

# COCHISE COUNTY

## FY 16/17 Operating Budget Overview

May 24, 2016

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  - Mike McGinnis, Budget Manager
  - Lois Klein, Former Finance Director



***Public Programs...Personal Service***

## COCHISE COUNTY

# Overview of Discussion

- FY 15/16 – Current year budget review
- FY 16/17 – FY 19/20 Projections/Cash Flow
- FY 16/17 – Budget Overview & Recommendations
- BOS Direction



## COCHISE COUNTY

# 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 next FY
- Local Sales Tax - \$500k below projected budget of \$7.2 million; Projecting \$6.7 million next FY
- Real Property Tax – projecting \$24,782,210 by EOY; projected \$24,047,480
- GF – VLT - showing slight increase at \$181K with 7 months of revenues
- HURF/VLT - showing increase of \$580k with 7 months of revenues
- Vacancy savings - higher than projected; \$2.7 million; projected \$2.6 million
- Overall - FY 15/16 tracking as projected (Rev- Exp) mainly due to Johnson Camp Mine back tax payment



## COCHISE COUNTY

# FY 15/16 – Cash Balances

- Cash Carry Forward (General Fund - EOY)

– FY 09/10 (Actual)	\$ 25,031,830
– 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	\$ 3,920k	\$ 3,920k	\$ 0
– HURF	\$ 6,774k	\$ 6,774k	\$ 0
– ½ Cent Sales Tax (Fund 400)	\$ 13,805k	\$ 3,649k	\$10,156k
– Other Funds	\$ 12,329k	\$ 12,329k	\$ 0
– Library	\$ 737k	\$ 737k	\$ 0



**COCHISE COUNTY**

**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

# COCHISE COUNTY

# FY 16/17 – 19/20 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)			
	<b>Total Change in Revenue</b>	<b>\$ (1,282,724)</b>	<b>\$ 200,000</b>	<b>\$ 350,000</b>	<b>\$ 350,000</b>
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			
		(21,122)	1,134,400	470,000	470,000
	<b>Total Annual Gain/(Loss)</b>	<b>(1,261,602)</b>	<b>(934,400)</b>	<b>(120,000)</b>	<b>(120,000)</b>
	Cumulative loss through FY15/16	<u>(5,281,103)</u>			
	Cumulative loss through FY16/17	<u>(6,542,705)</u>			

Public Programs...Personal Service



**COCHISE COUNTY**

# 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)

**COCHISE COUNTY**

# FY 16/17 Shortfall

Cumulative Loss FY16/17	\$	<u>(6,542,705)</u>
Other Projected Savings		
Vacancy Savings	\$	2,400,000
Unspent Expenses	\$	350,000
Revenue received over budget	\$	<u>1,000,000</u>
Shortfall	\$	<u>(2,792,705)</u>

\*We have built in the increases requested in operating expenses totaling less than \$100,000.

# COCHISE COUNTY

## General Fund Analysis

	FY16/17 Budget
New Revenues	\$51,065,294
New Expenses	<u>\$59,984,561</u>
Loss	<u>(\$8,919,267)</u>
Emergency Items Budgeted - Not to be spent	<u>\$2,576,562</u>
Real budgeted loss	(\$6,342,705)
Emergency Items Used	
Incentive Payment	\$0
Retirements	\$0
Market Adjustments - Comp Plan	<u>(\$200,000)</u>
Cummulative Loss	<u>(\$6,542,705)</u>
Other Savings	Projected
Vacancy Savings	\$2,400,000
Unspent Budgeted Expenses	\$350,000
Book State Assistance	
Revenue Rec'd. Over Budget	<u>\$1,000,000</u>
Additional Gain or Loss for FY16/17	<u>(\$2,792,705)</u>
Total Unspent Expenses	\$5,126,562



## COCHISE COUNTY

# Budget Shortfall Options

- Shortfall projected to be \$2.8 million
  - Hiring Freeze ~ 62 FTEs @ \$45k/FTE \$2.8M
    - Deputy costs ~ \$75k/FTE
  - Use of CCF Flexibility Language
    - General Fund Reserves \$1.5M
    - Flood Control District \$500K
  - Prop Tax Incr. ~ \$90,977/1¢ (30.78¢) \$2.8M
  - Use of ½¢ Sales Tax \$1.5M
  - Use of Fuel Savings/Contingency \$600k
  - Light Fleet Vehicle Replacement Fund \$900k



