%
Operations & Travel	3,850,272	3,846,664	(3,608)	-0.1%
Capital	35,000	18,498	(16,502)	-47.1%
Debt Service	6,426,950	2,574,622	(3,852,328)	-59.9%
Transfers Out	16,790	16,790	-	0.0%
Total Expenditures	\$ 19,524,894	\$ 14,634,843	\$ (4,890,051)	-25.0%
Ending Fund Balance			\$ 8,541,958	



MAJOR FUNDS: CPOS

Revenue	FY10 Budget	FY10 Estimate	Over/(Under) Budget	
Sales Tax	\$ 3,062,500	\$ 2,689,345	\$ (373,155)	-13.9%
Investment Income	190,000	383,803	193,803	102.0%
Total CPOS	\$ 3,252,500	\$ 3,073,148	\$ (179,352)	-5.5%
CPOS Transfers	FY10 Budget	FY10 Estimate	Over/(Under) Budget	
Operations	\$ 556,843	\$ 476,092	\$ (80,751)	-14.5%
Capital Projects	2,597,594	745,469	(1,852,125)	-71.3%



PART II – CURRENT FINANCIAL STATUS



FY11 KEY BUDGET ELEMENTS

Three Prong Approach – All 3 Used

- Reviewed and Reduced Expenditures and Service Levels
 - Strategic Budget Process – reviewed all County Programs and Services
 - Department Reductions
- Strategically Used Limited Reserves
 - 5% Revenue Smoothing available if revenues do not meet projections
 - Used \$1.8 million in reserves
- Developed Additional Revenue
 - Public Services Health District Property Tax – Secondary Tax - \$0.25/\$100 AV



IMPACTS OF BUDGET CUTS

Reviewed and Prioritized to Reduce Expenditures and Service Levels:

- 3% Recurring General Fund budget reductions (5% Recurring Reduction since FY10)
- Elimination of 17 General Fund supported positions (24 FTEs lost since FY09)
- General fund operating budget reduced \$3.7M from \$56.7M (FY08) to \$53 M (FY11 before cost of mandated State impacts)
- Employee pay frozen since 7/1/09; retirement & health insurance increases lowered net pay
- \$1.9M of state shifts & sweeps in General Fund



STRATEGIC USE OF RESERVES

Reserve Policies:

- The County will maintain a contingency for cash liquidity purposes (i.e. designated fund balance) in the County General Fund equal to at least 10% of its annual revenue budget. (\$4.8 million)
- The County will utilize a revenue-smoothing reserve allocation of 5% of its annual revenue budget. These funds should only be utilized to cover short-term drops in County revenues to maintain service levels in difficult economic times. This fund is to be replenished as revenues increase. (\$2.4 million)
- Reserves in excess of 15% are considered one-time funds available for repair and replacement and other one-time capital needs.

We have used General Fund operating reserves of \$5 million for revenue smoothing between FY09 and FY10.

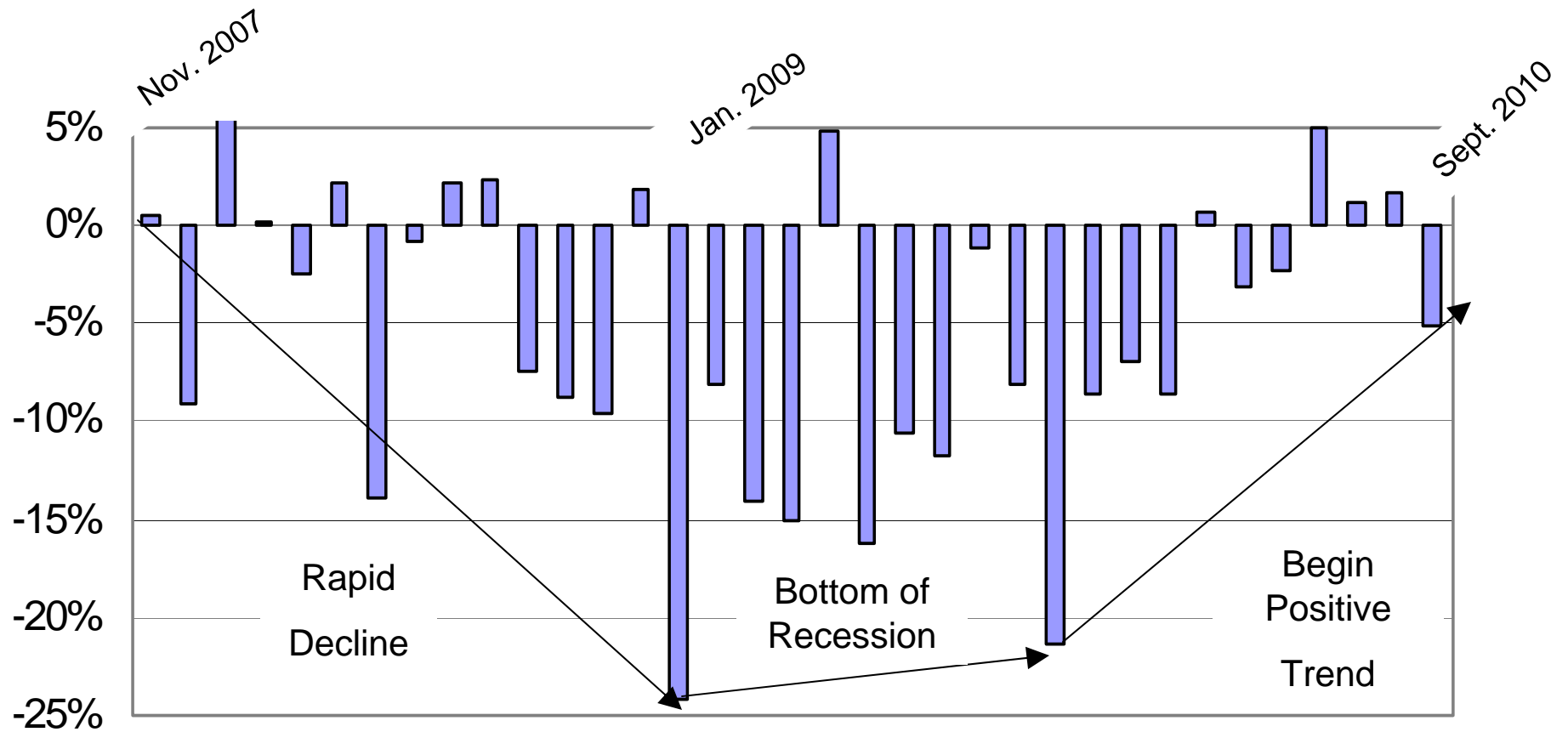


ADDITIONAL REVENUE DEVELOPMENT

- **Established Public Health Services District**
 - PHSD Avoided Additional \$5 M of Recurring Expenditure Reductions in the General Fund
 - \$5M = 90 - 100 positions
 - 9.5% of GF Budget
- **User Fee Study**
 - Implemented Adjustments to Fees Based on Study, Department recommendations and Citizen Outreach



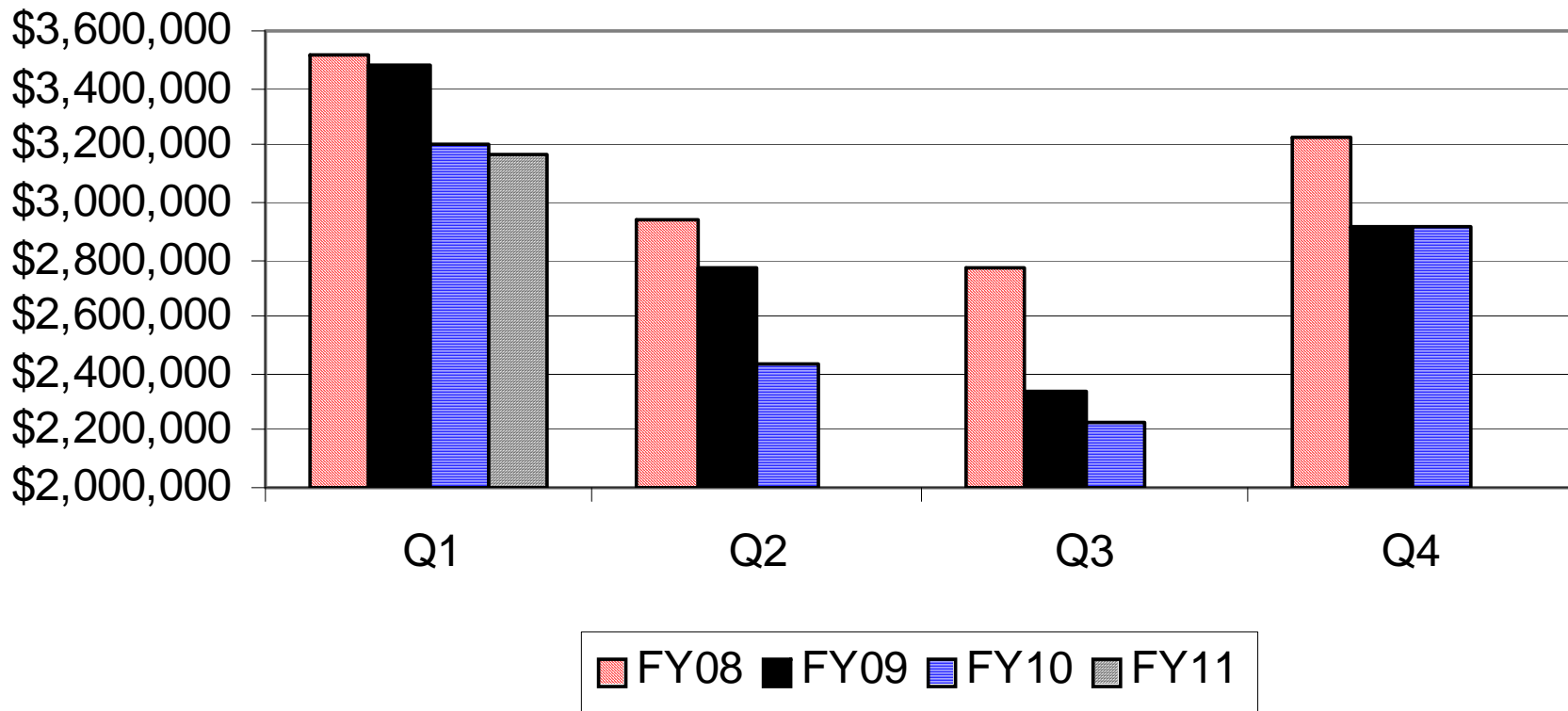
MAJOR REVENUES: LOCAL SALES TAX 35 MONTH TREND



Comparison of increase/decrease over the same month returns in the prior fiscal year

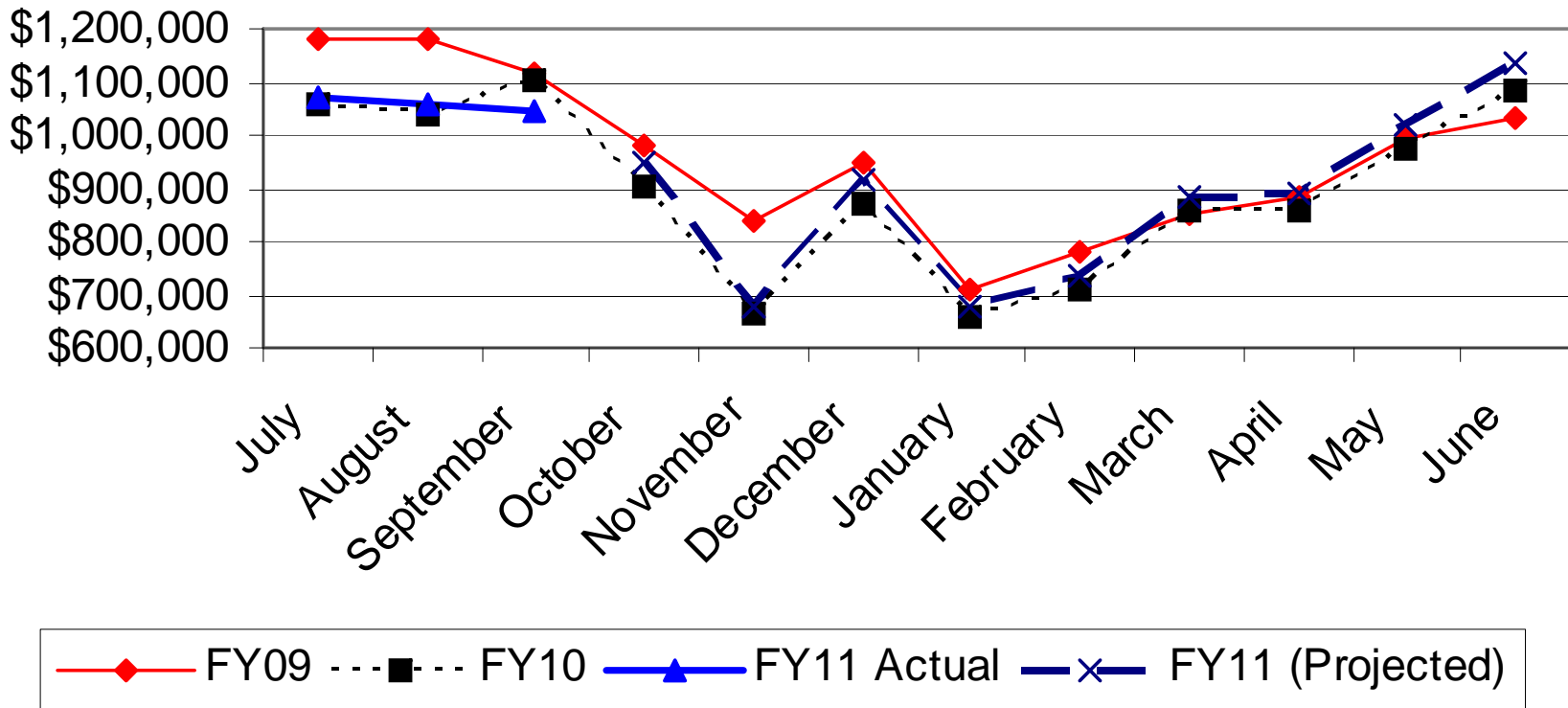


MAJOR REVENUES: LOCAL SALES TAX QUARTERLY TRENDS



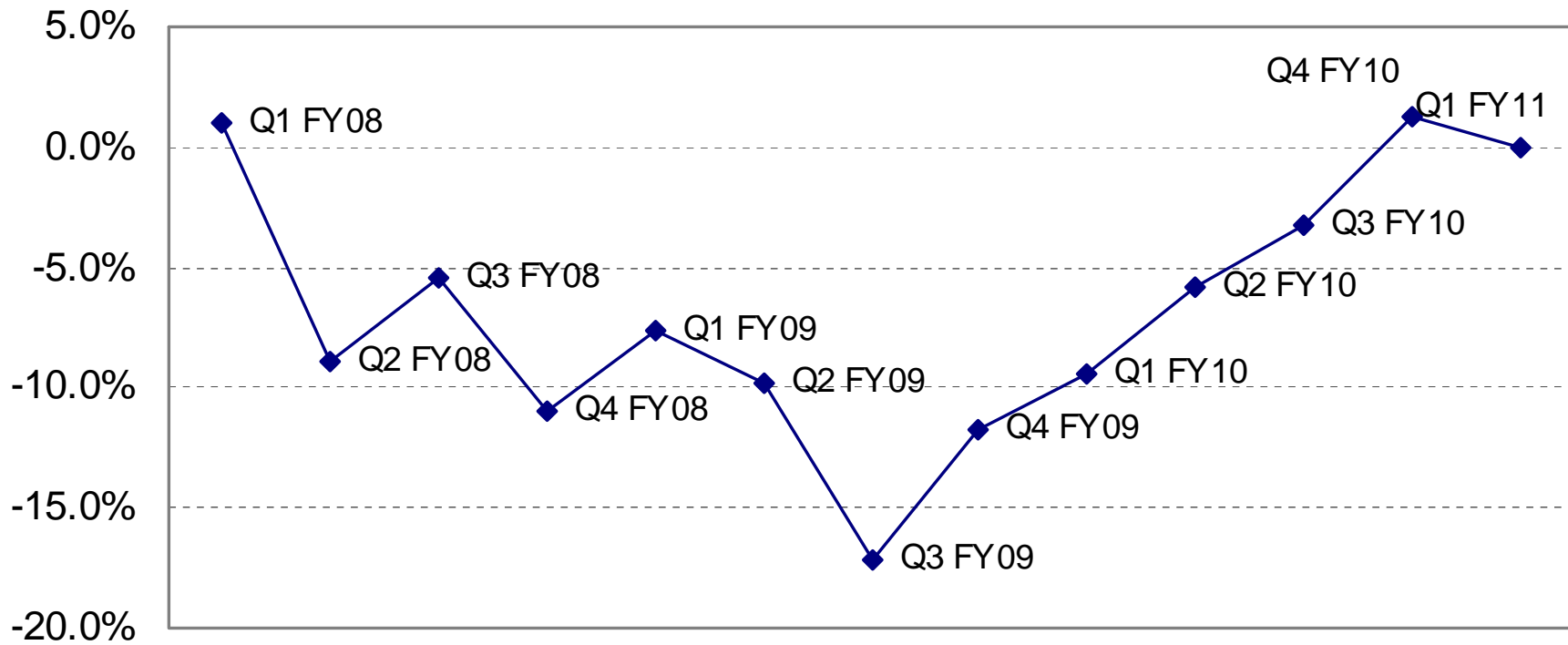


MAJOR REVENUES: LOCAL SALES TAX FY09-FY11 (PROJECTED)



