

COCHISE COUNTY

Expenditure Limit

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Public Programs...Personal Service

Agenda

- History
- The basis
- Expenditure Limit Reporting
 - Budget
 - Actual
- Penalties for exceeding the Expenditure Limit
- Options for working with the Expenditure Limit
- Board Direction



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History

- Why?
 - Property valuations rose
 - Property tax bills rose
 - Personal income status quo
 - Government spending grew
- Legislature's interest
 - Lessen property tax burden
 - Reduce government spending



History

- November 1978
 - Prop 101 passed
 - Set the expenditure limit (EL) for the State
 - 7% of Personal Income for all State residents
 - Created the Economic Estimates Commission (EEC)
- Local governments continued to spend



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History

- Special election in June 1980
 - Set the EL for the Local Governments
 - Purpose: limit Local Revenues only
 - EEC calculates and publishes the amounts
 - Preliminary by February 1st
 - Final by April 1st



The Basis

- Base = FY1979-1980 actual expenditures
- Adjusted annually for:
 1. Inflation
 2. Population Growth
- Why?
 - Most recent data available
 - By June, little opportunity to impact the total expenditures



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The Basis

- Cochise County
 - FY1980 expenditures = \$13,340,485
 - 1978 Population = 80,200
 - Inflation Factor changes each year
- FY17 expenditure limit
 - 2015 Population X Inflation Factor X FY1980 Base
1978 Population
 - 135,393 X 2.9194 X \$13,340,485 = \$65,748,995
80,200



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Expenditure Limit Reporting (ELR)

- Budget
 - Beginning of process
 - ❖ Review estimate from EEC
 - ❖ Determine increase/decrease
 - Final
 - ❖ Budgeted amounts do not exceed EL
 - ❖ State Budget report shows calculation



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Expenditure Limit Reporting (ELR)

- o Actual

- Uniform EL reporting process
- Report due 9 months after June 30th
(March 31)
- Requirements:
 1. ELR
 2. Financial Statements
 3. Reconciliation
 4. Supporting Notes



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Expenditure Limit Reporting (ELR)

- Calculation
 - EEC EL Amount
 - County expenditures subject to the EL
Amount Under/Over the EL
- All fund types are included
 - Total expenditures/expenses
 - Subtractions
 - + Additions
 - Exclusions
 - County expenditures subject to the EL



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Penalties for Exceeding the EL

- Penalty applies if EL is exceeded with no approval
- Auditor General (AG) must hold a hearing
- BOS is notified to reduce the “allowable levy of primary taxes”
- Impact is on next fiscal year



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Options for Working with the EL

- Use ALL allowable:
 - Subtractions
 - Additions
 - Exclusions
- For capital project needs
 1. Research all possible opportunities for funding
 2. Determine direction.
- Create a capital improvement plan



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Options for Working with the EL

- One Time Adjustments
 - Natural disaster(s) declared by the Governor
 - * Authorized by 2/3 vote of BOS
 - * No impact to future years
 - Natural disaster(s) declared by the BOS only
 - * Approved by 70% of the BOS
 - * If approved by public vote, no impact
 - * If not approved by public vote some impact



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Options for Working with the EL

o One Time Overrides

- Voter approval
- Is NOT; alternative EL for a year
- IS; o.k. to exceed the EL by a specific amount
- No review by the AG
- Election requirements must be met



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Options for Working with the EL

- Permanent Adjustment to the Base
 - Majority vote is required
 - All election requirements must be met
 - Documents submitted to AG
 - ❖ 60 days prior to election
 - ❖ Before pamphlets are distributed
 - Auditor General has 15 days to review
 - No changes made to documents



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Options for Working with the EL

- Permanent Adjustment to the Base
 - Pamphlet
 - ❖ Produce and distribute(mail)
 - ❖ Specifics of the change
 - ❖ Send one to AG for review
 - ❖ Distributed before first date that voters can receive early ballots
 - Ballots must comply with elections requirements
 - Must notify AG and EEC with results



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Future Impact

FY17 expenditure limit

$$\frac{135,393}{80,200} \times 2.9194 \times \$13,340,485 = \$65,748,995$$

Increase base by \$500,000

$$\frac{135,393}{80,200} \times 2.9194 \times \$13,840,485 = \$68,213,260$$

Increase base by \$1M

$$\frac{135,393}{80,200} \times 2.9194 \times \$14,340,485 = \$70,677,526$$



Summary

- EL Requirements are quite specific
- Options available to manage
- Permanent Adjustment is not immediate
- Board direction?



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Questions?

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