



FY 16/17 Tentative Operating Budget

July 18, 2016

James E. Vlahovich, County Administrator

Lynette Nowlan, Finance Director

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Secondary Tax Rates

- **Library (\$1,883,850)**

- Total budget down from \$1,934,863 (FY 15/16)
- FY 16/17 tax rate – decrease in levy revenues of \$15,056
 - 2015 Levy - \$1,282,335
 - 2016 Levy – \$1,267,279

Current Tax Rate – 0.1451 (rate unchanged for several years)

1¢ = \$90,977

- **Flood Control (\$5,701,338)**

- Total budget down from \$6,884,326 (FY 15/16)
- FY 16/17 tax rate – decrease in levy revenues of \$22,922
 - 2015 Levy – \$1,943,542
 - 2016 Levy - \$1,920,620

Current Tax Rate – 0.2597 (rate hasn't changed in 30+ years)

1¢ = \$77,848



Light Improvement Districts

	<u>Budget</u>		<u>Tax Rate</u>	
	FY16	FY15	FY16	FY15
Naco LD	\$ 8,873	\$ 8,303	0.3279	0.3270
Sunsites LD	\$22,339	\$21,480	0.3554	0.3314
Bowie LD*	\$14,654	\$13,409	1.2270	1.0273
Gldn. Acres LD	\$ 8,732	\$ 8,067	0.3649	0.3476
Pirtleville LD	\$13,811	\$12,433	0.5185	0.4703



**COCHISE COUNTY
2016-2017 ADOPTED BUDGET
SUMMARY - ALL FUNDS**

FUND	2015-16	2015-16	2016-17	2016-17	TOTAL	2016-17	TOTAL	\$	%
	ADOPTED BUDGET	ACTUAL EXPENSES	NON-LEVY REVENUE	PRIMARY LEVY		SECONDARY LEVY	2016-17 BUDGET	INCREASE (DECREASE)	INCREASE (DECREASE)
GENERAL FUND	81,454,005	54,708,100	58,143,385	23,355,695	81,499,080	0	81,499,080	45,075	0.06%
SPECIAL REVENUE FUNDS:									
MISC. SPECIAL REVENUE FUNDS *	12,782,319	7,456,308	14,270,072		14,270,072		14,270,072	1,487,753	11.64%
ATTNY GRNTS & OTHER REVENUES	1,909,786	1,269,518	1,482,734		1,482,734		1,482,734	-427,052	-22.36%
JUDICIAL DEPARTMENT GRANTS	8,375,576	5,095,657	8,019,598		8,019,598		8,019,598	-355,978	-4.25%
COUNTY LIBRARY DISTRICT	1,934,863	1,453,654	616,571		616,571	1,267,279	1,883,850	-51,013	-2.64%
LIBRARY GRANTS	26,407	974	52,185		52,185		52,185	25,778	97.62%
SPECIAL DISTRICTS:									
FIRE DISTR ASST TAX	947,613	920,000	0		0	919,638	919,638	-27,975	-2.95%
NACO LIGHT DISTR	8,303	7,168	8,873		8,873		8,873	570	6.86%
SUNSHINE LIGHT DISTR	21,480	17,768	22,339		22,339		22,339	859	4.00%
BOWIE LIGHT DISTRICT	13,409	11,562	14,654		14,654		14,654	1,245	9.28%
GOLDEN ACRES LIGHT DISTR	8,067	6,787	8,732		8,732		8,732	665	8.24%
PIRTLEVILLE LIGHT DISTR	12,433	11,225	13,811		13,811		13,811	1,378	11.08%
PUBLIC SAFETY GRANTS & OTHER	3,876,977	4,041,937	4,292,604		4,292,604		4,292,604	415,627	10.72%
HEALTH GRANTS	3,271,813	2,609,663	3,296,926		3,296,926		3,296,926	25,113	0.77%
HIGHWAY DEPARTMENT (HURF)	17,039,579	12,645,205	19,466,253		19,466,253		19,466,253	2,426,674	14.24%
HIGHWAY GRANTS & OTHER	10,611,172	833,495	10,674,460		10,674,460		10,674,460	63,288	0.60%
FLOOD CONTROL DISTRICT	6,884,326	3,010,804	3,712,796		3,712,796	1,988,542	5,701,338	-1,182,988	-17.18%
CAPITAL PROJECTS	20,938,696	2,423,580	19,292,140		19,292,140		19,292,140	-1,646,556	-7.86%
GROUP HEALTH TRUST	8,030,370	7,582,133	7,817,037		7,817,037		7,817,037	-213,333	-2.66%
SOLID WASTE	2,112,216	4,487,198	2,247,666		2,247,666		2,247,666	135,450	6.41%
SOLID WASTE CAPITAL REPLACEMENTS	1,087,689	0	1,496,337		1,496,337		1,496,337	408,648	37.57%
SOLID WASTE LANDFILL CLOSURE	1,364,048	5,000	1,578,346		1,578,346		1,578,346	214,298	15.71%
SOLID WASTE GRANTS	419,690	271,908	369,282		369,282		369,282	-50,408	-12.01%
J.T.P.A.	1,100,000	1,475,000	1,100,000		1,100,000		1,100,000	0	0.00%
SCHOOL ACCOUNTS	624,877	553,791	594,492		594,492		594,492	-30,385	-4.86%
M.I.S. & COMMUNICATIONS	1,509,834	729,771	1,420,239		1,420,239		1,420,239	-89,595	-5.93%
TOTAL SPECIAL REVENUE FUNDS	104,911,543	56,920,106	101,868,147	0	101,868,147	4,175,459	106,043,606	1,132,063	1.08%
TOTAL ALL FUNDS	186,365,548	111,628,206	160,011,532	23,355,695	183,367,227	4,175,459	187,542,686	1,177,138	0.63%