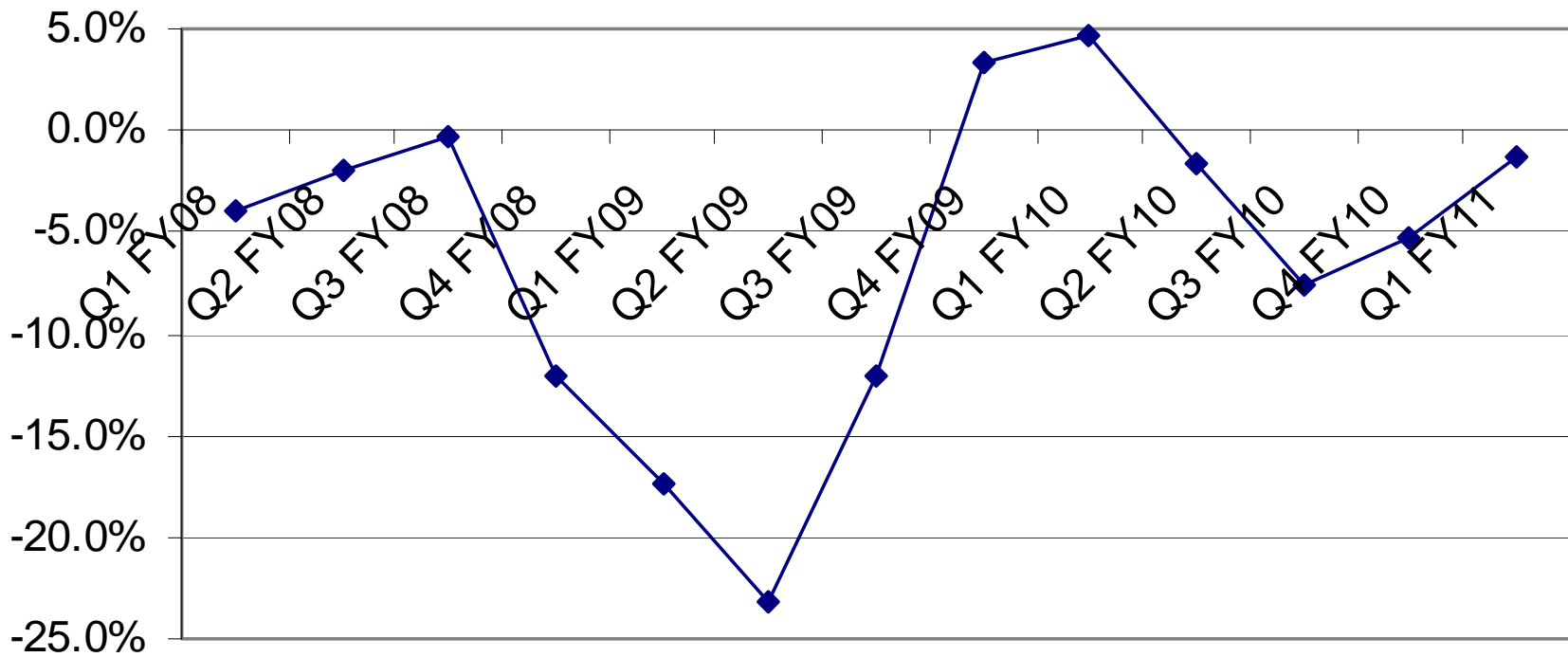


MAJOR REVENUES: STATE SHARED SALES TAX QUARTERLY TRENDS





MAJOR REVENUES: HURF QUARTERLY TRENDS





FY 11 YEAR TO DATE: GENERAL FUND REVENUE OUTLOOK

	FY11 Budget	Year to Date (as a % of estimate)		FY11 Estimate	Variance from Budget	
County Sales Tax	\$ 11,287,500	\$ 3,172,604	28.7%	\$ 11,050,000	\$ (237,500)	-2.1%
State Shared Sales Tax	15,225,000	4,268,281	29.4%	14,500,000	(725,000)	-4.8%
Property Tax and Penalties	8,189,961	4,060,425	49.6%	8,189,961	-	0.0%
Auto Lieu	3,202,500	1,078,601	34.8%	3,100,000	(102,500)	-3.2%
PILT	1,514,240	-	0.0%	1,514,240	-	0.0%
Other Intergovernmental	1,578,098	268,784	17.0%	1,578,098	-	0.0%
Charges for Services	5,824,380	2,407,814	41.3%	5,824,380	-	0.0%
Fines, Fees, and Forfeits	1,154,400	381,605	33.1%	1,154,400	-	0.0%
Licenses and Permits	889,300	401,513	45.1%	889,300	-	0.0%
Investment Income	355,000	120,309	30.1%	400,000	45,000	12.7%
Other	305,290	113,751	37.3%	305,290	-	0.0%
Transfers In	2,049,728	27,101	1.4%	1,895,912	(153,816)	-7.5%
Total	\$ 51,575,397	\$ 16,300,788	32.3%	\$ 50,401,581	\$ (1,173,816)	-2.3%



FY 11 YEAR TO DATE: GENERAL FUND EXPENDITURE OUTLOOK

	FY11 Budget	FY11 Year to Date		FY11 Estimate	Variance from Budget	
Salary	\$ 24,826,709	\$ 8,911,808	35.9%	\$ 24,126,709	\$ (700,000)	-2.8%
Benefits	8,928,492	2,985,717	33.4%	8,578,492	(350,000)	-3.9%
Operations & Travel	9,594,473	3,298,392	34.4%	9,294,473	(300,000)	-3.1%
Capital	615,976	326,551	53.0%	615,976	-	0.0%
Transfers Out	9,178,623	2,617,259	28.5%	8,978,623	(200,000)	-2.2%
Total	\$ 53,144,273	\$ 18,139,727	34.1%	\$ 51,594,273	\$ (1,550,000)	-2.9%

Revenue	\$ 51,575,397	\$ 16,300,788	31.6%	\$ 50,401,581	\$ (1,173,816)	-2.3%
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Salary Savings	\$ (300,000)
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Use of Fund Balance	\$ (1,268,876)	\$ (1,838,939)		\$ (1,192,692)	\$ (76,184)	
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FY 11 YEAR TO DATE: MAJOR FUNDS

HURF	FY11 Budget	Year to Date		FY11 Estimate	Variance from Budget	
Revenue & Transfers In	\$ 16,926,292	\$ 2,974,884	17.6%	\$ 13,815,889	\$ (3,110,403)	-18.4%
Expenditures & Transfers Out	25,624,065	3,416,142	13.3%	18,070,429	(7,553,636)	-29.5%
Change in Fund Balance	\$ (8,697,773)	\$ (441,258)		\$ (4,254,540)	\$ 4,443,233	-51.1%
Ending Fund Balance	\$ 8,999,584			\$ 13,442,817		

Jail District	FY11 Budget	Year to Date		FY11 Estimate	Variance from Budget	
Revenue & Transfers In	\$ 16,240,412	\$ 4,824,801	29.7%	\$ 16,113,926	\$ (126,486)	-0.8%
Expenditures & Transfers Out	15,785,987	4,205,292	26.6%	14,471,674	(1,314,313)	-8.3%
Change in Fund Balance	\$ 454,425	\$ 619,509		\$ 1,642,252	\$ 1,187,827	261.4%
Ending Fund Balance	\$ 8,996,363			\$ 10,184,190		

CPOS	FY11 Budget	Year to Date		FY11 Estimate	Variance from Budget	
Revenue & Transfers In	\$ 9,171,796	\$ 6,916,794	75.4%	\$ 2,985,000	\$ (100,000)	-1.1%
Expenditures & Transfers Out	20,846,340	13,478,516	64.7%	20,846,340	-	0.0%
Change in Fund Balance	\$ (11,674,544)	\$ (6,561,722)		\$ (17,861,340)	\$ (100,000)	0.9%
Ending Fund Balance	\$ 529,174			\$ (5,657,622)		



FY 11 YEAR TO DATE: MAJOR FUNDS

PHSD	FY11 Budget	Year to Date		FY11 Estimate	Variance from Budget	
Revenue & MOE	\$ 14,748,973	\$ 5,789,110	39.3%	\$ 14,648,973	\$ (100,000)	-0.7%
Expenditures & Transfers Out	14,749,935	5,391,902	36.6%	14,649,935	(100,000)	-0.7%
Change in Fund Balance	\$ (962)	\$ 397,208		\$ (962)	\$ -	0.0%
Ending Fund Balance (Operating Fund)	\$ 554			\$ 554		

Flood Control	FY11 Budget	Year to Date		FY11 Estimate	Variance from Budget	
Operating Revenue	\$ 1,528,008	\$ 788,823	51.6%	\$ 1,528,008	\$ -	0.0%
General Fund Loan (cash - future liability)	1,000,000	1,000,000	100.0%	1,000,000	-	0.0%
Current Year Intergovernmental Support	467,353	177,786	38.0%	467,353	-	0.0%
Operating Expenditures	379,954	152,634	40.2%	379,954	-	0.0%
Capital Project Expenditures	1,959,500	-	0.0%	-	(1,959,500)	-100.0%
Schulz Fire/Flood Mitigation Expenditures	2,800,000	2,787,217	99.5%	5,464,578	2,664,578	95.2%
Change in Fund Balance	\$ (2,144,093)	\$ (973,242)		(2,849,171)	(705,078)	32.9%
Ending Fund Balance (Cash)	\$ 414,672			\$ (290,406)		



STATE IMPACTS

	FY09	FY10	FY11 (to date)	FY11 (estimated)
Court Liability Insurance	\$ 12,450	\$ 54,510	\$ 35,120	\$ 72,680
Reduction in County Assistance Funds (Lottery)	27,502	245,654	229,181	550,035
Restoration to Competency Cost Shift	59,384	317,383	28,853	173,118
Sexually Violent Predators Cost Shift	-	20,682	14,975	45,000
County Justice of the Peace Salaries	-	70,804	31,590	75,817
CAMA System	-	562,181	395,255	980,757
Subtotal: Direct Cost Shifts	\$ 99,336	\$ 1,271,214	\$ 734,975	\$ 1,897,407
Reduction in Grant Funding/Agency Cost Shifts	\$ 900,000	\$ 1,200,000	TBD	TBD
HURF Shift	600,000	650,000	216,667	650,000
Subtotal: Program Cuts	\$ 1,500,000	\$ 1,850,000	TBD	TBD
Grand Total State Budget Impacts	\$ 1,599,336	\$ 3,121,214	TBD	TBD



DISASTER RECOVERY EFFORTS & COSTS

- Costs to Date = \$3.5 million County + \$2.65 million State = \$6.15 million
 - General Fund = \$132K (\$26.5K unbudgeted overtime)
 - Flood Control = \$2.4 million
 - HURF = \$966K (\$138K unbudgeted overtime)
- Potential Estimated Reimbursement = up to \$2.9 million
 - General Fund = \$19K
 - Flood Control = \$2.4 million
 - HURF = \$500K



DISASTER RECOVERY IMPACT ON CAPITAL PROJECTS

- Flood Control
 - Bader Road Rio Crossing
 - Timberline Drainage in FY11
 - Elk Place & Hillside Drive Drainage
 - Mountain View Ranchos Drainage
 - Snowbowl Road/Rio de Flag Crossing
 - Kachina Regional Detention

Flood Control projects postponed from FY11 budget for future evaluation



DISASTER RECOVERY IMPACT ON CAPITAL PROJECTS

- HURF
 - Lake Mary Road Tree Removal
 - Lake Mary Pavement Preservation
 - Kona Trail Sidewalk & Drainage

HURF projects postponed from FY11 budget for future evaluation



PART III – ECONOMIC OUTLOOK AND UPDATE



STATE AND FEDERAL FINANCIAL CONDITION



FY 2011 STATE SHORTFALL

- **FY 2010 Revenues Declined By 10.3%**
- **FY 2011 Base Revenues are Forecasted to Grow 2.4% in FY 11 Followed by 4.8% in FY 2012**
- **JLBC Estimates that Current FY 2011 Deficit at \$825 Million**
- **80% of Prior Year Budget Shortfall Solutions Have Been One Time**



FY 2011 STATE SHORTFALL

- **Failure of November Ballot Propositions: \$469 million Impact to the State**
- **First Things First Considering Reoffering State a Loan**
- **Lower Federal Matching Funds Represents a Reduction of \$158 million**
- **Clean Elections - \$20 million refund to the state**



FEDERAL FUNDS

- **Federal Maintenance of Effort Requirements May Limit State's Flexibility**
 - **Federal Health Care Legislation Prevents State From Changing Medicaid Eligibility**
 - **Changes Could Result in Loss of \$7 Billion in Federal Matching Funds**
 - **Could Impact Counties By Shifting AHCCCS Costs**



COUNTY IMPACTS

- **Cost Shifts and Lost Revenue Streams Have Costs Counties Almost \$200 Million Since FY 2008**
- **Local Sales Tax Collections and State Shared Revenues Down**
- **ALTCS Rebound/FMAP**
 - **Federal Assistance Ends in FY 2011. County Share Will Increase By Approx. \$80 Million in FY 12.**



FY 09-11 STATE BUDGET IMPACTS

	Total Statewide Impact to Counties	Coconino County Cost
HURF	\$40.44 million	\$1,900,000
County Assistance Fund 10% Reduction*	\$8.8 million	\$823,191
100% of Rural RTC Costs in State Hospital	\$10.97 million	\$549,885
Reduce State Share of JP Salaries	\$2.26 million	\$146,621
25% of SVP Costs In State Hospital	\$4.6 million	\$65,682
FY'09-11* Grand Total	\$193.6 million	\$6,214,800

***Includes other sweeps, reductions and lost revenue streams not indicated in above line items and one time ARRA Grant Assistance**



FY 2012 STATE BUDGET

- Revenues estimated to be \$8.2 billion
- Spending commitments estimated to be \$9.6 billion
- Does not include the suspension of \$1.4 billion in funding formulas already in place.