## COCHISE COUNTY

# Consequences of Shortfall

- Reduced CCF in GF, FCD, ½¢, Fleet Fuel & Vehicle Replacement
- Reduced personnel levels = possible negative service level impacts
- Employee morale (turnover) – currently 17.8%
- Elimination of future years options (vehicle replacement, fuel savings, FCD)
- Opportunities to use one-time fixes are gone
- The good news - provides environment for innovation



## COCHISE COUNTY

# Ongoing Budget Committee Projects

- Established Budget Committee
  - Facilities
    - Utility study, CIP and space consolidation plan
    - Willcox and BDI marketing plan
    - Disposition of Douglas Hospital and Tovreaville
  - Strategic Partnerships and Contracts
    - Solid Waste operational efficiency analysis
    - Jail Medical and Janitorial privatization
    - Court Consolidation Agreement Reviews
    - Mental Health Services
    - Juvenile Detention consolidation
    - Regional Communications Center
    - Regional Evidence Storage



## COCHISE COUNTY

# Ongoing Budget Committee Projects (cont'd)

- Services
  - Mandatory/Non-mandatory services review
- Technology
  - Consolidate/maximize New World and other primary databases
  - Expand online interface - new website template; web mapping
  - Virtual offices
- Ongoing efforts
  - Vehicle assignments, utilization and downsizing
  - Defensive driving and equipment/vehicle operator safety training



## COCHISE COUNTY

# Ongoing Budget Committee Projects (cont'd)

### – Ongoing efforts

- Copier utilization
- Cell phone utilization
- Fee schedule analysis
- Identify additional revenue sources – ½ cent transportation sales taxes; jail district
- Digital document processing



**COCHISE COUNTY**

# Property Tax History

	2011	2012	2013	2014	2015	2016
Primary Valuation	\$ 1,049,827,355	\$ 1,038,327,080	\$ 1,006,475,403	\$ 955,783,522	\$ 920,583,366	\$ 909,774,049
Tax Rate	2.6276	2.6276	2.6276	2.6276	2.6276	2.6276
Levy	\$ 27,585,264	\$ 27,283,082	\$ 26,446,148	\$ 25,114,168	\$ 24,189,249	\$ 23,905,223
1 cent =	\$ 104,983	\$ 103,833	\$ 100,648	\$ 95,578	\$ 92,058	\$ 90,977

**COCHISE COUNTY**

# Property Tax 24 Year History

<u>24 Year Property Tax History</u>							
	Net Primary Valuation		Tax Rate		Levy		1 cent =
1993	\$ 390,561,309		3.0609		\$ 11,954,691		\$ 39,056
1994	\$ 404,496,637		3.0609		\$ 12,381,238		\$ 40,450
1995	\$ 409,738,705		3.0309		\$ 12,418,770		\$ 40,974
1996	\$ 421,678,814		2.9995		\$ 12,648,256		\$ 42,168
1997	\$ 437,540,198		2.9873		\$ 13,070,638		\$ 43,754
1998	\$ 446,503,626		2.9873		\$ 13,338,403		\$ 44,650
1999	\$ 457,578,184		2.9873		\$ 13,669,233		\$ 45,758
2000	\$ 492,396,096		2.9373		\$ 14,463,151		\$ 49,240
2001	\$ 504,130,498		2.9373		\$ 14,807,825		\$ 50,413
2002	\$ 537,737,089		2.9373		\$ 15,794,952		\$ 53,774
2003	\$ 570,409,342		2.9373		\$ 16,754,634		\$ 57,041
2004	\$ 610,807,728		2.9373		\$ 17,941,255		\$ 61,081
2005	\$ 664,734,679		2.9373		\$ 19,525,252		\$ 66,473
2006	\$ 734,609,559		2.9160		\$ 21,421,215		\$ 73,461
2007	\$ 812,722,290		2.8653		\$ 23,286,932		\$ 81,272
2008	\$ 903,521,761		2.6759		\$ 24,177,339		\$ 90,352
2009	\$ 986,677,834		2.6425		\$ 26,072,962		\$ 98,668
2010	\$ 1,042,041,186		2.6276		\$ 27,380,674		\$ 104,204
2011	\$ 1,049,827,355		2.6276		\$ 27,585,264		\$ 104,983
2012	\$ 1,038,327,080		2.6276		\$ 27,283,082		\$ 103,833
2013	\$ 1,006,475,403		2.6276		\$ 26,446,148		\$ 100,648
2014	\$ 955,783,522		2.6276		\$ 25,114,168		\$ 95,578
2015	\$ 920,583,366		2.6276		\$ 24,189,249		\$ 92,058
2016	\$ 909,774,049		2.6276		\$ 23,905,223		\$ 90,977



## COCHISE COUNTY

# 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



## COCHISE COUNTY

# Budget Issues (Cont'd)

- **Fuel/Vehicle Replacement** - Approved dollars (\$800k) were not moved to General Fund for FY15/16. These would be available for FY16/17
- **Highways Funding** - \$1 million not needed for ops
- **BDI Water System** - \$1 million needed
- **Solid Waste**
  - Rural Transfer Stations – Continued 1/2¢ Subsidy - \$288,874
  - 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



**COCHISE COUNTY**

# Budget Issues (Cont'd)

## Personnel Related Issues

- Insurance
  - Health - Affordable Care Act
  - Use of CCT CCF – discontinue health insurance rebates and premium holiday.
  