Overview of Discussion

- Current Revenues
- Cash Balances (FY 16/17)
- General Fund Projections
- Updated FY 16/17 – FY 19/20 Cash Flow
- FY 16/17 Budget Overview & Recommendations
- Board Direction



FY 15/16 Revenue Review

- State Sales Tax - \$300k below projected budget of \$12.7 million; State had projected \$13,668,000; Projecting \$12.4 million this FY
- Local Sales Tax - \$566k below projected budget of \$7.2 million; Projecting \$6.7 million this FY
- Real Property Tax – projecting \$24,782,210 by EOY; projected \$24,047,480
- GF – VLT - showing slight increase at \$181K with 9 months of revenues
- HURF/VLT - showing increase of \$574k with 9 months of revenues
- Vacancy savings - higher than projected - \$2.7 million; projected \$2.6 million
- Overall - FY 15/16 has tracked as projected (Rev- Exp) mainly due to Johnson Camp Mine back tax payment



FY 15/16 – Cash Balances

- Cash Carry Forward (General Fund - EOY)

– FY 09/20 (Actual)	\$ 25,081,830	
– FY 10/11 (Actual)	\$ 29,849,173	
– FY 11/12 (Actual)	\$ 32,674,423	
– FY 12/13 (Actual)	\$ 30,217,046	
– FY 13/14 (Actual)	\$ 31,916,044	
– FY 14/15 (Actual)	\$ 30,498,666	
– FY 15/16 (Projected)	\$ 30,041,617	
• Available		\$ 9,041,617
• CCF to cover P/R, ALTCS, Ins., and Cont. (\$3M)	\$ 21,000,000	

- Cash Carry Forward (Other Funds) at EOY - FY 15/16

	<u>Cash</u>	<u>Restricted</u>	<u>Available</u>
– Flood Control	\$ 3,706k	\$ 3,706k	\$ 0
– HURF	\$ 8,279k	\$ 8,279k	\$ 0
– ½ Cent Sales Tax (Fund 400)	\$ 12,839k	\$ 3,208k	\$ 9,631k
– Other Funds	\$ 13,574k	\$ 13,574k	\$ 0
– Library	\$ 592k	\$ 592k	\$ 0



Beginning FY 16/17 General Fund CCF

CCF 6/30/15	\$	30,498,666
Projected 15/16 Loss	\$	<u>-457,049</u>
Projected CCF beginning FY 16/17	\$	30,041,617



Cash Carry Forward

• Current General Fund CCF	\$30.0M
– Cash Flow	<u>\$21M</u>
– Available	\$ 9.0M
• ½¢ Sales Tax CCF	\$12.8M
– Designated Projects	<u>\$ 3.2M</u>
– Available	\$ 9.6M



FY 16/17 – 19/20 GF Projections

Revenue	Item	FY 16/17 Change	FY 17/18 Change	FY 18/19 Change	FY 19/20 Change
	Property Tax	\$ (284,000)	\$ 200,000	\$ 200,000	\$ 200,000
	Sales Tax	(300,000)	100,000	100,000	100,000
	VLT	-	(100,000)	50,000	50,000
	Fees and fines	(272,890)			
	Court Consolidation	(132,080)			
	Transfer from Jail Enhancement	(230,000)			
	Misc. Other	(63,754)			
	Total Change in Revenue	\$ (1,282,724)	\$ 200,000	\$ 350,000	\$ 350,000
Expenses	Retirement	\$ 61,000	\$ 300,000	\$ 300,000	\$ 300,000
	Fuel	-	100,000	50,000	50,000
	Health Insurance	240,000	300,000	30,000	30,000
	Utilities	-	50,000	50,000	50,000
	ALTCS Payment	(170,500)	200,000	20,000	20,000
	Liability Insurance	(57,083)	20,000	20,000	20,000
	Capital Cases	-			
	State Shifts	(164,400)	164,400		
	RTC	-			
	Lobbyist	40,000			
	Misc. other	29,861			
	Total Annual Gain/(Loss)	(1,261,602)	1,134,400	470,000	470,000
	Cumulative loss through FY15/16	<u>(5,281,103)</u>			
	Cumulative loss through FY16/17	<u>(6,542,705)</u>			