FY 2013/FY2014 STATE BUDGET

- **State Budget Deficit Projected at \$1.3 billion for FY 2013 and \$2 billion in FY 2014**
- **Temporary Sales Tax Expires FY 2014**



BUDGET THREATS

- **State Shared Revenue Diversion**
 - **Requires 2/3 Vote**
- **Shift of Juvenile Corrections Population**
 - **Governor Not Likely to Include in Budget**
- **Shift of State Prisoners**
 - **Triggered if Proposition 100 Did not Pass**



BUDGET THREATS

- **Cost Shifts From AHCCCS**
 - **Currently Protected Due to MOE Requirements**
- **Forced Fund Transfers**
 - **HURF, etc.**
- **Secondary Property Tax Caps**
- **Shift of State Programs**
 - **SVPs at Arizona State Hospital, Superior Court Judge Salaries, etc.**



FEDERAL ISSUES

- **Continued Protection for Counties to Avoid Shift of Healthcare Costs**
- **Obtain a Reauthorization of the Secure Rural Schools and Community Self Determination Act (SRS)**
- **Full Funding of Payment in Lieu of Taxes (PILT) Ends Sept. 30, 2012**



STATUS OF SECURE RURAL SCHOOLS

- **SRS reauthorization expires September 30, 2012**
- **Coconino County currently working with National Association of Counties and the Forest Counties Schools Coalition on reauthorization**



PURPOSE OF SECURE RURAL SCHOOLS

- Stabilize and transition payments to county schools and roads
- Invest in the land and create employment opportunities
- Improve cooperative relationships among the people that use and care for Federal lands

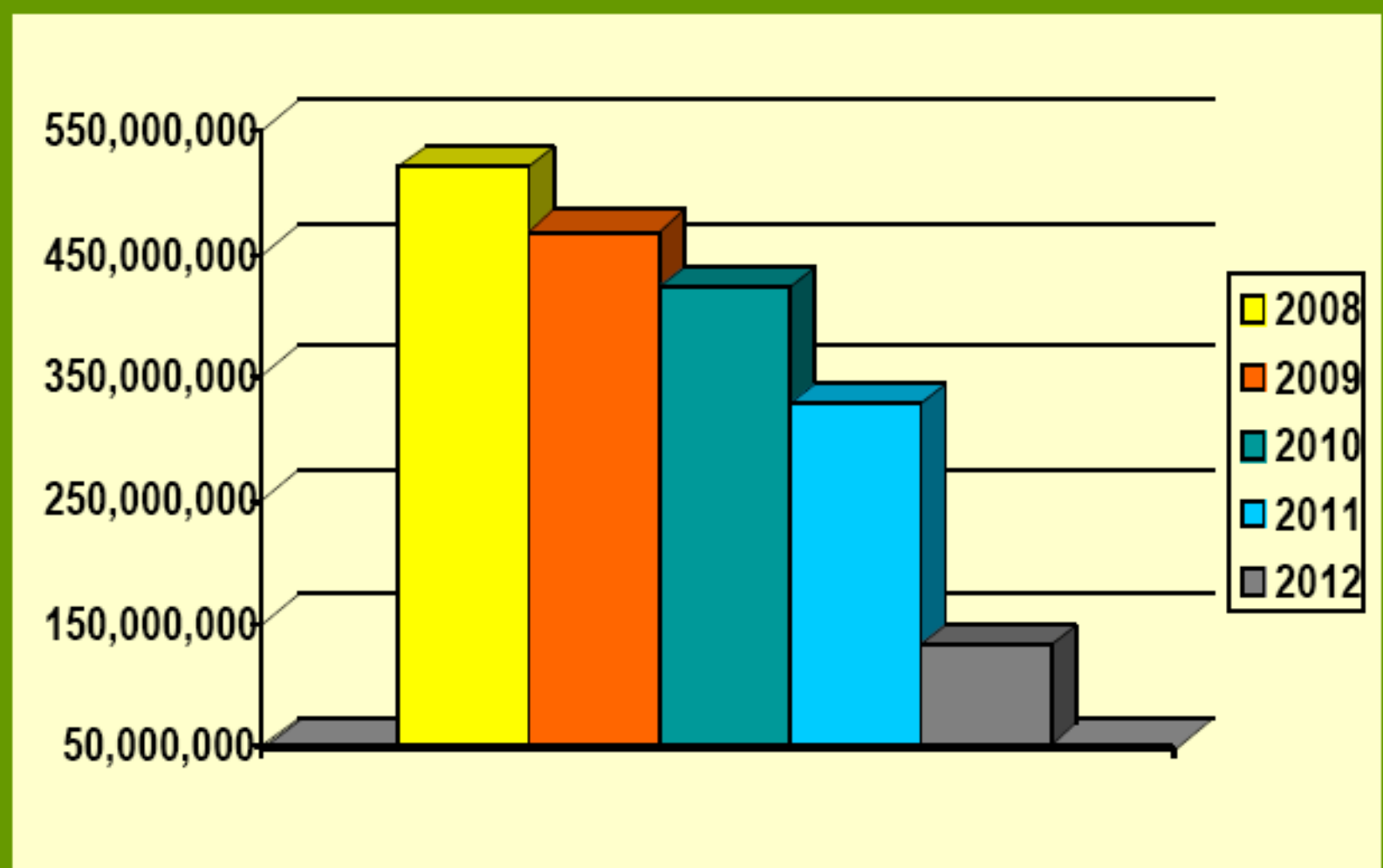


COMPONENTS OF SRS

- **Title I: Payments to rural counties for road maintenance and education**
- **Title II: Payments to Resource Advisory Committees for forest restoration and enhancement projects**
- **Title III: Payments for reimbursement of emergency services performed on federal lands**

Secure Rural Schools and Community Self-Determination Act Nationwide Receipts 2008-2012

2008: \$518,054,173 2009: \$466,248,755 2010: \$419,922,636 2011: \$326,456,228 2012: \$130,239,071





SRS RECEIPTS

- **In FFY09, Coconino County received \$4,890,243**
- **Schools/Roads each receive \$1,836,059**
 - **County currently maintains more than 300 miles of roads**
- **\$342,317 will be allocated to Title III projects**
 - **Funding for search and rescue etc, community forestry, fire prevention etc.**



SRS FUNDING

- **SRS provides funds to 729 rural Burroughs, Counties and Parishes**
 - **Provides education dollars for 9 million students**
 - **Coconino County received or is scheduled to receive:**
 - **\$5.6 million in FFY08**
 - **\$4.89 million in FFY09**
 - **\$4.40 million in FFY10**
 - **\$3.96 million in FFY11**



ADVOCACY EFFORTS

- **If this Act is not reauthorized after FFY11, the County will have a reduced ability to fund road maintenance projects and wildfire protection, search and rescue and patrol activities of Federal land.**
- **The School Districts would be severely impacted in their ability to maintain the same level of service currently provided to students.**



ADVOCACY EFFORTS

- **Counties Asking Members of Congress to Urge the Administration to Include a Long-Term Reauthorization of SRS, and Funding in the 2012 Budget Request to Congress**
- **Working with Congress on Reauthorization**