- Comp Plan – Ongoing costs
  - Salary Savings - \$940,000
  
- One-time Distributions
  - CCF previous and current year
  - Based on performance



# COCHISE COUNTY

## 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 increase based on Hall case (employee contribution))



**COCHISE COUNTY**

# 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

- FTE's
  - Does not include requests from Departments for FY 16/17

**COCHISE COUNTY**

# Cash Carry Forward

- Current General Fund CCF \$30.0M
  - Cash Flow \$21M
  - Available \$ 9.0M
  
- ½¢ Sales Tax CCF \$13.8M
  - Designated Projects \$ 3.6M
  - Available \$ 10.2M



## COCHISE COUNTY

# Use of Cash Carry Forward

- CCF Available (FY 15/16) ~ \$9.0M
  - Does not include \$21M for cash flow
- Can offset overall shortfall
  - FY 15/16 – FY 16/17 (\$6.5M)
- Not sustainable
  - Projections for Rev/Exp based on estimates



# COCHISE COUNTY

## 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
			Total	Undesignated	(TO) Oth Funds	
<b>REVENUES:</b>						
1/2 Cent Sales Tax Carry Over	14,847,816					\$14,847,816
1/2 Cent Sales Tax FY 16/17		6,700,000				\$6,700,000
Other Funds	0			101,500	0	\$101,500
<b>Totals Revenues</b>	<b>\$14,847,816</b>	<b>\$6,700,000</b>		<b>\$101,500</b>	<b>\$0</b>	<b>\$21,649,316</b>
<b>EXPENSES:</b>						
General Fund Budgets 100	150,726	3,300,187	49.26%			\$3,450,913
Solid Waste (Fund 505)	0	288,874	4.31%			\$288,874
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
Wireless (Fund 450-1800-1860)	0	50,000	0.75%			\$50,000
BDI Water	0	1,000,000	14.93%			
Highways Fund 251	0	300,000	4.48%			\$300,000
Capital Projects (Fund 400)	3,649,264	20,500	0.31%	0	0	\$3,669,764
Undesignated (Fund 400)	\$10,156,323	1,590,439	23.74%	100,000	0	\$11,846,762
<b>GRAND TOTAL CAPITAL PROJECTS</b>	<b>\$14,847,816</b>	<b>\$6,700,000</b>	<b>100.00%</b>	<b>\$101,500</b>	<b>\$0</b>	<b>\$21,649,316</b>



## COCHISE COUNTY

# ½ ¢ Sales Tax

- \$500k decrease projected for FY 16/17 (\$6.7M)
- CCF (Projected – end of FY 15/16) - \$ 10.2M (Undesignated)
- Recommend Reduction of \$200,000 to Computer Replacement – fund at the end of this FY will be \$700k
- New Revenue ~ \$1.6 Undesignated
- BDI Water System - \$1.0M
- Decision Packages for FY 16/17
  - We have built in \$350,000 to General Fund as placeholder but requests will exceed that considerably
- Highways
  - \$300k – Ongoing funding for BOS transportation-related projects



## COCHISE COUNTY

# FY 15/16 Fuel Contingency

Gas budgeted at \$2.50/gal

### General Fund - Gas

- Projected end of FY 15/16 Fuel Contingency \$905k
- Grants pay full cost of fuel
- 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



## COCHISE COUNTY

# Light Fleet Replacement

- Projected end of FY15/16 CCF ~ \$3.136 million
- Annual allocation to replacement account ~ \$1.002 million
- Projected FY 16/17 expense ~ \$465,961 (does not include trade-ins)
- Recommend use of \$900k from CCF for General Fund



## COCHISE COUNTY

# 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) - \$2.3 million/year
  - Assess possible 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 – will review DPs in a few weeks



## COCHISE COUNTY

# 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



## COCHISE COUNTY

# 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
- BOS Direction



**COCHISE COUNTY**

Questions?

*Public Programs...Personal Service*