Cash Flow

FY 15/16 – FY 19/20

General Fund Budget Projections FY 15/16 - FY19/20

Item	Prior to FY16/17	FY 16/17	FY 17/18	FY 18/19	FY 19/20
Total Shortfall/Fiscal Year		\$ (1,261,602)	\$ (934,400)	\$ (120,000)	\$ (120,000)
Cumulative Shortfall/Fiscal Year	\$ (5,281,103)	\$ (6,542,705)	\$ (7,477,105)	\$ (7,597,105)	\$ (7,717,105)



FY 16/17 Shortfall

Cumulative Loss FY 16/17	\$ (6,542,705)
Other Projected Savings	
Vacancies	\$ 2,400,000
Unspent Budgeted Expenses	\$ 350,000
Revenue Rec 'd. Over Budget	\$ 1,000,000
Shortfall	\$ (2,792,705)



FY 16/17 Budget Issues

- Future State shifts – unknown
- PILT – unknown \$1.8M ~ 36 positions
- Retirement costs continue to increase
- Health insurance costs continue to increase
- RTC – State Hospital costs
- Facilities and IT – Ongoing costs
 - Radio Maintenance



Budget Issues (Cont'd)

- Fuel/Vehicle Replacement - Approved dollars (\$800k) were not moved to General Fund for FY15/16. Additional monies are available for FY16/17
- Highways Funding - \$1 million not needed for ops this year
- BDI Water System - \$1 million needed
- Solid Waste
 - Rural Transfer Stations – Continued 1/2¢ Subsidy - \$267,826 (was \$288,874 – ½ SW Inspector salary moved to P & Z)
 - Move to open top haul trailers – pilot project
 - \$2.5M cumulative debt to GF from operations
 - Shortfall of \$3.50/ton next FY with approved increase to \$60.50/ton
 - Cell 4 construction – EL issues –can be financed at \$2.15 million and funded by the system over two fiscal years



Budget Issues (Cont'd)

Personnel Related Issues

- Insurance
 - Health - Affordable Care Act
 - Disuse of CCT CCF & discontinue health insurance rebates & premium holiday (\$238,000 increase for health and dental)
- Comp Plan – Ongoing costs
 - Salary Savings - \$940,000
- One-time Distributions
 - Taken from previous year operational savings
 - Based on performance
 - \$1 million earmark moved into Contingency



Budget Issues (Cont'd)

Retirement System Costs

<u>System</u>	<u>FY 15/16</u>	<u>FY 16/17</u>	<u>GF Cost Incr (Decr)</u>
ASRS	11.47%	11.48%	\$ 1,684
PSPRS*	51.39%	51.39%	\$ 0
CORP	17.51%	19.53%	\$ 46,240
EORP	23.50%	23.50%	\$ -
AOC	19.95%	20.88%	\$ <u>8,725</u>
			\$ 56,649

*Total Liability PSPRS \$ 43,046,977

*Current Assets \$ 14,598,498

*Unfunded Accrued Liability \$ 28,448,479

*33.9% Funding Ratio

(Could decrease based on Hall case (employee contribution))



FY 06/07 - 15/16 Personnel

Fiscal Year	FTE Count
06/07	1102
07/08	1113
08/09	1123
09/10	1113
10/11	1096
11/12	972
12/13	971
13/14	942
14/15	940
15/16	931
16/17	930

*(These are budgeted positions, not the current number of employees; includes Judicial)



FY 16/17 – ½ ¢ Cent Sales Tax Summary

SUMMARY OF CAPITAL PROJECTS FY 16/17

	FY 15/16 CARRYOVER	NEW 1/2 CENT \$\$	% Of	Interest or Reallocate	From Other Funds	TOTAL
REVENUES:			Total	Undesignated	(TO) Oth Funds	
1/2 Cent Sales Tax Carry Over	13,881,568					\$13,881,568
1/2 Cent Sales Tax FY 16/17		6,700,000				\$6,700,000
Other Funds	0			76,500	0	\$76,500
Totals Revenues	\$13,881,568	\$6,700,000		\$76,500	\$0	\$20,658,068
EXPENSES:						
General Fund Budgets 100	150,726	3,692,356	55.11%			\$3,843,082
Fleet for Sheriff's Vehicles (109)	0	265,970	3.97%			\$265,970
Solid Waste (Fund 505)	0	267,826	4.00%			\$267,826
IT Computer Replacement Fund 601	698,198	0	0.00%			\$698,198
IT Capital (Fund 450-1800-1810)	193,305	150,000	2.24%	1,500	0	\$344,805
IT Capital (Fund 450-1800-1815)	0	100,000	37.34%			\$100,000 One time Cloud GIS Support
Wireless (Fund 450-1800-1860)	0	50,000	0.75%			\$50,000
Highways Fund 251	0	300,000	4.48%			\$300,000
Capital Projects (Fund 400)	3,208,016	1,673,963	24.98%	0	525,000	\$5,406,979
Undesignated (Fund 400)	\$9,631,323	199,885	2.98%	75,000	0	\$9,906,208
GRAND TOTAL CAPITAL PROJECTS	\$13,881,568	\$6,700,000	100.00%	\$76,500	\$525,000	\$21,183,068