FEDERAL OUTLOOK & FINANCIAL CONDITION

National Economy and Outlook

GDP

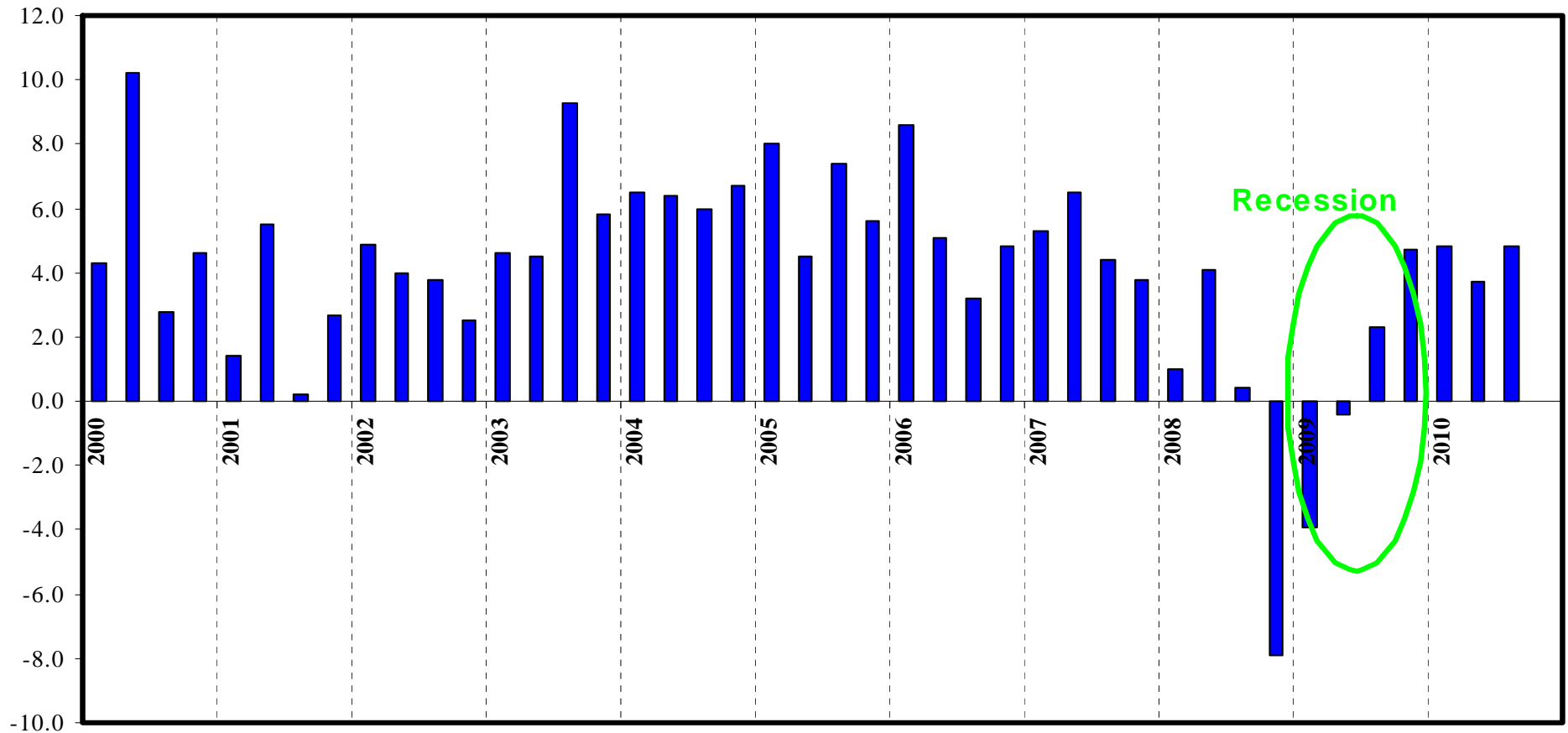
Employment

Outlook



FEDERAL OUTLOOK & FINANCIAL CONDITION

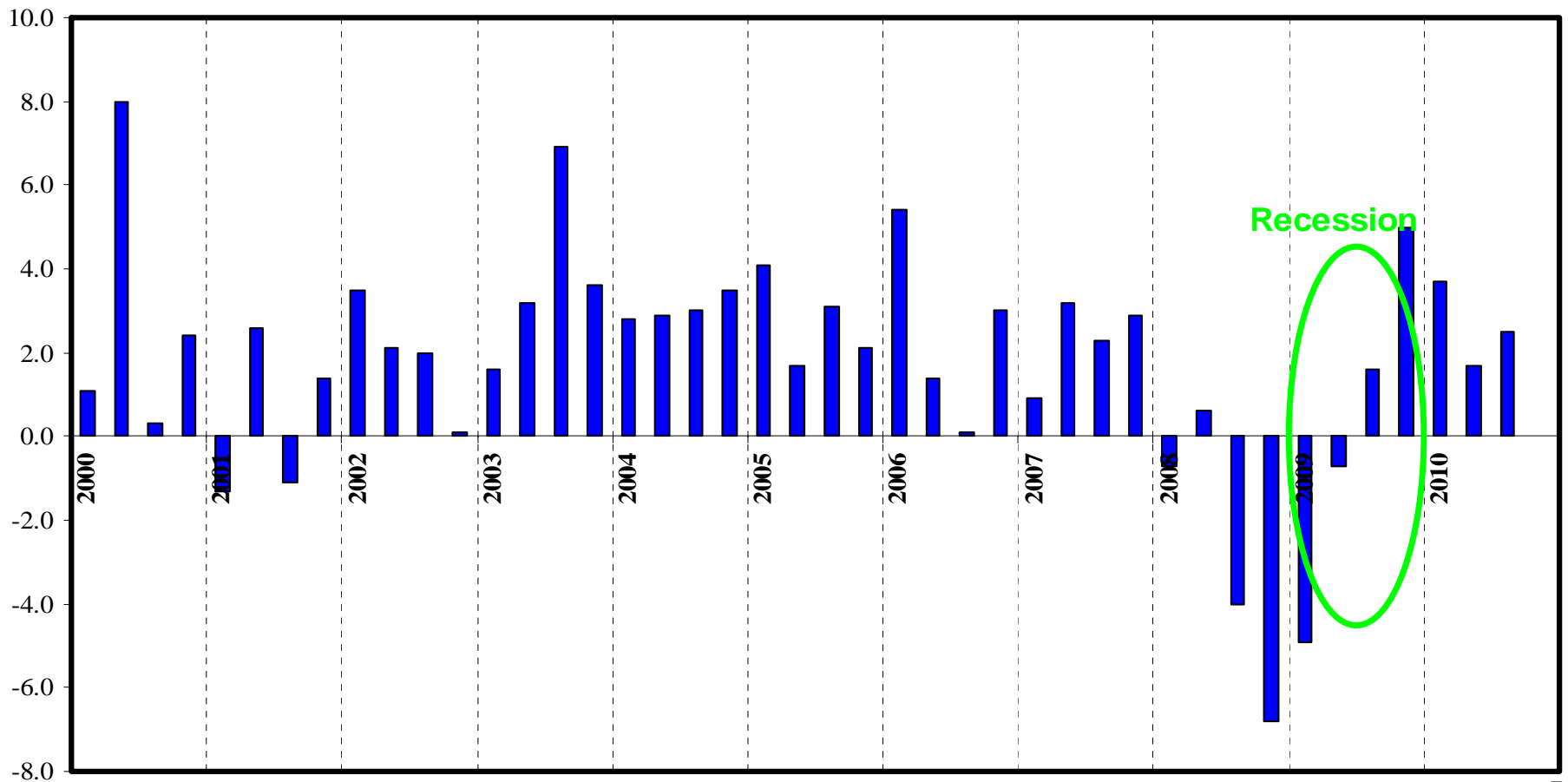
US GDP Quarterly Change





FEDERAL OUTLOOK & FINANCIAL CONDITION

REAL US GDP Quarterly Change





FEDERAL OUTLOOK & FINANCIAL CONDITION

National Economy - Current

Financial Crisis Averted

Recession Ended

Recovery in Consumer Spending

Continuing Drags on Growth



FEDERAL OUTLOOK & FINANCIAL CONDITION

National Outlook – Near Term

Continuing Drags on Economy

International Issues

US Domestic Demand

Continuing Uncertainty

Recovery in Consumer Spending



FEDERAL OUTLOOK & FINANCIAL CONDITION

National Outlook – Long Term

Risks to US Competitiveness

Labor Force Skills

Federal Deficits

Tax levels

Asian Growth and Development

Governance & Culture



ARIZONA ECONOMIC OUTLOOK

Arizona Economy and Outlook

GDP

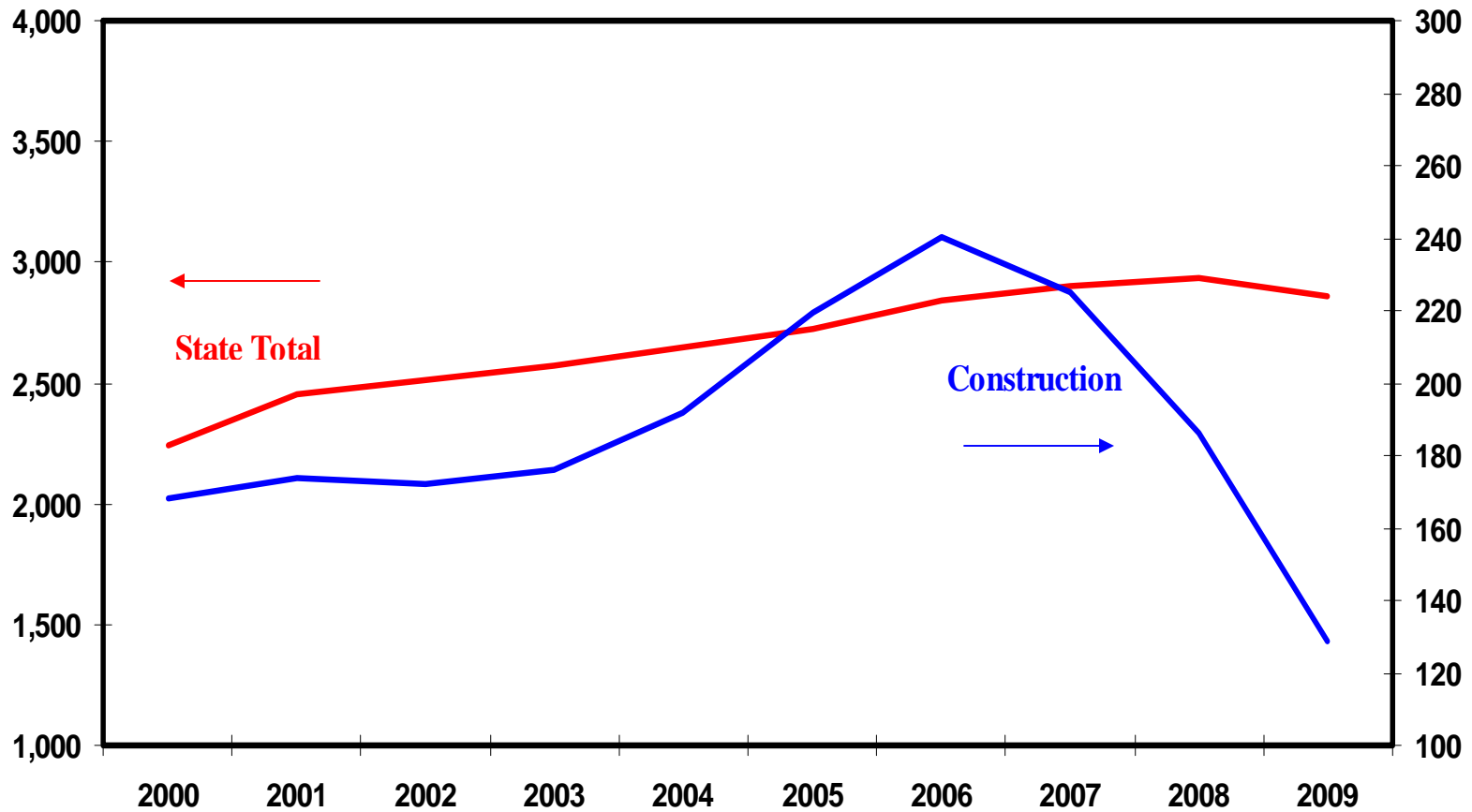
Employment

Outlook



ARIZONA ECONOMIC OUTLOOK

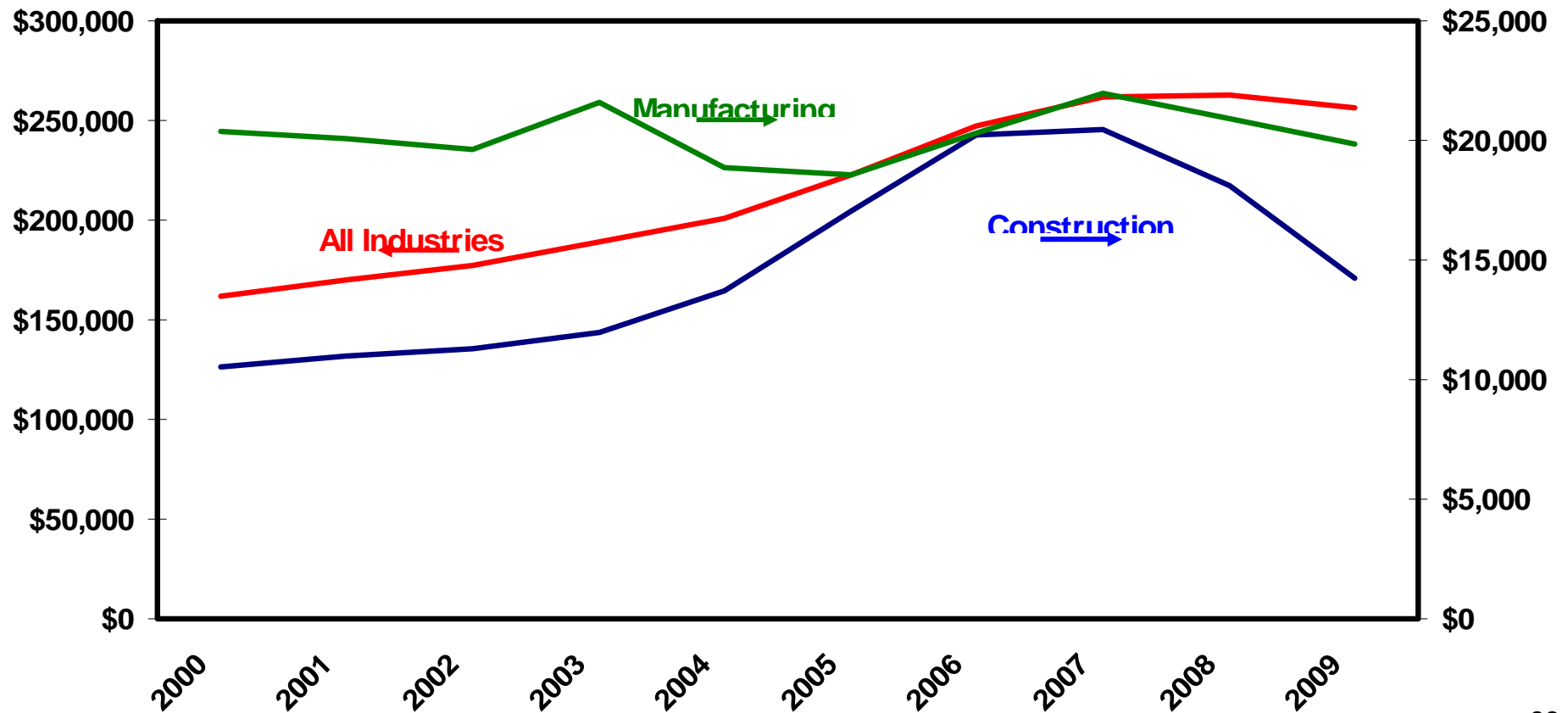
Arizona Employment
(000's)





ARIZONA ECONOMIC OUTLOOK

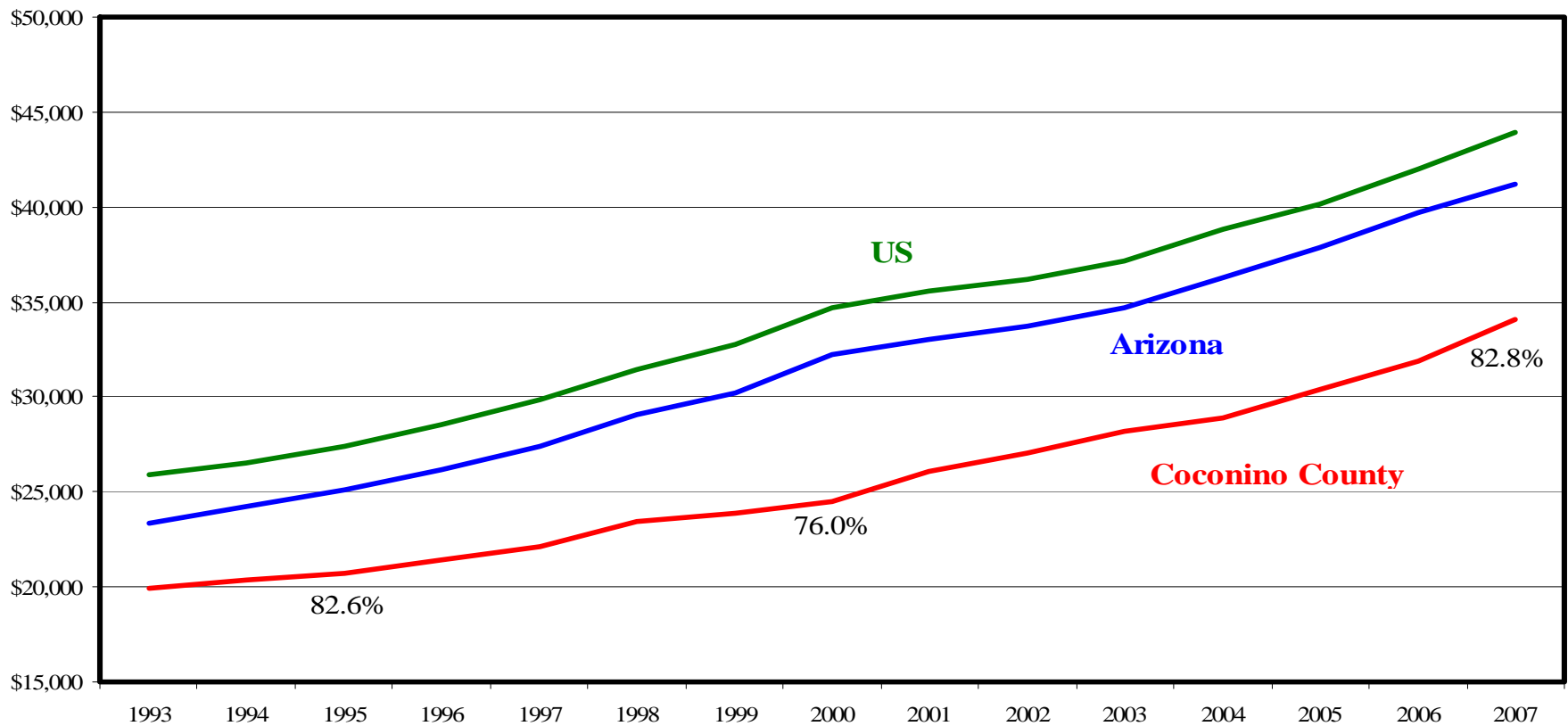
AZ GDP Amounts
(\$ millions)





ARIZONA ECONOMIC OUTLOOK

Average Wage Per Job





ARIZONA ECONOMIC OUTLOOK

Arizona Economy - Current

National Improvement

Tourism Recovery ??

Consumer Spending Recovery ??

Housing Drag on Growth



ARIZONA ECONOMIC OUTLOOK

Arizona Outlook – Near Term

Continuing Drags on Economy

US Domestic Demand

Continuing Uncertainty – Indecision

Continuing Housing Drag

Consumer Spending Recovery ??



ARIZONA ECONOMIC OUTLOOK

Arizona Outlook – Long Term

Risks to AZ Competitiveness

Labor Force Skills

Tax and Regulatory Structures

Asian Growth

California's Decline



COCONINO COUNTY ECONOMIC OUTLOOK

Coconino Economy and Outlook

Employment

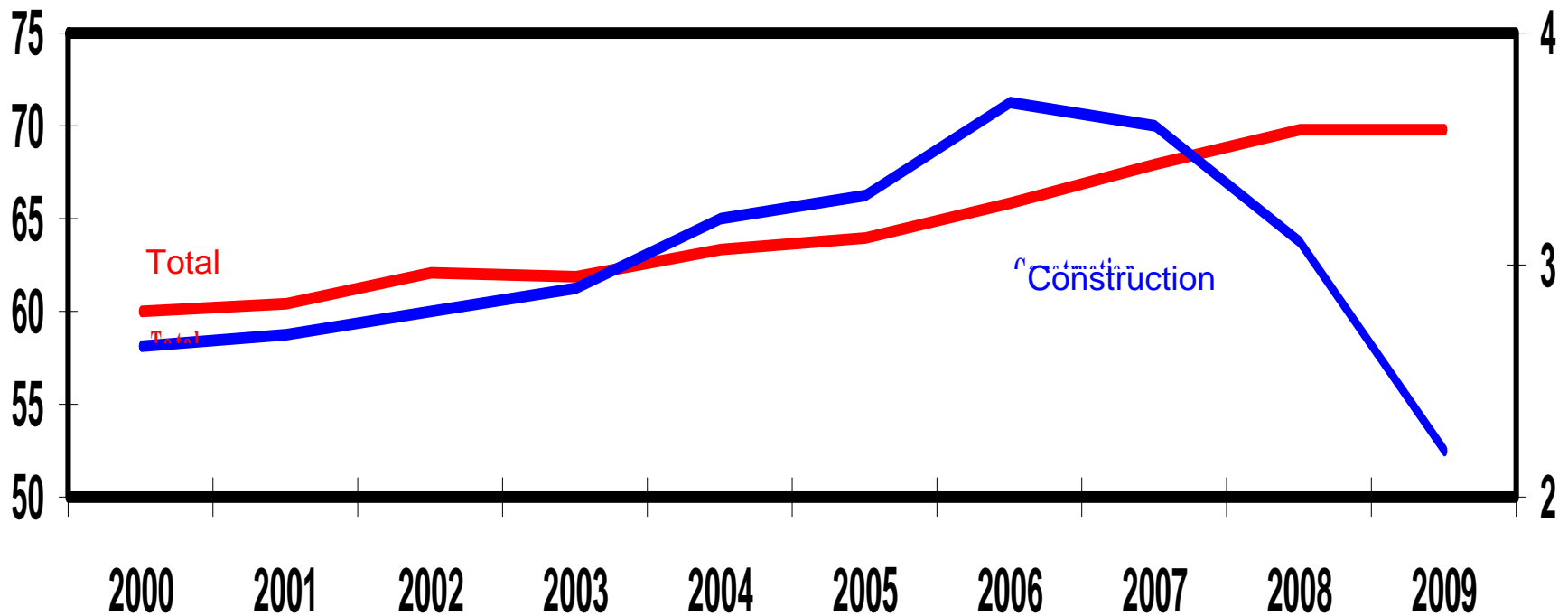
Outlook

Opportunities



COCONINO COUNTY ECONOMIC OUTLOOK

Coconino Employment
(000's)





