



Coconino County News Release—For Immediate Release

From: Coconino County Board of Supervisors
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County Manager Proposes County Budget for Fiscal Year 2011

Flagstaff, Az. – Coconino County officials kicked off their annual budget meetings on Monday with County Manager Steve Peru presenting the proposed Fiscal Year 2011 (FY11) overall budget to the Board of Supervisors. The FY11 operating budget is \$150 million, which includes \$52 million in the General Fund, which funds most County services. The remaining funds are restricted to specific designated activities, such as the library and jail districts.

The County Manager presented a balanced budget despite County General Fund revenues still lagging (down over \$6 million) due to the continuing economic slowdown and State cuts and cost shifts totaling over \$3.5 million. The Board of Supervisors will review the County Manager's proposed budget over the next two weeks during public meetings, and will make a final decision on the FY 2011 budget in June.

Some County services that have been impacted by these often severe cuts and shifts include law enforcement, probation services, road maintenance, solid waste services, the Healthy Families Program, and the closure of Cataract Lake Campground located near Williams, to name a few.

A key objective of the proposed FY11 budget is to continue to preserve essential County services wherever possible. However, with over 100 positions frozen, some services have been impacted. The County Manager's proposed budget identifies the possible elimination of 17 positions, of which 14 are currently vacant. County officials will work to place the remaining individuals in other County positions, or assist them in seeking new employment. Employee pay was frozen in FY10 and the freeze will continue through FY11.

To deal with the continuing cost shifts from the State, and strict limits on available revenue sources, County Manager Peru is recommending the Board of Supervisors approve a 25¢ property tax rate, the maximum allowed by statute, for the new Public Health Services District (PHSD). For example, the owner of a home valued at \$300,000 would pay approximately \$80 per year more in property taxes, or less than \$7 per month. Property tax bills reflect many taxing entities, such as school districts and fire districts, and thus vary across the County.

It is important to note that even with the estimated \$5 million revenue from the new PHSD tax, current and future cuts must still total \$3 million in order to balance the FY11 General Fund

budget. Over the past two fiscal years, the County has cut expenditures in the General Fund by over \$11 million, which represents an approximate 20% reduction.

Even with the additional tax, Coconino County will still have the second lowest property tax rate in the State. Coconino County collects property taxes for all local governments located within the County and distributes them proportionately to schools, cities and special districts. The County General Fund receives only 6¢ of every property tax dollar collected.

If the statewide 1¢ sales tax (Proposition 100) is not approved by voters in the upcoming May 18 election, then the County faces an estimated \$4 million increase in jail costs, as a result of the Department of Corrections transferring prisoners to the County detention facility. In addition, the County will need to find an additional \$400,000 to pay judges' salaries. Furthermore, County officials expect to see at least \$1 million more in County costs due to additional State program cuts and cost shifts.

The County also faces the potential elimination of key federal funding for schools and roads in the near future. As a result, the County's budget challenges may actually worsen in FY2012 and FY2013.

Budget History

Coconino County's continuing prudent long-term fiscal management practices have helped mitigate the impact of lower tax collections due to the recession. For several years, the County only budgeted for essential County services to a "recessionary level" for all revenue types, and used these conservative forecasting methods to determine when, and if, the County's workforce grew. Consequently, the County's employment-associated costs have been restrained and are proportionately lower.

During the same time period, the County used tax collections **above** "recessionary levels" only for one-time expenses. In 2008, previously outstanding construction debt was paid off, saving \$1 million in interest and eliminating annual debt payments. The financing was used to pay for several construction projects, such as the Courthouse renovation, and the construction of the Health and Community Services building and the 110 E. Cherry Avenue building.

Actual tax collections above the recessionary levels were also used to build a "revenue smoothing" reserve to be used during recessionary times to maintain a consistent level of services. The use of those reserves, along with efficiencies, minimized the reductions and/or elimination of key services with the downturn of the economy.

For more information, call the County Manager's Office at (928) 679-7166; or toll-free (877) 679-7120.

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