1/2 ¢ Sales Tax

- \$500k decrease projected for FY 16/17 (\$6.7M vs. \$7.2M)
- CCF (beginning of FY 16/17) - \$ 9.6M (Undesignated)
- Infusion to Solid Waste?
- Recommend elimination of \$200,000 for Computer Replacement – fund currently at \$700k
- New Revenue ~ \$199,885 Undesignated
- BDI Water System - \$1.0+M
- Need additional monies for the Foothills remodel
- Highways
 - \$300k – Ongoing funding for BOS transportation-related projects
 - One time elimination of \$1 million for Highways projects



Expenditure Limitation (EL)

Comparison of Estimate

	FY17	FY16
EL Amount	\$ 65,748,754	\$ 65,041,723
Tentative Budget	<u>65,416,696</u>	<u>61,633,370</u>
Difference	332,058	3,408,353

RECAP of Increase(Decrease) in Budget

General Fund	\$ (311,145) due to moving \$1,000,000 to contingency
Capital Projects	1,487,222
Special Revenue	<u>2,663,898</u>
	3,839,975
Increase in EL Amount	<u>(707,031)</u>
Difference	\$3,132,944 (Assumes loans for \$2,198,307 for other large projects)



Expenditure Limitation (EL)

Expenditure Limitation Increase Calculations

FY 16/17

Population Factor	Inflation Factor	Base 79/80	Limit	Increase of:
1.6882	2.9194	\$ 13,340,485	\$ 65,748,754	
Increase Base by \$1,000,000				
1.6882	2.9194	\$ 14,340,485	\$ 70,677,526	\$ 4,928,531
Increase Base by \$1,500,000				
1.6882	2.9194	\$ 14,840,485	\$ 73,141,792	\$ 7,392,797

For 16/17 we lost \$485 per person decrease in population (we lost 385 * \$485 = \$186,725)



FY 15/16 Fuel Contingency

Gas budgeted at \$2.50/gal

General Fund - Gas

- Projected FY 16/17 Fuel Contingency \$905k
- **Recommend use of \$600k from CCF for General Fund**

Special Revenue Funds - Diesel

- Since SRF pay actual cost – no contingency
 - In each fund as CCF



Light Fleet Replacement

- Projected FY16/17 CCF ~ \$3.136 million
- Annual allocation to replacement account ~ \$1.002 million
- Projected FY 16/17 expense ~ \$1,068,910 (does not include trade-ins)
- Recommend use of \$900k from CCF for General Fund



Recommendations

- PSPRS
 - Continue to make annual payment in July of each year
 - Continue to pay contribution for vacant positions
 - Pay FY 15/16 ECR (51.39%) for 4 years (min) - \$2.4 million/year
 - Probably can't make excess payment in FY 16/17
 - Work with PSPRS, other counties and SO on ways to manage unfunded liability
- Continue to charge Highways and SW full overhead rate
- Approve budget as submitted to include DPs



Recommendations (cont'd)

- Increase property taxes (1¢ = \$90,977)
- \$2.8 million shortfall
 - Use \$600k from Fuel Contingency
 - Use \$900k from Light Fleet Vehicle Replacement
 - Use \$1.3 million from GF CCF



Schedule

- Budget Team meetings with all Depts. Complete
- BOS meetings with all Depts. Complete
- Budget Overview with BOS Complete
- Follow up DP work session Complete
- BOS Tentative Budget Consideration 7/18/16
- BOS Final Budget Consideration 8/01/16
- Tax Rates and Levies adopted 8/15/16



Summary

- ~ \$2.8M Shortfall Projected for FY 16/17
- FY 16/17 – can address shortfall using CCFs
- FY 16/17 and beyond – will need to address ongoing shortfall; needs to be sustainable
- Adopting the Tentative County Budget for FY 16/17 in the amount of \$187,542,686, including \$81,499,080 in General Funds and \$106,043,606 in Special Revenue Funds. The decision packages as attached are also being tentatively approved
- BOS Direction?



Questions?