COCONINO COUNTY ECONOMIC OUTLOOK

Coconino County Outlook

Linked to Arizona's Prospects

Satellite to Phoenix Metro

Fundamentally Less Volatile

Strong Fundamentals – With Risks



COCONINO COUNTY ECONOMIC OUTLOOK

County Outlook – Near Term

Growth from New Normal

Potential for Reliable Trends

Likely Returning to 90's Pattern

More Uncertainty than Certainty



COCONINO COUNTY ECONOMIC OUTLOOK

County Outlook – Long Term

Strong Fundamentals

Location

Quality of Life

– With Risks

Labor Force Skills

Business Climate



COCONINO COUNTY ECONOMIC OUTLOOK

Coconino County Opportunities

National Caliber University

Desirable Location

Effective Governments



PART IV – FINANCIAL PLAN UPDATE



FINANCIAL PLANNING: 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

Quality Service Requires Quality People



FINANCIAL PLANNING: 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



FINANCIAL PLANNING KEY CONSIDERATIONS

- 10 Year Planning Horizon for all Major Funds
- Maintain/Establish Adequate Reserves
- Continuous Improvement and Management
- Emphasis on the Essential Programs and People

High Quality Employees = Quality Service



FINANCIAL PLANNING KEY CONSIDERATIONS

- **Match Critical Programs to Highly Reliable Revenues protecting Essential Services**
- **Provide Flexibility by Linking One-time and Deferrable Spending to Less Reliable Revenues**
- **Avoid Dependency on Temporary/ Cyclical Revenues**
- **Scrutinize & Seek Relief From Mandates**
- **Work Toward Financial Independence: Develop New Revenue Sources**



FINANCIAL PLANNING MILESTONES

- Extensive Long-Term Process Began in 2007
- Moved Away from “Reactionary” Budgeting and Addressed High Turnover Costs
- Use Recessionary Revenue Projections
- Built Prudent Reserves
 - Revenue Smoothing
 - Emergency Reserves
 - Repair & Replacement Funds



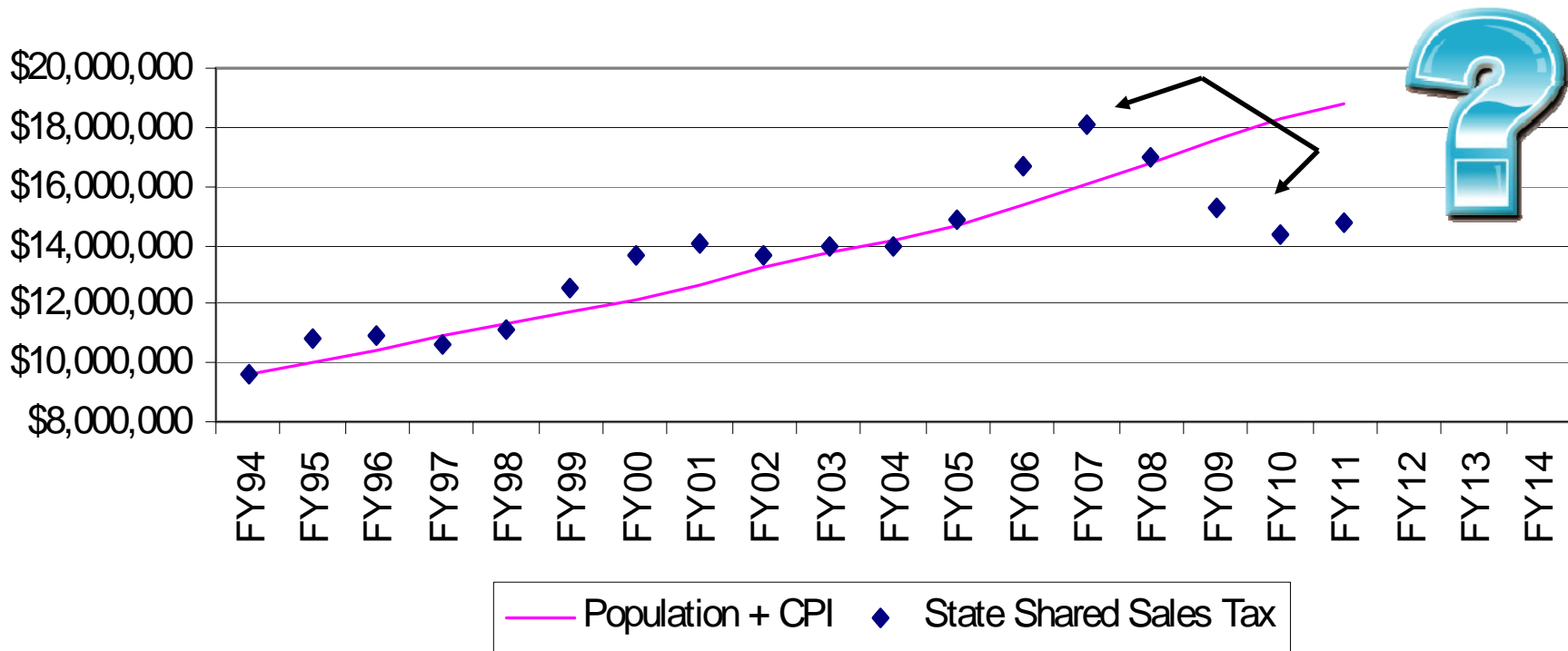
SIGNIFICANT TRENDS

- Major Revenues – Signs of Improvement Year Over Year But Still Some Uncertainty in Short Term
- Health Insurance & Retirement Contribution Increases
- Increasing Turnover Rates
- Declining Assessed Values



MAJOR REVENUE OUTLOOK: STATE SHARED SALES TAX COMPARED TO POP/CPI GROWTH

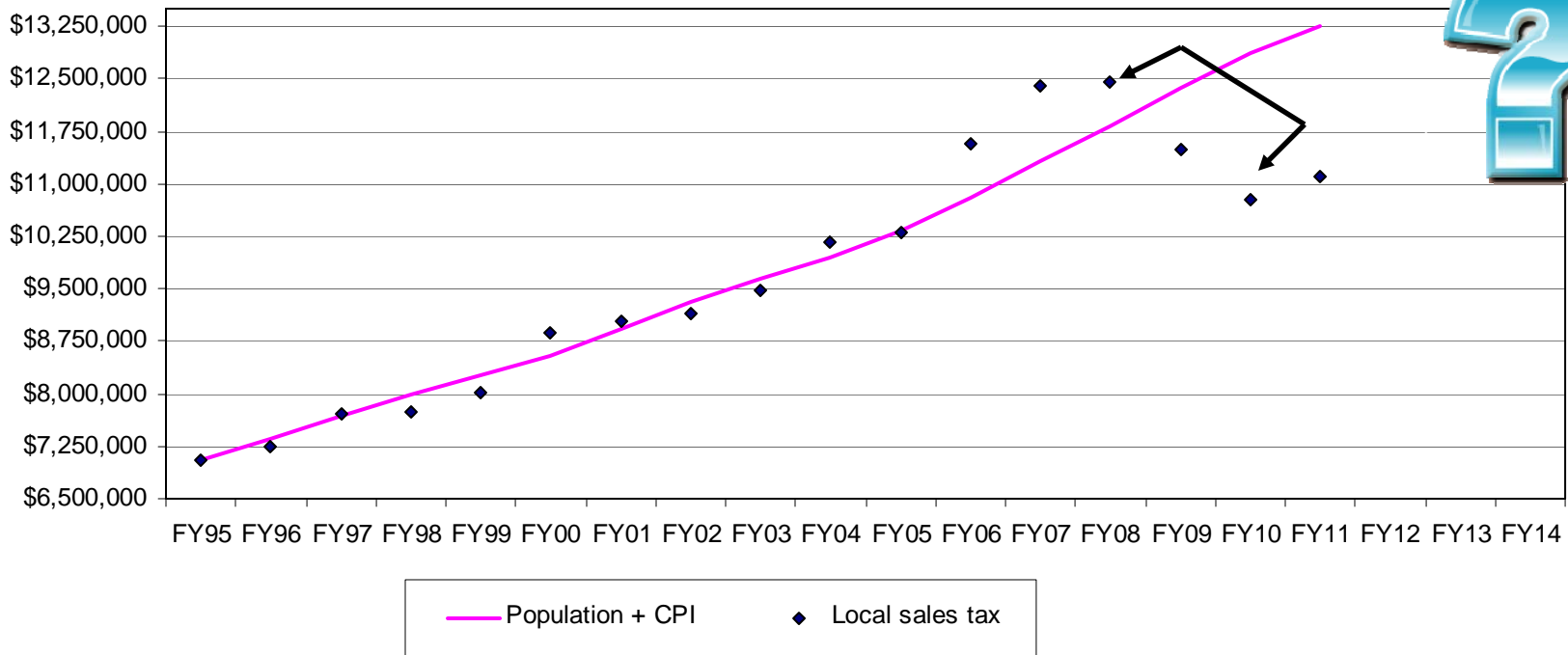
FY10 = 21% drop from FY07 high





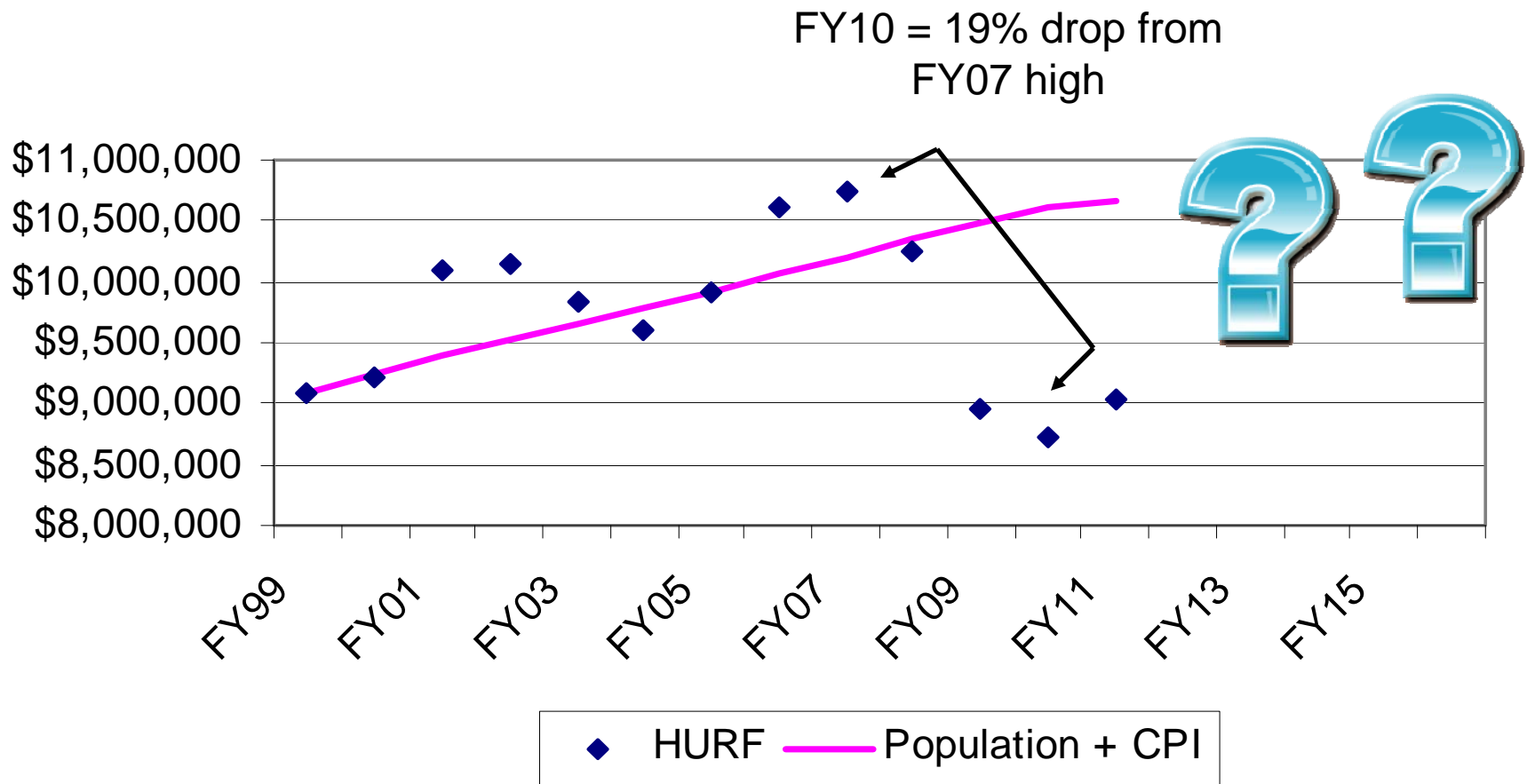
MAJOR REVENUE OUTLOOK: LOCAL SALES TAX COMPARED TO POP/CPI GROWTH

FY10 = 13% drop from FY08 high



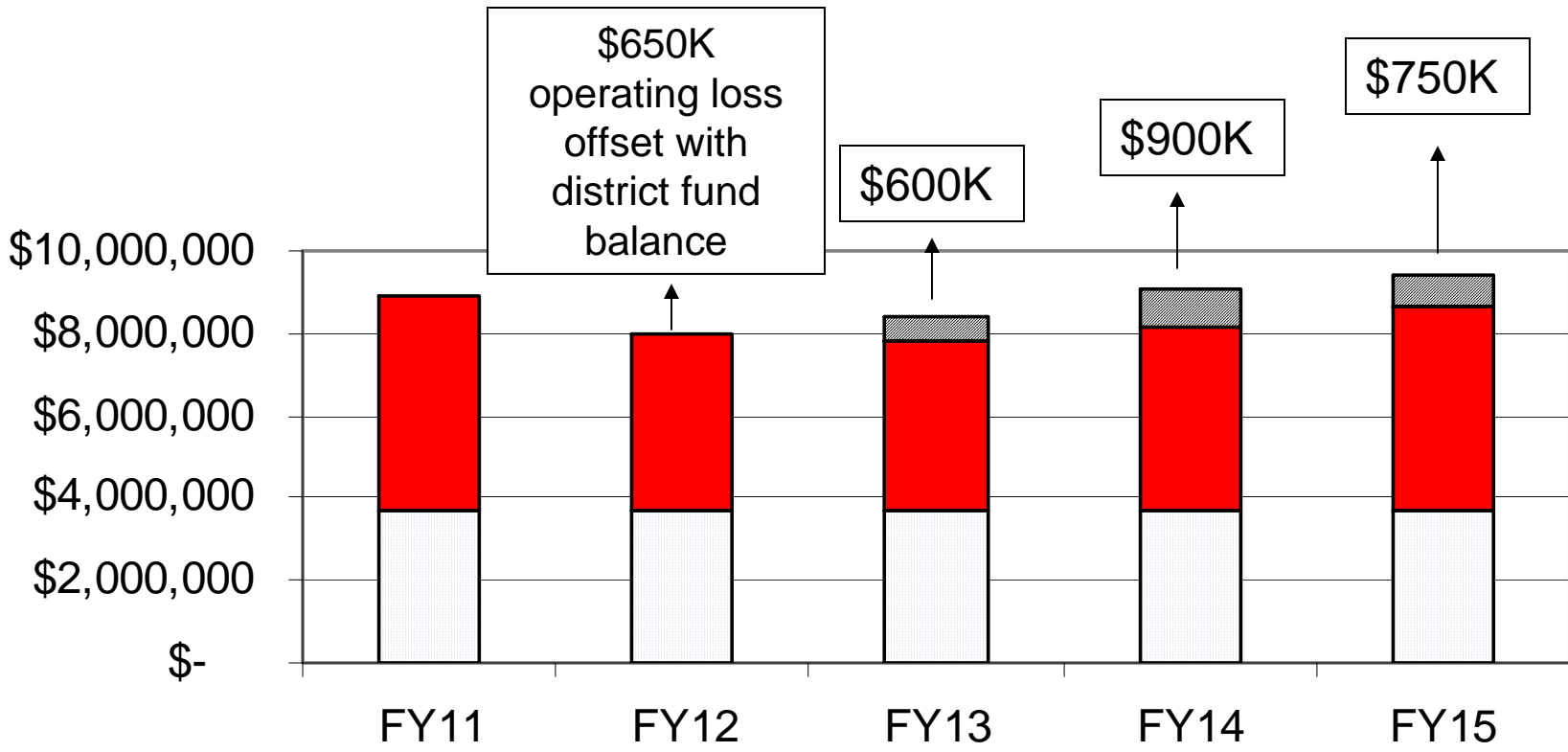


MAJOR REVENUE OUTLOOK: HURF COMPARED TO POP/CPI GROWTH





MAJOR REVENUE OUTLOOK: PUBLIC HEALTH SERVICE DISTRICT TAX



General Fund MOE
 Property Tax
 GF in Excess of MOE



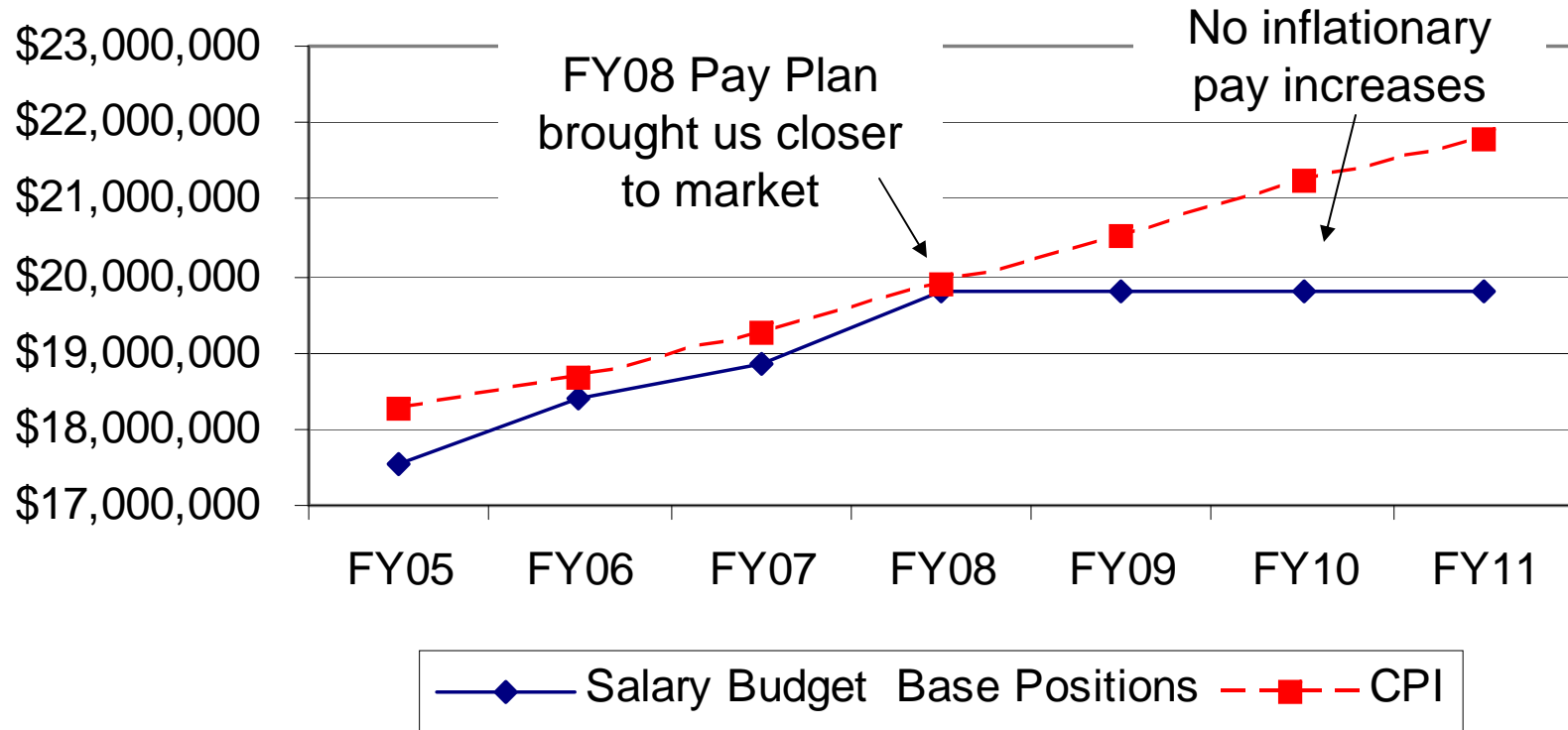
EXPENDITURE TRENDS: DRIVERS

- Salary:
 - FY06 = 5% Market + 2.5% Merit
 - FY07 = 2% Market + 2.5% Merit
 - FY08 = Pay Plan (various) + 3% Market + 2.5% Merit
 - FY09 = 2.5% Merit
 - FY10 = No pay increases
 - FY11 = No pay increases
 - New FTEs/Eliminated FTEs cause increases/decreases
 - Change of classification in fund types caused FY10 increase in budget (offset by transfer decrease)



EXPENDITURE TRENDS: SALARY

Salary Growth in General Fund Base Positions Compared to CPI





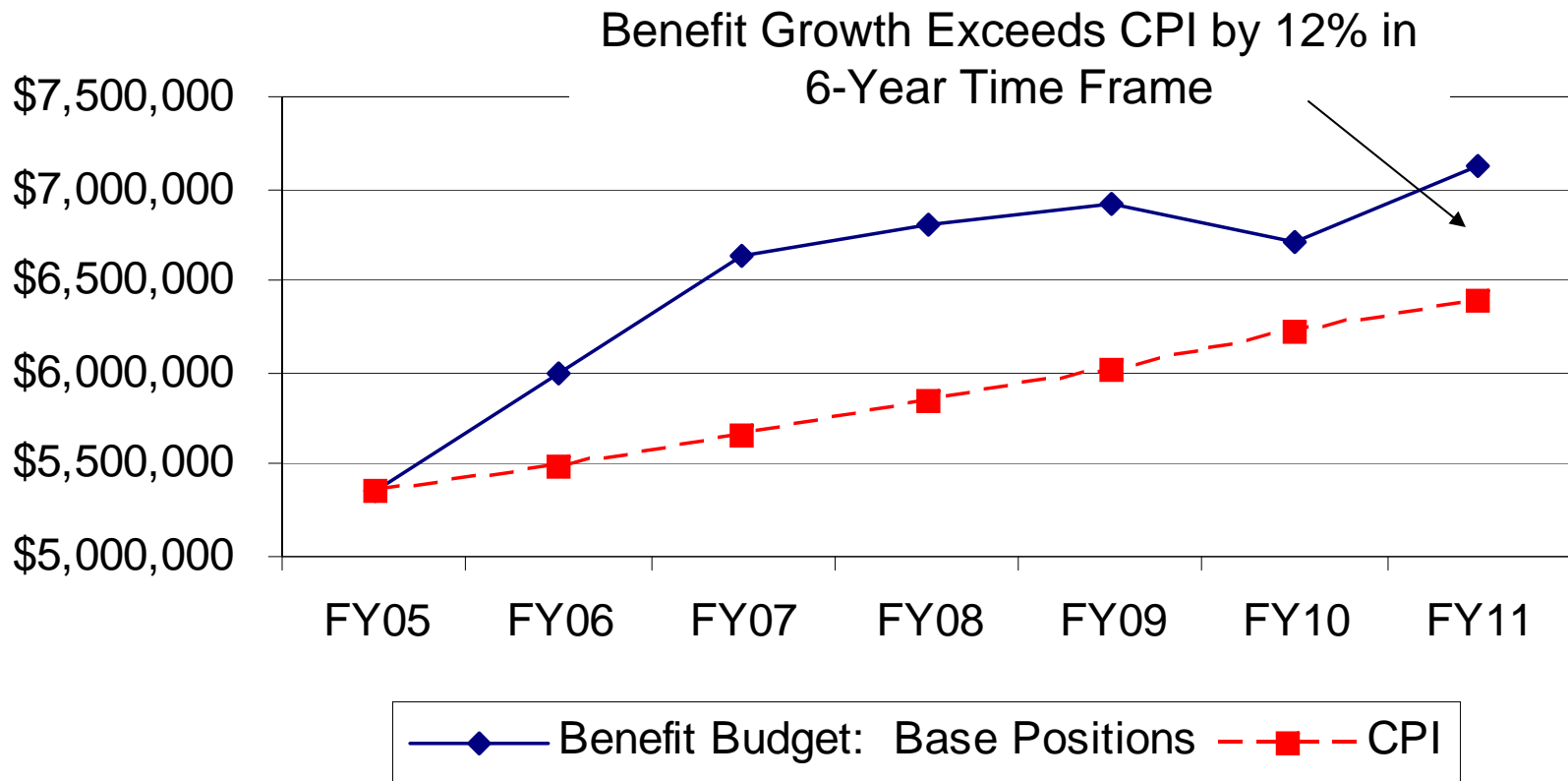
EXPENDITURE TRENDS: DRIVERS

- **Benefits:**
 - Social Security, Medicare = flat rate
 - Rate subject to change by congress
 - Dental, Health, Life, Accidental Death = NAPEBT Trust
 - FY12 projection = 13% increase (experience, federal health plan)
 - FY08 = Pay Plan (various) + 3% Market+ 2.5% Merit
 - Retirement
 - ASRS = employee/employer cost share
 - PSPRS, CORP, EORP, AOC = employee contribution capped
 - Worker's Comp = experience driven rate
 - Unemployment = rate
 - Recent rate increases substantial due to # of claims & Federal extension of unemployment benefits



EXPENDITURE TRENDS: BENEFITS

Benefit Growth in General Fund Base Positions Compared to CPI





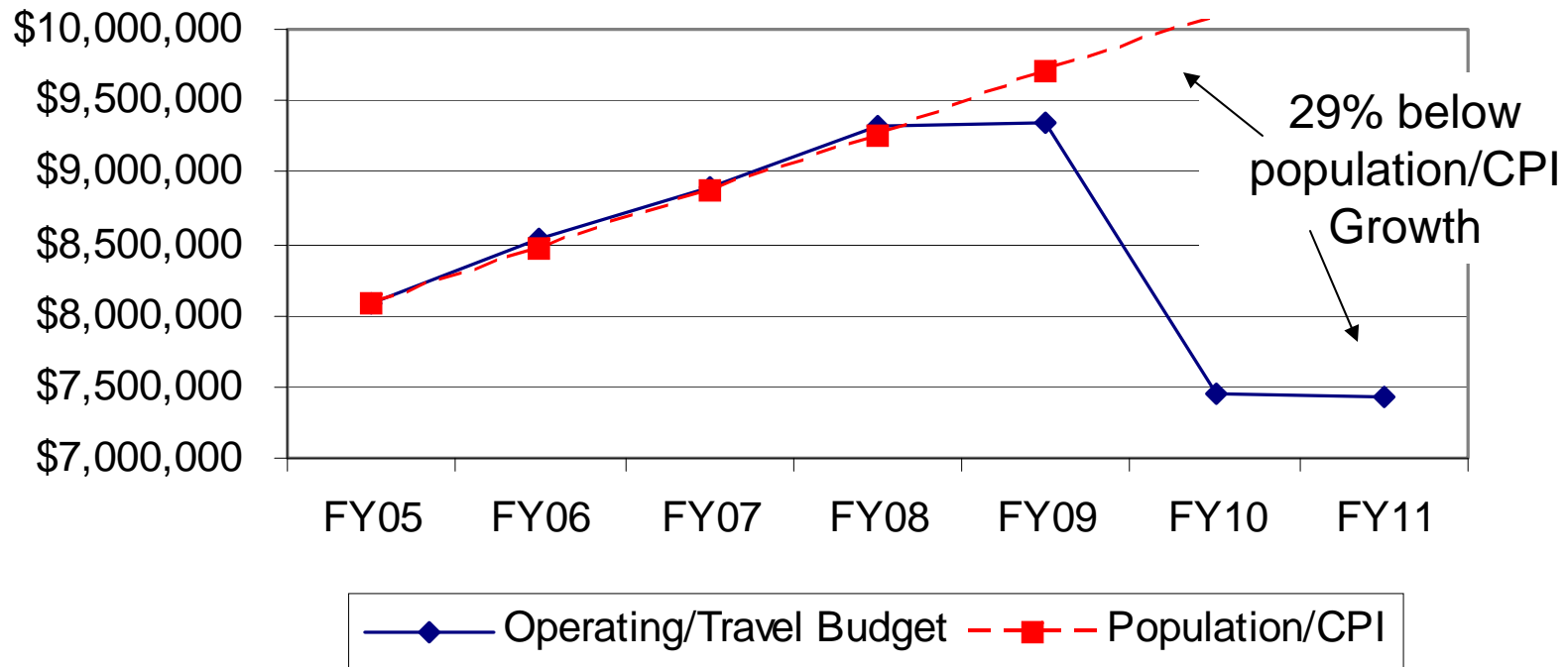
EXPENDITURE TRENDS: DRIVERS

- **Operating/Travel**
 - Inflation
 - Fuel/Airline
 - State Budget Shifts
- **Capital**
 - One-Time Allocations
- **Transfers Out to Support Other Funds**
 - Backfill when State revenue is insufficient to cover employee costs
 - Backfill PHSD when property tax revenue declines due to drop in values
 - Jail District MOE = CPI increases



EXPENDITURE TRENDS: OPERATING & TRAVEL

Operations/Travel Growth in General Fund Base Program Budget Compared to CPI





10 Year Plans

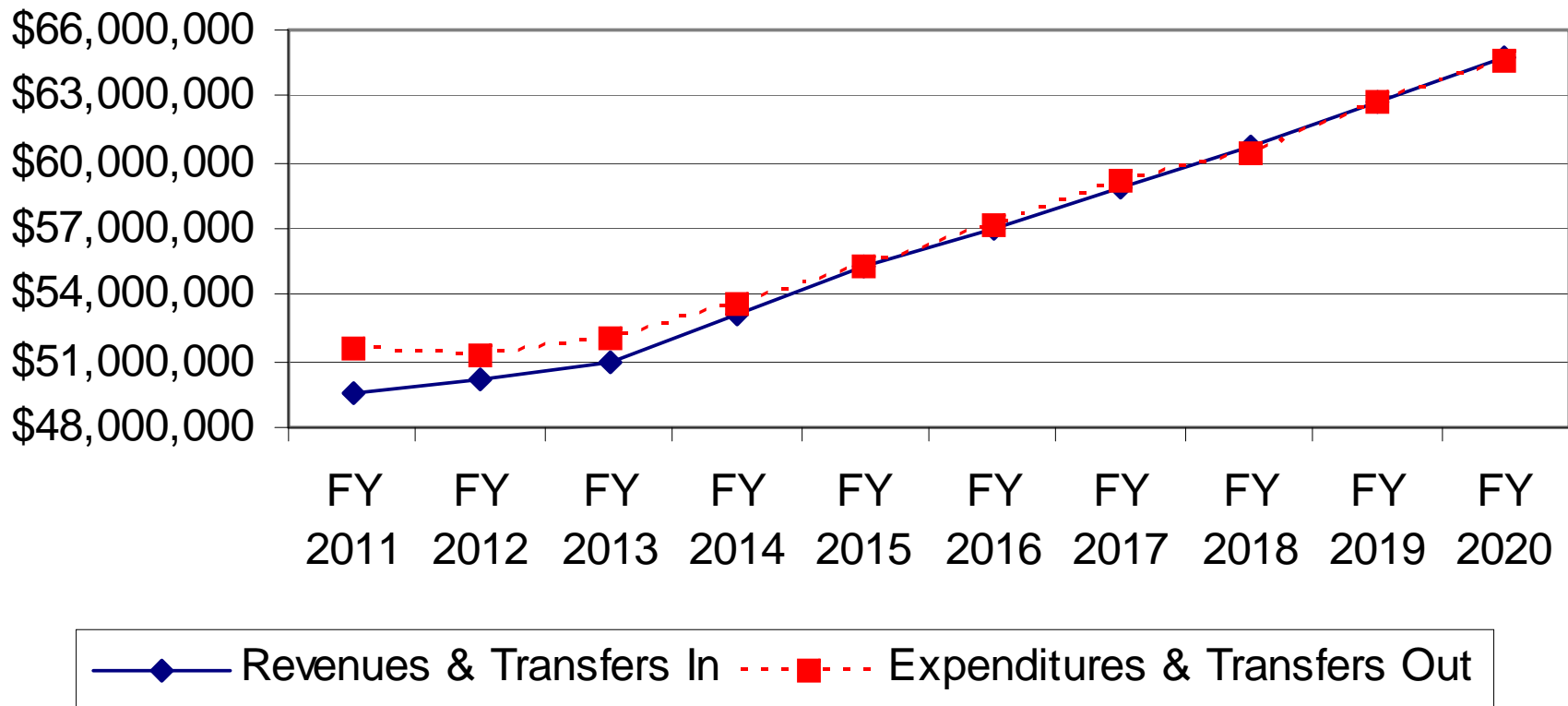
Handouts:

- #2 - General Fund – Recessionary
- #3 - General Fund - Average Growth
- #4 - HURF
- #5 - Jail District
- #6 - CPOS
- #7 - Flood Control
- #8 - Revolving Loan

**PHSD, Facilities R&R, IT R&R will be provided for
FY12 budget discussions**

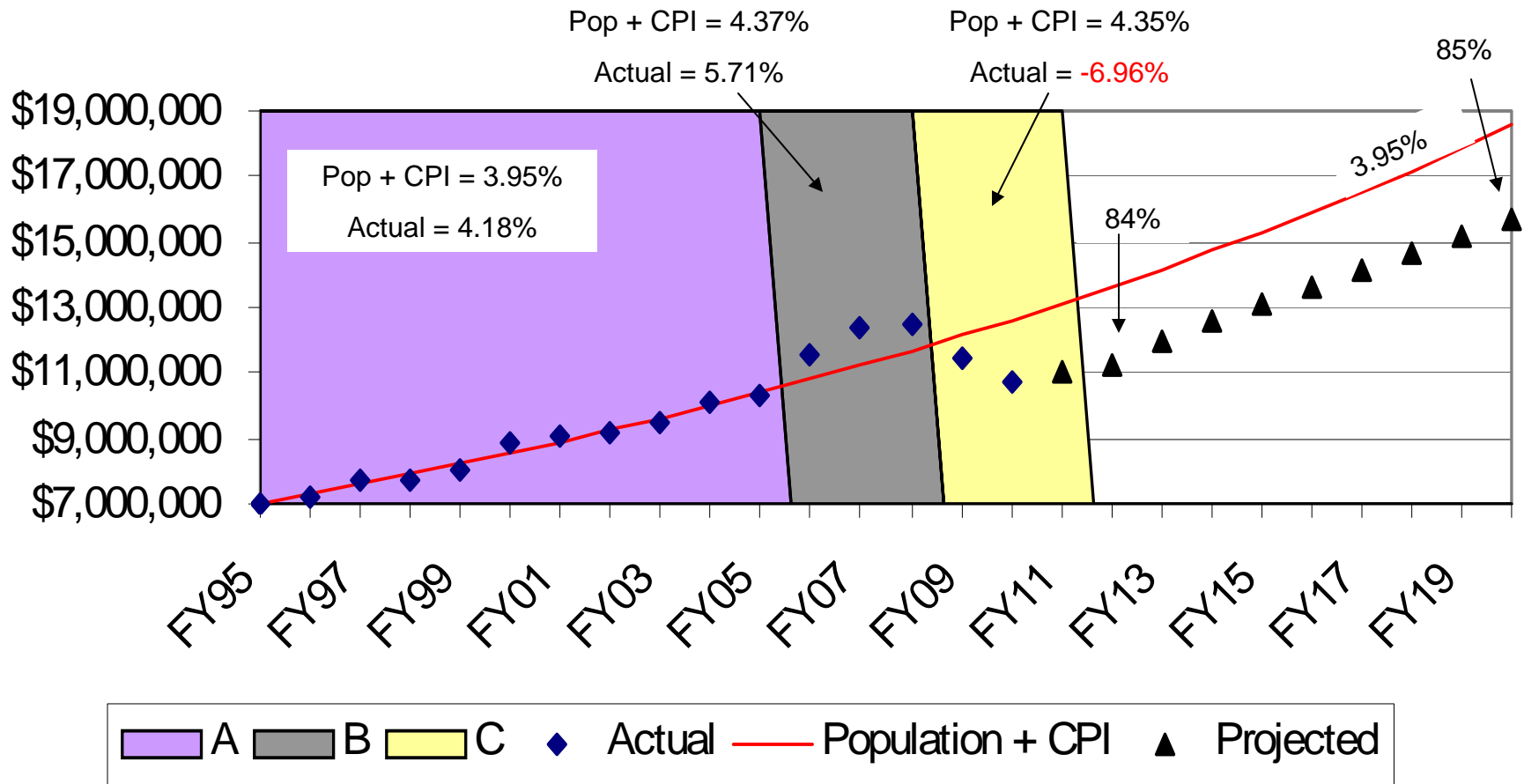


GENERAL FUND 10-Year FINANCIAL PLAN



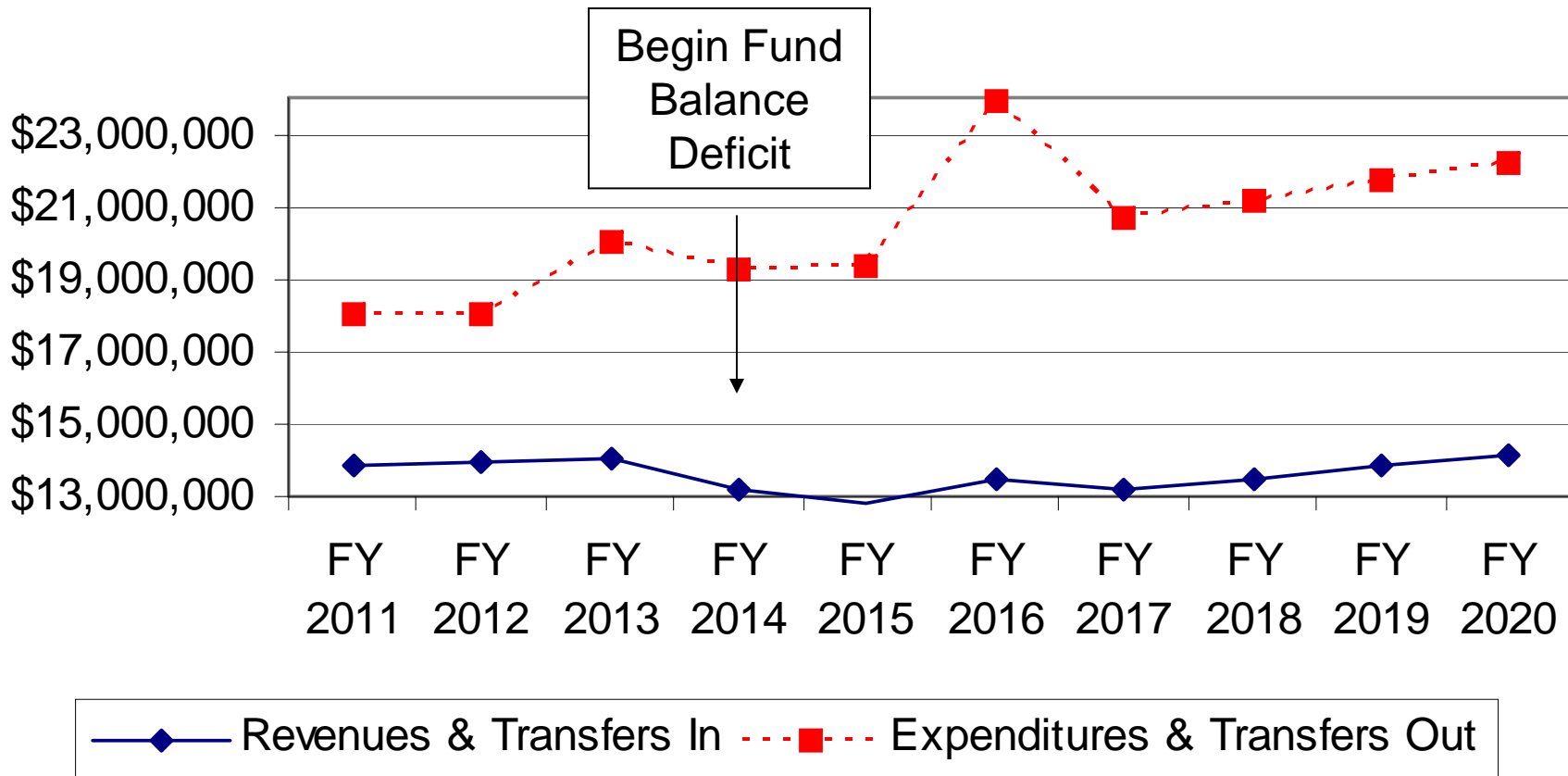


GENERAL FUND: MAJOR REVENUE FORECASTING



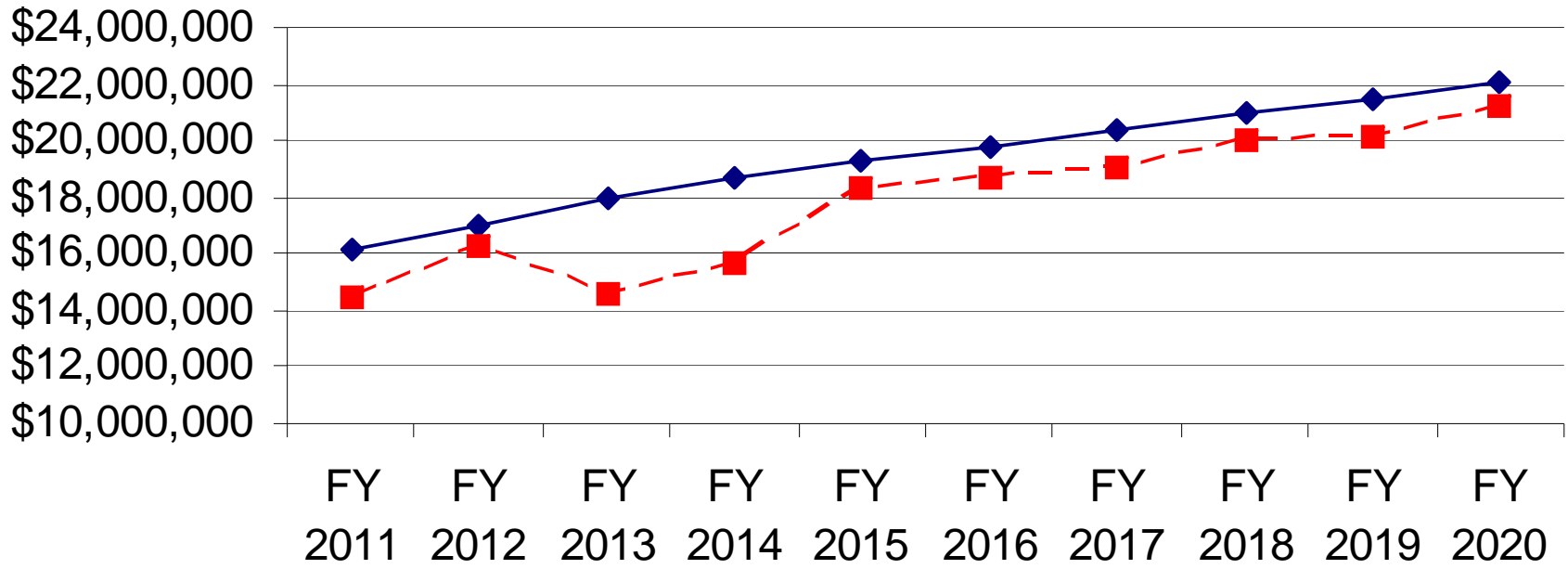


HURF 10-YEAR FINANCIAL PLAN





JAIL DISTRICT 10-YEAR FINANCIAL PLAN



—◆— Revenues & Transfers In -■- Expenditures & Transfers Out



PLANNING EFFORTS

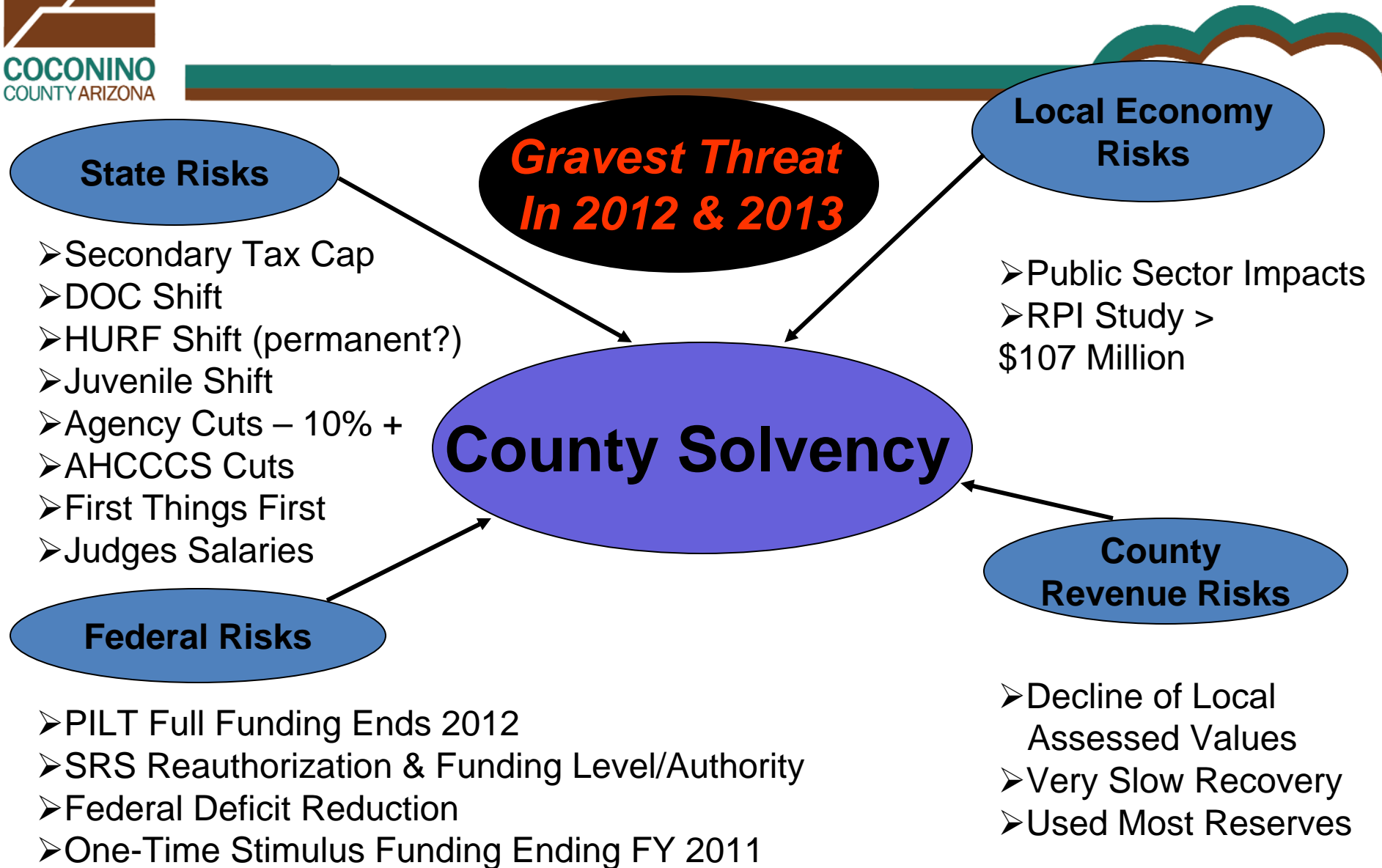
COUNTY PLANS DEVELOPED IN LAST 5 YEARS:

- Strategic Budget
- Compensation
- Facilities Master
- Information Technology Strategic
- Parks Master

Next Steps: Update and Incorporate Key Components Into 10 Year Plans

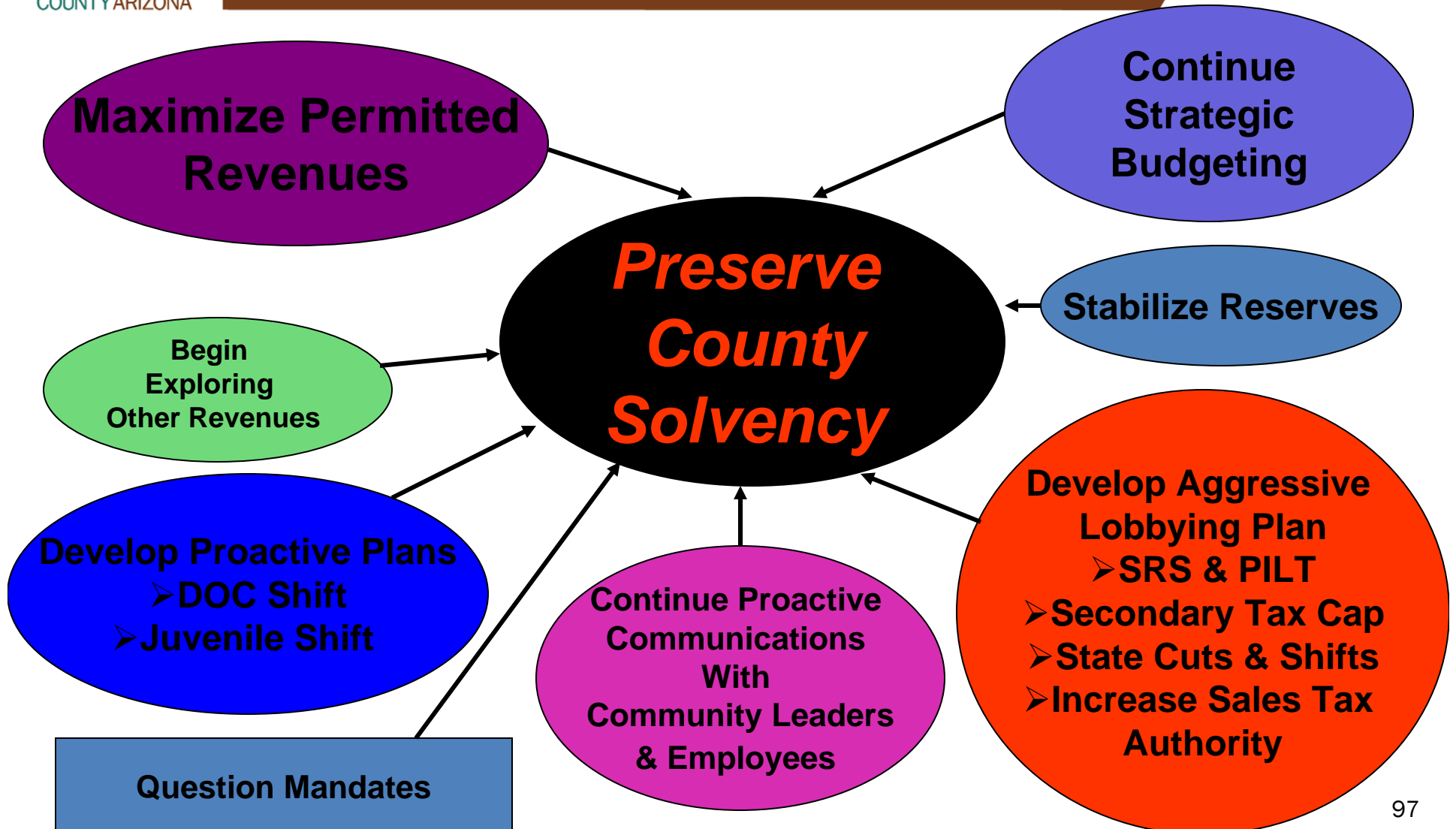


FUTURE IMPACTS AND CHALLENGES





RISK MITIGATION STRATEGIES





PART V – LOOKING AHEAD TO FY 12 BUDGET PROCESS



FY12 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 Revenue
2. Prioritize Key Expenditures Areas –
County-Wide ***Mission Critical*** Areas
 - Personnel
 - Operational Infrastructure

Quality Service Requires Quality People

***Continue Prudent
Fiscal Management Approach***



FY 12 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

***Continue Prudent
Fiscal Management***



FY12 KEY BUDGET ELEMENTS

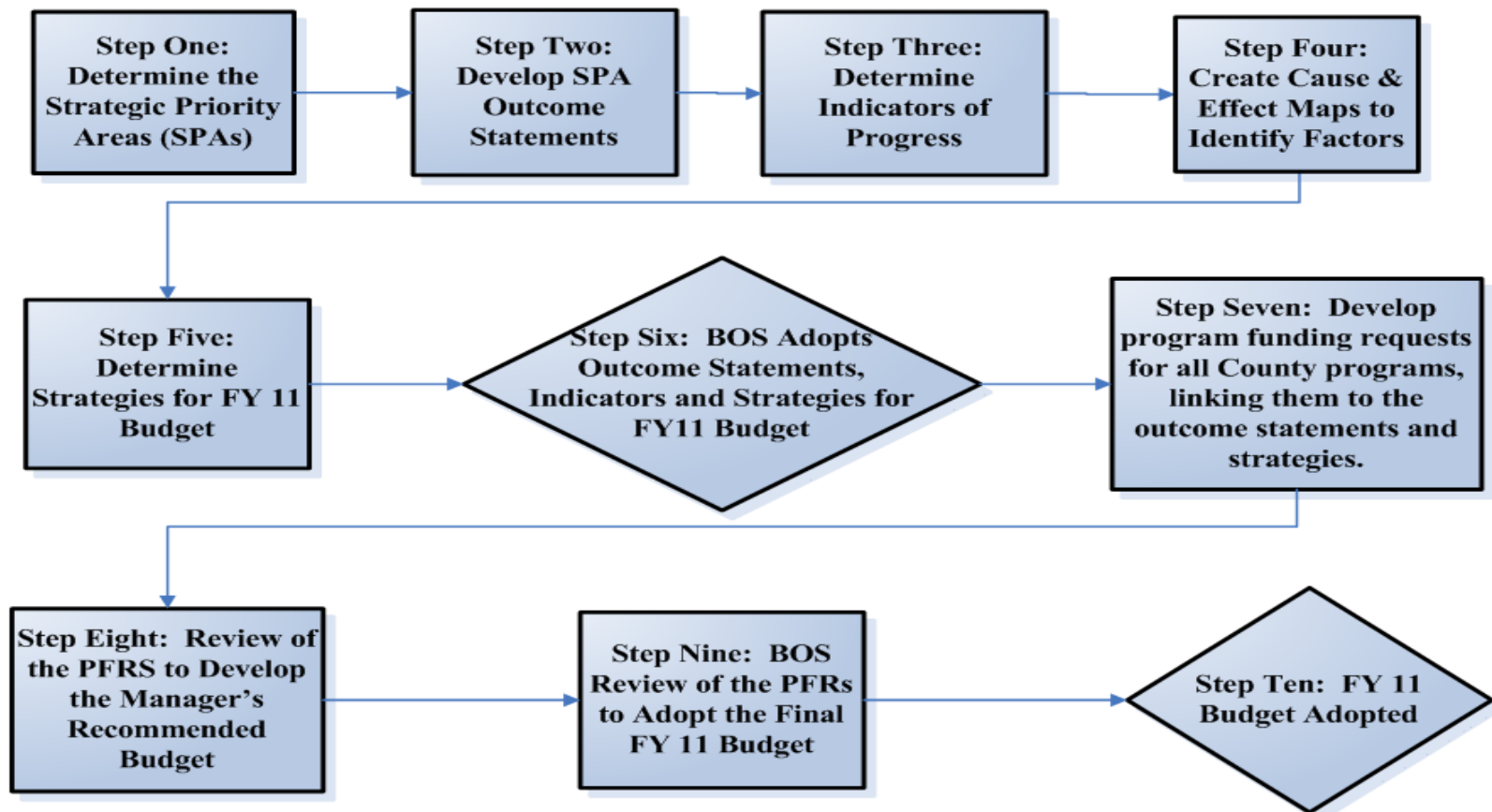
Use Three Prong Approach –

- Review and Reduce Expenditures and Service Levels
 - Strategic Budget Process – review all County Programs and Services
 - Department reductions, if projections indicate shortfall
- Strategically Use Limited Reserves
 - 5% Revenue Smoothing available if revenues do not meet projections
- Develop Additional Revenue
 - ½ cent sales tax authority
 - Grant funding for disaster recovery projects



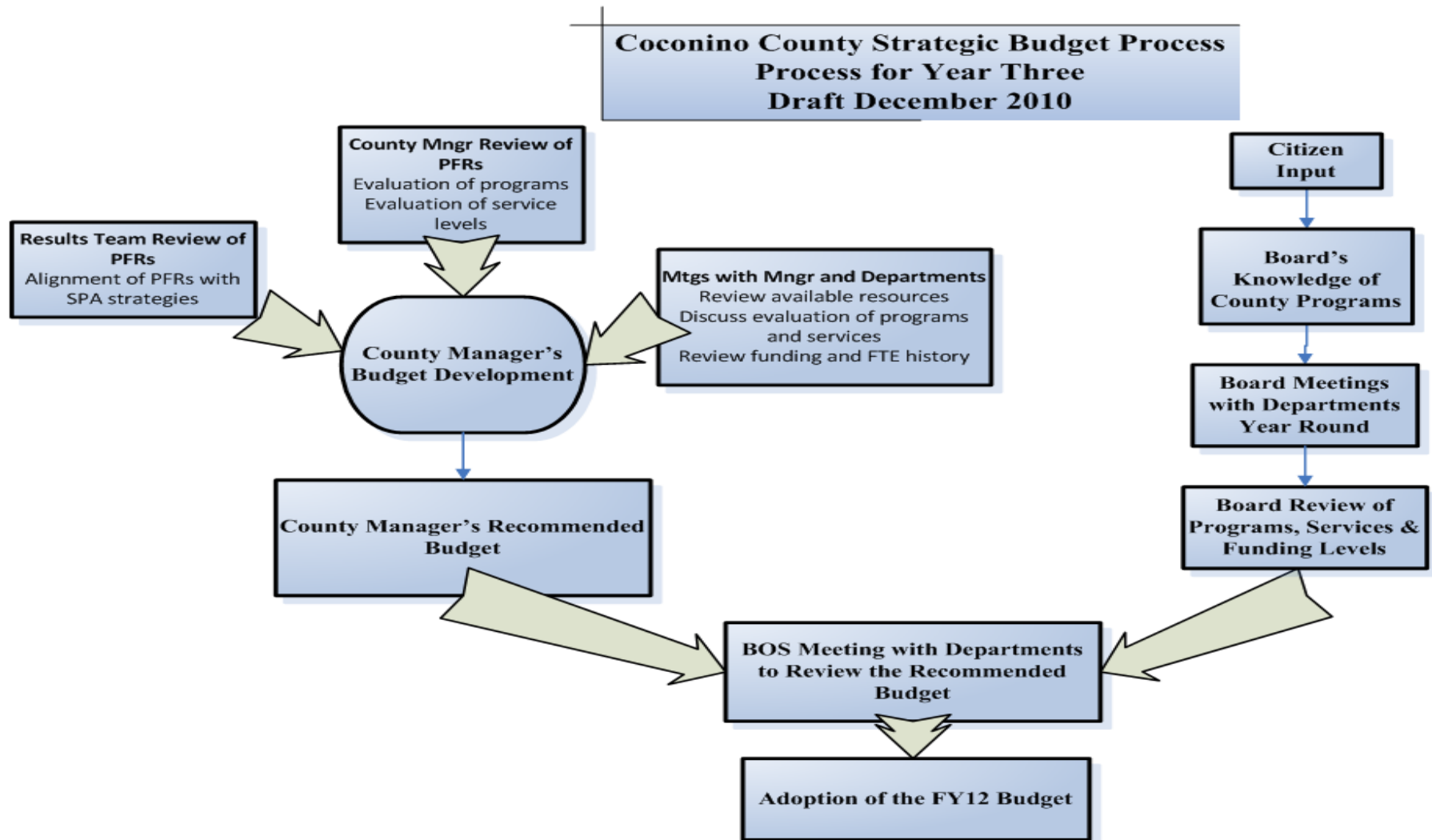
Overview of the Coconino County Budget Process

Strategic Budget Process in Ten Steps





Year Three of the Strategic Budget Process





RECOMMENDED PLAN FOR FY12

- **Continue Prudent Fiscal Management Approach – Prioritize, Align and Allocate**
- **Evaluate Impacts and Challenges – Incorporate Risk Mitigation Strategies**
- **Utilize Three Prong Approach**
- **Implement Budget Management Tactical Plan as needed**



RECOMMENDED PLAN FOR FY12

- **Balance Budget Without Further Using Reserves for Recurring Costs**
 - Maximize Permitted Revenues
 - Institute Budget Cuts if needed
- **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**



NEXT STEPS IN FY12 PROCESS

- **Review County's Financial Position in January/February**
- **Update of Financial Plan to Board in March**
- **Determine Budget Capacity/Targets**
- **Mandate Review**
- **Components of Planning Efforts (if any) to Include in FY12 Budget**



FY12 BUDGET DEVELOPMENT

Board Discussion



FUTURE LONG-TERM PLAN UPDATE WORK SESSIONS

- **Overview and Introduction** **January 2011**
- **Compensation Plan** **January 2011**
- **Facilities Master Plan &
IT Strategic Plan Update** **February 2011**
- **Parks Master Plan** **March 2011**
- **Department PFR
Presentations** **March-April 2011**



ACKNOWLEDGEMENTS

County Financial Planning Team Members:

- County Manager's Office
 - Steve Peru, County Manager
 - Mike Townsend, Deputy County Manager
 - Larry Dannenfeldt, Deputy County Manager
 - Joanne Keene, Government Relations Director
 - Lucinda Andreani, Special Initiatives Director
 - Alan Maguire, Consultant
- Human Resources – Allison Eckert, Director
- Finance – Sandi Schulz, Director
- Finance - Siri Mullaney, Budget and Planning Manager